



**17 October, 2014**

**ASX CODE: WSA**

Australian Securities Exchange  
Level 8 Exchange Plaza  
2 The Esplanade  
Perth Western Australia 6000

Dear Sirs,

**NOTICE OF ANNUAL GENERAL MEETING 2014**

In accordance with the ASX Listing Rules, attached is a copy of the Western Areas Ltd Notice of Annual General Meeting including Explanatory Statement and sample proxy form that will be mailed to shareholders.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Joseph Belladonna', written in a cursive style.

Joseph Belladonna  
Chief Financial Officer  
& Company Secretary



**WESTERN AREAS LTD**



# NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

Meeting to be held at Frasers Function Room 1, Fraser Avenue, Kings Park, Western Australia, 6005 on Thursday, 20 November 2014 at 3.00pm (WST)

The Company is a designated foreign issuer as defined by Canadian National Instrument 71-102 – “Continuous Disclosure and Other Exemptions Relating to Foreign Issuers” and is subject to Australian law and the regulatory requirements of the Australian Securities and Investment Commission.

Western Areas Annual Report is now available at the Company’s website [www.westernareas.com.au](http://www.westernareas.com.au)

This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

### VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 3.00pm (WST) on Thursday, 20 November 2014 at:

Fraser's Function Room 1  
Fraser Avenue  
Kings Park, Western Australia, 6005

### YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

### VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

Voting by proxy can be completed in one of the following ways:

- a) Online: at [www.investorvote.com.au](http://www.investorvote.com.au)
- b) Mobile: scan the QR Code on the enclosed Proxy Form and follow the prompts
- c) By mail: complete and sign the enclosed Proxy Form and return to:  
Computershare Investor Services Pty Limited  
GPO Box 242, Melbourne VIC 3001 Australia
- d) By Fax: complete and sign the enclosed Proxy Form and fax to:  
Inside Australia 1800 783 447  
Outside Australia +61 3 9473 2555
- e) Custodian voting: For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

Votes must be received no later than 3.00pm (WST) on Tuesday, 18 November 2014.

**Proxy Forms received later than this time will be invalid.**

# NOTICE OF MEETING

Notice is given that the Annual General Meeting (**AGM**) of Western Areas Ltd (**Company**) will be held at Frasers Function Room 1, Fraser Avenue, Kings Park, Western Australia, 6005 on 20 November 2014 commencing at 3.00pm (WST).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Statement, Schedule and the enclosed Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting, Schedule and Explanatory Statement are defined in the Glossary.

## AGENDA

### 1 WELCOME ADDRESS

By Mr Ian Macliver, Independent Non-Executive Chairman.

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### 2 FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report of the Company for the financial year ended 30 June 2014 together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report.

**Note:** There is no requirement for Shareholders to approve these reports.

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### 3 RESOLUTIONS

#### ORDINARY BUSINESS

#### Resolution 1 – Election of Independent Non-Executive Director – Mr Craig Readhead

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Craig Readhead, who was appointed as a Director by the Board on 26 June 2014 and is retiring in accordance with clause 17.3 of the Constitution, be elected as a Director of the Company.”*

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#### Resolution 2 – Election of Independent Non-Executive Director – Mr Timothy Netscher

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Timothy Netscher, who was appointed as a Director by the Board on 1 August 2014 and is retiring in accordance with clause 17.3 of the Constitution, be elected as a Director of the Company.”*

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### **Resolution 3 – Re-election of Executive Director – Mr David Southam**

**To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:**

*“That Mr David Southam, who retires by rotation in accordance with clause 17.4 of the Constitution and Listing Rules 14.4 and 14.5, be re-elected as a Director of the Company.”*

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### **Resolution 4 – Adoption of Remuneration Report**

**To consider and, if thought fit, to pass, with or without amendment, the following resolution as a non-binding resolution:**

*“That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2014.”*

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting exclusions on Resolution 4 are set out under the heading “Entitlement to Vote” below.

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## **SPECIAL BUSINESS**

### **Resolution 5 – Re-approval of the Western Areas Ltd Performance Rights Plan**

**To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:**

*“That the Western Areas Ltd Performance Rights Plan, the principal terms of which are summarised in the Explanatory Statement accompanying this Notice of Meeting, and the issue of Performance Rights under that plan (including the issue of Shares upon vesting of those Performance Rights), be approved by Shareholders for all purposes, including for the purposes of Listing Rule 7.2 Exception 9 and sections 200B and 200E of the Corporations Act.”*

Voting exclusions on Resolution 5 are set out under the heading “Entitlement to Vote” below.

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### **Resolution 6 - Issue of Performance Rights to Daniel Lougher**

**To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:**

*“That, for the purposes of Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 205,140 Performance Rights to Mr Daniel Lougher under the terms of the Company’s Performance Rights Plan (including the issue of Shares on the vesting of those Performance Rights), as detailed in the Explanatory Statement accompanying this Notice of Meeting.”*

Voting exclusions on Resolution 6 are set out under the heading “Entitlement to Vote” below.

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## Resolution 7 - Issue of Performance Rights to David Southam

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 86,560 Performance Rights to Mr David Southam under the terms of the Company's Performance Rights Plan (including the issue of Shares on the vesting of those Performance Rights), as detailed in the Explanatory Statement accompanying this Notice of Meeting."*

Voting exclusions on Resolution 7 are set out under the heading "Entitlement to Vote" below.

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# ENTITLEMENT TO VOTE

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## VOTING EXCLUSIONS

### Resolution 4 – Adoption of Remuneration Report

Pursuant to section 250R(4) of the Corporations Act, the Company is required to disregard any votes cast on Resolution 4 (in any capacity) by or on behalf of either:

- a) a member of key management personnel (**KMP**) of the Company, details of whose remuneration are included in the remuneration report; or
- b) a closely related party of such a member,

(each a **Prohibited Person**).

However, the Company will not disregard a vote if:

- a) the Prohibited Person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution, and the vote is not cast on behalf of a Prohibited Person; or
- b) that vote is cast by the person chairing the meeting as proxy for a person entitled to vote and their appointment expressly authorises the Chairman to exercise the proxy even though Resolution 4 is connected with the remuneration of the KMP of the Company.

If you are KMP or a closely related party of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may contravene the voting restrictions that apply to you under the Corporations Act.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of KMP include its Directors and certain senior executives.

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## Resolutions 5, 6 and 7 – Approval of Performance Rights Plan and issue of Performance Rights to Messers Lougher and Southam

The Company will disregard any votes cast on Resolutions 5, 6 or 7 by or on behalf of any Director (on the basis they are eligible to participate in the Company's Performance Rights Plan), any of their associates (as defined in the Corporations Act) respectively, and any votes cast as a proxy on Resolutions 5, 6 or 7 by a KMP or a KMP's closely related party, unless the vote is cast:

- a) by a person as proxy for a person who is entitled to vote in accordance with a direction on the proxy form; or
- b) by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

A vote must not be cast on Resolutions 5, 6 or 7 (as the case may be) by a KMP, or a closely related party of a KMP, acting as proxy if their appointment does not specify the way the proxy is to vote on Resolutions 5, 6 or 7 (as the case may be). However, the Company will not disregard any proxy votes cast on that resolution by a KMP if the KMP is the chair of the meeting acting as proxy and their appointment expressly authorised the chair to exercise the proxy even though the resolution is connected with the remuneration of the KMP for the Company.

## 4 CORPORATE PRESENTATION

By Daniel Lougher, Managing Director & CEO.

### BY ORDER OF THE BOARD OF DIRECTORS



Daniel Lougher  
Managing Director & CEO  
Western Areas Ltd  
17 October 2014



# NOTES

## EXPLANATORY STATEMENT

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Statement.

## PROXIES

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging proxy forms.

## CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of corporate representative form is enclosed if required.

## "SNAP SHOT" TIME

The Directors have determined, pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that the persons eligible to vote at the AGM are those who are registered Shareholders of the Company at 4.00pm (WST) on Tuesday, 18 November 2014.

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's AGM to be held on Thursday, 20 November 2014 at 3.00pm (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions.

This Explanatory Statement should be read in conjunction with the Notice of Meeting and Proxy Form. Capitalised terms in this Explanatory Statement are defined in the Glossary.



## FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the AGM will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2014 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report.

There is no requirement for Shareholders to vote on these reports and no vote will be taken on the reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. The Company's auditor, Crowe Horwath, will be present at the AGM and Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to the taking of questions at the AGM, written questions to the Chairman about the management of the Company or to the Company's auditor about:

- the preparation and content of the auditor's report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five business days before the Meeting date (that is, by 5.00pm (WST) on Thursday, 13 November 2014) to the Company Secretary.

## ORDINARY BUSINESS

### Resolution 1 – Election of Director – Mr Craig Readhead

#### Background to resolution

On 26 June 2014, Mr Craig Readhead was appointed as a Director by the Board.

Clause 17.3(b) of the Constitution and Listing Rule 14.4 require that any Director, other than the Managing Director, appointed by the Board holds office only until the conclusion of the next Meeting of the Members, and is eligible for election at that Meeting. As such Mr Readhead retires from office as at this Meeting, and being eligible, submits himself for election.

Mr Readhead is one of Australia's leading mining and resources lawyers having spent over 30 years practising across the spectrum of mining and corporate law including the development of large mining projects both domestically and internationally as well as resource based merger and acquisition activity. Importantly, Mr Readhead is a highly experienced non-executive director of a number of resource companies and is currently the Independent Chairman of successful South American gold producer Beadell Resources Ltd.

Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a partner of the national specialist mining and corporate law firm, Allion Legal.

Mr Readhead will be considered an independent member of the Board.

#### Board recommendation

The Board (other than Mr Readhead because of his interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 1.

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## **Resolution 2 – Election of Director – Mr Timothy Netscher**

### **Background to resolution**

On 1 August 2014, Mr Timothy Netscher was appointed as a Director by the Board.

Clause 17.3(b) of the Constitution and Listing Rule 14.4 require that any Director, other than the Managing Director, appointed by the Board holds office only until the conclusion of the next Meeting of the Members, and is eligible for election at that Meeting. As such Mr Netscher retires from office as at this Meeting, and being eligible, submits himself for election.

Mr Netscher has significant broad-based experience at senior levels in the international resources industry, in roles spanning marketing, operations management, project management and business development in Australia, South Africa, the USA and Indonesia. Specifically Mr Netscher has considerable experience in the nickel industry with senior executive roles at Impala Platinum Ltd, PT Inco and QNI Pty Ltd.

Mr Netscher is a Chartered Engineer and holds a BSc in Chemical Engineering, Bachelor of Commerce, an MBA, is a fellow of the Institution of Chemical Engineers and is a member of the Australian Institute of Company Directors. Mr Netscher is currently Chairman of Deep Yellow Ltd and is a non-executive director of St Barbara Mines Ltd and Gold Road Resources Limited as well as of the unlisted Aquila Resources.

Mr Netscher will be considered an independent member of the Board.

### **Board recommendation**

The Board (other than Mr Netscher because of his interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 2.

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## **Resolution 3 – Re-Election Of Director – Mr David Southam**

### **Background to resolution**

Clause 17.4(a) of the Constitution and Listing Rule 14.4 require that no Director may hold office for longer than 3 years or the third annual general meeting following their election, whichever is longer, without retiring and resubmitting themselves for re-election. As such Mr Southam retires from office by rotation at this Meeting, and being eligible, submits himself for re-election as a Director.

Mr Southam has been a Board member of the Company since 2010 and is a Certified Practising Accountant with over 20 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has held a variety of senior positions across the resources sector including being responsible for corporate development, large project financing transactions and life of mine offtake contracts with Chinese entities. Mr Southam has also held senior finance and accounting positions with Brambles, WMC Resources and ANZ Investment Bank. Mr Southam is currently a non-executive director of Sundance Resources Ltd.

### **Board recommendation**

The Board (other than Mr Southam because of his interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 3.

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## **Resolution 4 – Adoption Of Remuneration Report**

### **Non-binding resolution to approve the Remuneration Report**

#### **Background to resolution**

A considerable amount of time has been spent defining the Company's remuneration framework which was overwhelmingly passed by vote at all recent AGMs. There has been no material change to the remuneration structures or incentive programmes during the current year. It is noted that base salaries were frozen for the financial year ended 30 June 2014.

A summary of the framework is provided below. Full details of the remuneration outcomes can be found in the Remuneration Report set out from page 34 of the Company's 2014 Annual Report.

#### **Executive remuneration framework**

The remuneration framework is structured to align the Company closely to current market practice, most significantly around LTI. As such, the components of total annual remuneration for senior executives in FY14 included fixed remuneration (comprised of base salary, superannuation and non-monetary benefits, including salary sacrifice), target STIs and target LTIs. The annual LTI grant serves to place a larger portion of an executive's remuneration at-risk and to focus the executives on long-term Shareholder value generation.

#### **Fixed remuneration**

The Company is Australia's second largest nickel sulphide company (the first being BHP Billiton) with extensive operations in the Forrestania region including mining, processing, marketing and export of nickel concentrates. The fixed remuneration levels of senior executives for the 2014 financial year (FY14) remained comparable to market peers, furthermore executive remuneration levels were frozen for FY14 at the same levels as for the 2013 financial year (FY13).

#### **Short-term incentive**

Despite challenging commodity market conditions, the Company maintained a strong operational performance during FY14 with a reduction in unit costs, increase in profitability, increase in dividends all done so in a safe manner. While strong operational performance was achieved, no member of KMP achieved 100% of their target STI opportunity, reflecting the challenging nature of set key performance indicators (KPI). Above budgeted levels of performance were achieved for KPIs relating primarily to operational and financial KPI targets for the period.

In recognition of the difficult commodity price environment in FY13 the Executive Directors and other executives elected to voluntarily forfeit 50% of their respective STI payments earned during FY13.

The Remuneration Report for FY14 includes considerable detail on the KPIs that were used to assess performance and the rationale for their choice.

## Long-term incentive

The Company's Performance Rights Plan was overwhelmingly approved by Shareholders at the 2011 annual general meeting with annual grants being made under the Performance Rights Plan since the 2012 financial year. The intention of the LTI scheme is for executives to receive a grant of Performance Rights each year, ensuring that LTI forms a key component of executives' total annual remuneration so as to ensure that executives are focussed on long-term Shareholder value generation.

Subject to approval of Resolution 5, grants of LTIs for the 2015 financial year (FY15) will be on the following basis:

- (a) The LTI dollar value of grants made to executives was set at a fixed percentage of their base salary, ranging from 50% to 100% of base salary, depending on the executive's position within the Company. This level of LTI remains in line with market practice.
- (b) The Performance Rights will vest subject to a relative total shareholder return (TSR) hurdle, with the Company's TSR performance being assessed against a customised peer group of companies of a similar nature. No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance period, as compared to the TSR results for the peer group companies, is at or above the 50th percentile.
- (c) The FY15 grants are measured over a three year period which aligns with common market practice.

## Executive service agreements

All senior executives are employed under executive service agreements that broadly align with current market practices and are in accordance with current laws. The executive service agreements include notice periods ranging from 6 months up to the standard maximum of 12 months. There were no material changes to these agreements during the financial year.

## Non-Executive Director remuneration

For the second consecutive year, FY14 Non-Executive Directors fees were frozen. Non-Executive Directors have not had an individual fee increase for the last three years, since 1 July 2011.

## Non-binding Resolution and consequence of voting against Resolution 4

Shareholder approval is being sought to adopt the Remuneration Report under section 250R(2) of the Corporations Act. Shareholders are advised that pursuant to section 250R(3) of the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives an "against" vote of 25% or more of votes cast at the AGM, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the Company's remuneration policy, even if it receives less than a 25% "against" vote.

In addition, the Corporations Act sets out a “two strikes” re-election process. Under the “two strikes” re-election process, if the Company’s Remuneration Report receives an “against” vote of 25% or more of all votes cast at two consecutive annual general meetings (that is, “two strikes”), a resolution (the “spill resolution”) must be put to the second AGM, requiring Shareholders to vote on whether the Company must hold another General Meeting (known as the “spill meeting”) to consider the appointment of all of the Directors who must stand for re-appointment (other than the Managing Director). If the spill resolution is approved at the second AGM by a simple majority of more than 50% of the eligible votes cast, the spill meeting must be held within 90 days of that second AGM (unless none of the Directors, other than the Managing Director, stand for re-appointment).

The Company’s remuneration report did not receive an “against” vote of 25% or more at the Company’s previous annual general meeting held on 21 November 2013.

A reasonable opportunity will be given to Shareholders at the meeting to ask questions about, or make comments on, the remuneration report.

#### **Board recommendation**

The Non-Executive Directors recommend that Shareholders vote in favour of the resolution to approve the Remuneration Report. The Executive Directors whose remuneration has been disclosed in the Remuneration Report are interested in the outcome of this Resolution and therefore do not consider it appropriate to make a recommendation to Shareholders.

The Chairman of the Meeting intends to vote all available proxies to the extent expressly authorised in favour of this Resolution.

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### **SPECIAL BUSINESS**

#### **Resolution 5 – Re-Approval of The Western Areas Ltd Performance Rights Plan**

##### **Background to resolution**

Following an extensive review of the Company’s remuneration framework during 2011 the Company’s Performance Rights Plan was introduced and overwhelmingly approved by Shareholders at the AGM held on 18 November 2011. Listing Rule 7.2 Exception 9 requires an employee incentive scheme plan be re-approved every three years to continue to rely on exception 9.

## Listing Rule approval

Shareholder approval is being sought to approve the issue of Performance Rights under the Performance Rights Plan so that the Company will satisfy Listing Rule 7.2 Exception 9 (as an exception to Listing Rule 7.1).

Listing Rule 7.1 provides that without the approval of Shareholders, an entity must not issue or agree to issue equity securities which amount to more than 15% of its issued share capital in any rolling 12 month period. However, Listing Rule 7.2 sets out a number of exceptions to Listing Rule 7.1. These exceptions include Exception 9, which relates to an issue under an employee incentive scheme if within three years before the date of issue Shareholders have approved the issue of securities under the scheme.

If Resolution 5 is approved, all Performance Rights issued by the Company under the Performance Rights Plan (including the Shares issued on vesting of such Performance Rights) will be excluded from the 15% limit imposed by Listing Rule 7.1 for a period of 3 years from the date of the approval. In the absence of such approval, the issue of Performance Rights (and the Shares upon vesting of such Performance Rights) can still occur for the purposes of Chapter 7 of the Listing Rules, but those Performance Rights and Shares will be counted as part of the 15% limit which would otherwise apply during the relevant twelve month period.

## Plan details

There have been no material changes to the style or design of the Performance Rights Plan since it was last approved by shareholders at the 2011 AGM. It is noted that the Performance Rights Plan has matured since its initial implementation. The transitional provisions have been removed and performance periods for assessing TSR performance and time based service conditions for FY14 grants and grants going forward, are now measured over a minimum three year period. No vesting will occur until a minimum three year period, ensuring long-term alignment of interests with shareholders

Under the Performance Rights Plan, senior executives are granted Performance Rights which represent a right to be issued or transferred shares at a future point, subject to the satisfaction of performance hurdles (outlined below). No exercise price is payable and eligibility to participate in the Performance Rights Plan is at the Board's discretion.

Most significantly, the Performance Rights Plan enables the Company to make annual grants to senior executives so that LTIs form a key component of their total annual remuneration.

2,279,935 Performance Rights have been issued under the Performance Rights Plan since the Performance Rights Plan was last approved by Shareholders at the Company's 2011 AGM on 18 November 2011. 1,851,464 remain unvested as at the date of this report.

The LTI quantum to be granted will be determined with reference to market practice and will be subject to approval by Shareholders.

The LTI dollar value that senior executives will be entitled to receive is set at a fixed percentage of their annual fixed remuneration and ranges from 50% to 100% of fixed remuneration, depending on the participant's level of seniority. This level of LTI is broadly in line with current market practice.

The Board believes that the grants made under the under the Performance Rights Plan have served their purpose of acting as a key retention tool and focusing executives on future Shareholder value generation.

The grants made under the Performance Rights Plan will remain subject to the satisfaction of challenging performance hurdles. Relative TSR continues to be an appropriate performance measure of the Company's performance, and is commonly used by companies listed on the ASX. Relative TSR is a forward-looking performance measure that drives continued and sustainable growth.

TSR is a forward-looking performance measure that drives continued and sustainable growth, measuring the return received by Shareholders from holding Shares in the Company over the three year performance period. No reward will be provided to senior executives unless the Company's TSR performance positions it at the 50th percentile or greater against peers. No retesting will be permitted.

It is proposed that any Performance Rights will be issued to participants in accordance with the rules of the Performance Rights Plan. A copy of the Performance Rights Plan will be made available for inspection at the Company's registered office before the Meeting and at the Meeting. A summary of the principal terms of the Performance Rights Plan rules is set out in the Schedule to this Explanatory Statement

A voting exclusion statement for Resolution 5 is included in the Notice of Meeting.

#### **Sections 200B and 200E of the Corporations Act**

The Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a "managerial or executive office" if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including where the aggregate benefits do not exceed one year's average base salary). This restriction applies to all KMP.

The term "benefit" in this context is broad, and may include the accelerated vesting of Performance Rights. As outlined in the summary of the terms of the Performance Rights Plan in the Schedule to this Notice, the Board has the discretion to determine that some or all of the Performance Rights vest early:

- (a) in certain specified circumstances, upon the cessation of employment of relevant KMP; or
- (b) if there is a change of control of the Company.

Shareholder approval is also sought so that the accelerated vesting of Performance Rights and the issue of Shares on their vesting in the above circumstances (**Benefits**) does not count towards such maximum termination benefits payable without Shareholder approval.

Shareholder approval of Resolution 5 will allow the Company, where appropriate, to exercise its discretion under the Performance Rights Plans in an equitable manner for all employees equally. If Resolution 5 is not approved, employees who are KMP may not be able to receive Benefits that are available to all other employees unless subsequent Shareholder approval is obtained. Further, equity linked benefits such as the Performance Rights issued under the Performance Rights Plan align the interests of senior executives and Shareholders, and the Directors believe granting approval of Resolution 5 is better for Shareholders than, for example, the Company increasing cash awards in future in lieu of share benefits. Shareholder approval is also expected to assist the Company to retain, motivate and attract key employees.

Details of the Performance Rights that may vest in FY16 for current KMP are set out in the 2014 remuneration report. For Performance Rights, the value of the benefit will depend on the number of Performance Rights that may vest and the market value of Shares at the time of vesting.

The precise value of the Benefits cannot be ascertained at the present time. Apart from the future Share price being unknown, the following are matters which will or are likely to affect the value of the Benefits:

- (a) the number of unvested Performance Rights held by the relevant KMP prior to the cessation of their employment;
- (b) reasons for cessation of employment; and
- (c) the exercise of the Directors' discretion at the relevant time.

It should be noted that, notwithstanding an approval by Shareholders of Resolution 5, any future grant of Performance Rights to a Director will remain subject to Shareholder approval under Listing Rule 10.14.

#### **Board Recommendation**

The non-executive Directors recommend that Shareholders vote in favour of Resolution 5 to approve the Performance Rights Plan. The executive Directors may be interested in the outcome of this Resolution and therefore do not consider it appropriate to make a recommendation to Shareholders.

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### **Resolutions 6 & 7 – Issue of Performance Rights To Mr Daniel Lougher And Mr David Southam**

#### **Background to resolutions**

At the 2011 AGM, Shareholders of the Company overwhelmingly approved the introduction of the Performance Rights Plan for the senior executives of the Company. For the purposes of making FY15 grants, Resolutions 6 and 7 seek Shareholder approval for the issue of 205,140 Performance Rights to Mr Lougher and 86,560 Performance Rights to Mr Southam in accordance with the Performance Rights Plan.

#### **ASX Listing Rules**

Listing Rule 10.11 provides a general restriction against issuing equity securities (including Performance Rights) to "related parties" (which include directors) without shareholder approval.

Listing Rule 10.14 provides that a Company must not issue equity securities to a director of the Company under an employee incentive scheme unless the issue has been approved by holders of ordinary securities. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under either Listing Rule 7.1 or 10.11.

Under Resolutions 6 and 7, the Company seeks approval, for the purposes of Listing Rule 10.14, from Shareholders for the issue of Performance Rights to Messers Lougher and Southam which constitute the issue of equity securities to directors under an employee incentive scheme.



## **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of “financial benefits” to “related parties” by a public company.

For the purposes of Chapter 2E of the Corporations Act, Messers Lougher and Southam, being Directors, are “related parties” of the Company and the grant of Performance Rights pursuant to the Performance Rights Plan will constitute the giving of “financial benefits”.

The Board (other than Messers Lougher and Southam, because of their interest in Resolutions 6 and 7 respectively) considers that the grant of Performance Rights to Messers Lougher and Southam is an appropriate and reasonable component of their remuneration, and that the financial benefit represented by the grant of the Performance Rights falls within the “reasonable remuneration” exception in section 211 of the Corporations Act. For this reason, the Company is not seeking Shareholder approval of Resolutions 6 and 7 for the purposes of Chapter 2E of the Corporations Act.

## **Sections 200B and 200E of the Corporations Act**

As noted above in relation to Resolution 5, the Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a “managerial or executive office” if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including where the aggregate benefits do not exceed one year’s average base salary).

The term “benefit” in this context is broad, and may include the accelerated vesting of Performance Rights. As outlined in the summary of the terms of the Performance Rights Plan in the Schedule to this Notice, the Board has the discretion to determine that some or all of the Performance Rights vest early:

- (a) in certain specified circumstances, upon the cessation of employment of Messers Lougher and Southam; or
- (b) if there is a change of control of the Company.

Upon termination of employment, unvested Performance Rights will be treated in accordance with the Plan Rules. Where a participant ceases employment or office as a “Bad Leaver” (eg. resignation, serious misconduct, etc.), all unvested Performance Rights will automatically be forfeited by the participant and lapse (unless the Board determines otherwise in its sole and absolute discretion). Where a participant ceases employment or office as a “Good Leaver” (ie. where the participant ceases employment and is not classified as a Bad Leaver, for example upon death, disability, etc.), the Board may determine in its sole and absolute discretion to allow some or all of the unvested Performance Rights held by that participant to vest and be automatically exercised.

If the Board were to exercise its discretion to vest some or all of the Performance Rights early in the circumstances referred to above, this may amount to the giving of a termination benefit requiring Shareholder approval in accordance with the Corporations Act. Shareholder approval is also being sought for any such benefit which Messers Lougher or Southam may receive due to accelerated vesting of Performance Rights.

Details of Messers Lougher's and Southam's remuneration, including other termination benefits, are set out in the Company's 2014 Remuneration Report.

For Performance Rights, the value of the benefit given upon accelerated vesting will depend on a number of factors, and accordingly cannot be calculated at the present time. Apart from the future price of Shares being unknown, the following are matters which will or are likely to affect the value of the benefit:

- (a) the number of unvested Performance Rights held by Messers Lougher or Southam prior to the cessation or employment of occurrence of a change of control;
- (b) the reasons for cessation of employment; and
- (c) the exercise of the Directors' discretion at the relevant time.

#### **Listing Rules information requirements**

In compliance with the information requirements of Listing Rule 10.15, Shareholders are advised of the information below. Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the proposed grant of Performance Rights contemplated by Resolution 6 and 7.

*(a) Identity of the related parties to whom Resolutions 6 and 7 apply.*

The Performance Rights will be granted to Daniel Lougher (the Managing Director and Chief Executive Officer) and David Southam (Executive Director).

*(b) Nature of securities to be issued pursuant to Resolution 6 and 7*

It is proposed that the Company issues Performance Rights to each of Messers Lougher and Southam pursuant to the Performance Rights Plan.

*(c) Maximum number of securities to be issued pursuant to Resolutions 6 and 7*

Resolution 6 seeks approval from Shareholders to allow the Company to issue a maximum of 205,140 Performance Rights to Daniel Lougher.

Resolution 7 seeks approval from Shareholders to allow the Company to issue a maximum of 86,560 Performance Rights to David Southam.

*(d) Key terms of issue of the Performance Rights*

##### Performance period

The Performance Rights the subject of Resolutions 6 and 7 will vest subject to the below vesting conditions and performance hurdles assessed over a three year period.

##### Vesting conditions and performance hurdles

The Performance Rights will vest subject to:

- Continuous service up to 30 June 2017; and
- Performance assessed against a three year relative TSR hurdle for the period 1 July 2014 to 30 June 2017.

#### Vesting conditions and performance hurdles

The Performance Rights will also be tested against a three year relative TSR hurdle for the period 1 July 2014 to 30 June 2017.

The relative TSR performance will be assessed against the performance of a custom peer group of companies as follows:

Aditya Birla Minerals Ltd	Gindalbie Metals Ltd	Oz Minerals Ltd
Aquarius Platinum Ltd	Hillgrove Resources Ltd	PanAust Ltd
Altona Mining Ltd	Independence Group NL	Paladin Energy Ltd
Alumina Ltd	Medusa Mining Ltd	Panoramic Resources Ltd
Beadell Resources Ltd	Mincor Resources NL	Rex Minerals Ltd
Bougenville Copper Ltd	Mirabela Nickel Ltd	Sandfire Resources Ltd
Cudoco Ltd	Mt Gibson Iron	Sirius Resources NL
Discovery Metals Ltd	OM Holdings Ltd	Zimplats Holdings Ltd

#### **The Performance Rights will become performance-qualified as follows:**

Relative TSR performance	Outcome
Less than 50th percentile	Nil
At the 50th percentile	50% of the relevant tranches grant will become performance-qualified
Between the 50th and 75th percentile	For each percentile over the 50th, an additional 2% of the relevant tranches grant will become performance-qualified
At or above the 75th percentile	100% vesting of the relevant tranche

Shareholders should note that both the three year TSR performance hurdle and the three year service condition must be satisfied in order for the Performance Rights to vest. As such, Messers Lougher and Southam will not receive any of the potential value from their FY15 LTI grant for any Performance Rights until the conclusion of the three-year performance period (i.e. at the end of the 2017 financial year).

There will be no retesting of performance. Any Performance Rights that fail to become exercisable due to a failure to satisfy the vesting conditions and performance hurdles will lapse and be forfeited.

The Shares to be issued upon vesting of the Performance Rights will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares, and will rank equally in all respects with the Company's existing Shares. The Company will apply for official quotation of the Shares on ASX.

A summary of the Performance Rights Plan is outlined in the Schedule to this Notice of Meeting.

*(e) Issue price and date of issue*

No cash consideration is payable by Messers Lougher and Southam at the time of grant of the Performance Rights, or upon the allocation of Shares to which each may become entitled to on the vesting and exercise of the Performance Rights.

It is expected that the Performance Rights will be granted to Messers Lougher and Southam as soon as practicable after Shareholder approval is received and in any event no later than twelve months from the date of the AGM, without obtaining further Shareholder approval.

*(f) Previous issues under the Performance Rights Plan*

The following grants have been made under the Performance Rights Plan to persons referred to in Listing Rule 10.14 since it was last approved by Shareholders at the Company's 2011 AGM:

Participant name	Number of Performance Rights	Remaining Unvested Performance Rights
Mr D Lougher	874,441	760,555
Mr D Southam	469,784	362,530

All Performance Rights granted since the Performance Rights Plan was last approved were issued for nil consideration.

*(g) Eligible participants under the Performance Rights Plan*

Executive Directors are entitled to participate in the Performance Rights Plan. Those persons who are presently entitled to participate in the Performance Rights Plan, and whose grant of Performance Rights are subject to Shareholder approval under Resolutions 6 and 7, are Messers Lougher and Southam.

*(h) Loans in relation to the acquisition of Performance Rights*

No loans will be made by the Company in connection with the acquisition of the Performance Rights.

A voting exclusion statement for Resolutions 6 and 7 is included in the Notice of Meeting.

### **Board recommendation**

The Board (other than Mr Lougher in respect of Resolution 6, and Mr Southam in respect of Resolution 7, because of their interest in Resolutions 6 and 7 respectively) has considered the corporate governance issues relevant to executive compensation arrangements, including the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" and has formed the view that the grant of the Performance Rights to the Directors on the terms and conditions set out in this Explanatory Statement is reasonable, that the value and quantum of the Performance Rights are not excessive nor unusual for a company of the Company's size in light of recent market practice of remuneration of officers in similar positions and Mr Lougher and Mr Southam's importance (both now and in the future) to the ongoing business operations of the Company.

The Board (other than Mr Lougher because of his interest in Resolution 6) unanimously recommends that Shareholders vote in favour of Resolution 6 to approve the grant of Performance Rights under the Performance Rights Plan to Mr Lougher.

The Board (other than Mr Southam because of his interest in Resolution 7) unanimously recommends that Shareholders vote in favour of Resolution 7 to approve the grant of Performance Rights under the Performance Rights Plan to Mr Southam.

### **ENQUIRIES**

Shareholders should contact the Company Secretary, Mr Joseph Belladonna on (+61 8) 9334 7777 if they have any queries in respect of the matters set out in these documents.

# GLOSSARY

<b>A\$ or \$</b>	Australian dollars.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial market conducted by it (the Australian Securities Exchange), as the context requires.
<b>Board</b>	the board of Directors.
<b>Company</b>	Western Areas Ltd ABN 68 091 049 357.
<b>Constitution</b>	the constitution of the Company, as amended from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Director</b>	director of the Company.
<b>Explanatory Statement</b>	the explanatory statement that accompanies the Notice.
<b>Listing Rules</b>	the Listing Rules of the ASX.
<b>LTI</b>	long term incentive.
<b>Meeting or General Meeting or Annual General Meeting</b>	the meeting convened by the Notice of Meeting.
<b>Notice or Notice of Meeting</b>	this Notice of Annual General Meeting.
<b>Performance Right</b>	an entitlement granted to a participant on the terms set out in the Performance Rights Plan to receive one Share subject to the satisfaction of applicable vesting conditions and/or performance hurdles.
<b>Performance Rights Plan</b>	the Company's Performance Rights Plan the subject of Resolution 5 as amended from time to time.
<b>Proxy Form</b>	the proxy form enclosed with and forming part of this Notice of Meeting.
<b>Resolutions</b>	the resolutions set out in the Notice of Meeting.
<b>Schedule</b>	a schedule to this Notice of Meeting and Explanatory Statement.
<b>Share</b>	fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	holder of a Share in the Company.
<b>STI</b>	short term incentive.
<b>WST</b>	Australian Western Standard Time.

# SCHEDULE - TERMS OF PERFORMANCE RIGHTS PLAN

A summary of the Performance Rights Plan is set out below:

<b>Purpose:</b>	<p>The purpose of the Performance Rights Plan is to:</p> <ul style="list-style-type: none"> <li>• assist in the reward, retention and motivation of eligible participants;</li> <li>• link the reward of eligible participants to Shareholder value creation; and</li> <li>• align the interests of eligible participants with Shareholders by providing an opportunity to eligible participants to receive an equity interest in the form of Performance Rights.</li> </ul>
<b>Eligibility:</b>	<p>The Performance Rights Plan is open to full time and part-time employees of the Company or its related bodies corporate (Group), Directors of any member of the Group, and any other person who is declared by the board of the Company (Board) to be eligible to participate in the Performance Rights Plan.</p>
<b>Instruments:</b>	<p>The Performance Rights Plan allows the Board to grant Performance Rights, with each Performance Right representing a right to acquire one Share, provided that the relevant vesting conditions and/or performance hurdles are satisfied.</p>
<b>Equity pool:</b>	<p>Unless Shareholders approve otherwise, up to 5% of the issued capital of the Company is available for grant under the Performance Rights Plan (assuming all outstanding Performance Rights granted under the Performance Rights Plan are exercised).</p>
<b>Grant of Performance Rights:</b>	<p>The individual grants of Performance Rights to those eligible to participate in the Performance Rights Plan will be as determined by the Board in its sole and absolute discretion, subject to any necessary Shareholder approvals.</p>
<b>Grant date:</b>	<p>The timing and frequency of the grant of Performance Rights will be as determined by the Board in its sole and absolute discretion.</p>
<b>Exercise price:</b>	<p>Performance Rights will be granted with a nil exercise price.</p>
<b>Life of Performance Rights:</b>	<p>Unless otherwise determined by the Board in its sole and absolute discretion, Performance Rights granted will have a maximum life of 4 years, such that if they are not exercised before the 4 year anniversary of their grant (<b>Expiry Date</b>) they will lapse.</p>
<b>Transferability of Performance Rights:</b>	<p>Performance Rights will not be transferable, other than:</p> <ul style="list-style-type: none"> <li>• to a nominated party of a participant, where the Board determines that that participant may do so;</li> <li>• with the prior consent of the Board; or</li> <li>• on a participant's death, to the participant's legal personal representative.</li> </ul>
<b>Rights attaching to Performance Rights:</b>	<p>Participants will have no voting or dividend rights until Performance Rights vest and are exercised, and the participants hold Shares.</p>
<b>Vesting conditions and performance hurdles:</b>	<p>The vesting of Performance Rights will be conditional on the satisfaction of any vesting conditions and/or performance hurdles which the Board has determined will apply to any Performance Rights.</p>
<b>Vesting notification:</b>	<p>When a Performance Right vests, the Company will issue a vesting notification to the relevant participant, after which the vested Performance Right will be automatically exercised within a period specified by the Board.</p>
<b>Lapsing conditions:</b>	<p>Unless otherwise determined by the Board in its sole and absolute discretion, any unvested Performance Rights will lapse on the earlier of:</p> <ul style="list-style-type: none"> <li>• the cessation of a participant's employment or office (subject to the rules governing cessation of employment summarised below);</li> <li>• where a participant has acted fraudulently, dishonestly, or wilfully breached their duties;</li> <li>• if any applicable vesting conditions and/or performance hurdles are not, or, in the opinion of the Board, cannot be, achieved by the relevant time; or</li> <li>• the Expiry Date.</li> </ul>

<p><b>Cessation of employment or office:</b></p>	<p>Where a participant ceases employment or office as a “Bad Leaver”, all unvested Performance Rights will automatically be forfeited by the participant and lapse, subject to the Board determining otherwise in its sole and absolute discretion.</p> <ul style="list-style-type: none"> <li>• A “Bad Leaver” is defined as a participant whose employment or office ceases in the following circumstances:</li> <li>• the participant is dismissed from employment or office due to serious misconduct, material breach of the terms of any contract of employment or office, gross negligence, or other conduct justifying summary dismissal;</li> <li>• the participant voluntarily resigns;</li> <li>• the participant ceases employment or office for any reason and acts in breach of any post-termination restrictions;</li> <li>• the participant being ineligible to hold office for the purposes of Part 2D.6 of the Corporations Act; or</li> <li>• any other reason the Board determines in its sole and absolute discretion.</li> </ul> <p>Where a participant ceases employment or office as a “Good Leaver”, the Board may determine in its sole and absolute discretion to allow some or all of the unvested Performance Rights held by that participant to vest and be automatically exercised. A “Good Leaver” is defined as a participant whose employment or office ceases and who is not a Bad Leaver.</p>
<p><b>Rights attaching to Shares:</b></p>	<p>All Shares acquired by participants upon the exercise of Performance Rights will rank equally with existing Shares on and from the date of acquisition.</p>
<p><b>Disposal restrictions on Shares:</b></p>	<p>Prior to the grant of any Performance Rights, the Board may impose disposal restrictions on Shares acquired by participants following the exercise of Performance Rights. The Board may do such things as it considers necessary to enforce a disposal restriction, including using an employee share trust or imposing an ASX holding lock. During any Share disposal restriction period, participants will have full dividend and voting rights.</p>
<p><b>Change of control event:</b></p>	<p>A change of control event occurs if:</p> <ul style="list-style-type: none"> <li>• a person or entity becomes a legal or beneficial owner of 50% or more of the issued share capital of the Company; or</li> <li>• a person or entity becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued share capital of the Company.</li> </ul> <p>In the event of a change of control event occurring, the Board may determine that some or all unvested Performance Rights will vest and be automatically exercised. Any Performance Rights that the Board determines will not vest in such circumstances will automatically lapse.</p>
<p><b>Bonus issues:</b></p>	<p>Subject to the Listing Rules, if there is a “bonus issue” (as that term is defined in the Listing Rules) to the holders of Shares, a participant is entitled (upon vesting of a Performance Right) to receive the number of Shares that the participant would have received if the Performance Right had vested before the record date for the bonus issue.</p>
<p><b>Pro rata issues:</b></p>	<p>If the Company makes a pro rata issue to the holders of Shares (except a bonus issue), then the number of Shares over which Performance Rights can be exercised will be reduced in accordance with the Listing Rules.</p>
<p><b>Reorganisation:</b></p>	<p>In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the issued capital of the Company, the number of Performance Rights to which each participant is entitled will be changed in accordance with the Listing Rules.</p>
<p><b>Limited rights to participate in new issues:</b></p>	<p>Subject to the rules above regarding “bonus issues” and “reorganisation”, during the currency of any Performance Rights and prior to their vesting, participants are not entitled to any new issues of Shares as a result of their holding Performance Rights.</p>
<p><b>Buy-back:</b></p>	<p>The Company may buy-back Performance Rights and/or Shares acquired upon exercise of Performance Rights in accordance with the rules of the Performance Rights Plan.</p>



**WESTERN AREAS LTD**

