

WESTERN AREAS LTD



**CORPORATE GOVERNANCE STATEMENT
2019**





This report outlines the Corporate Governance arrangements in place at Western Areas Ltd as at 18 October 2019. The Company believes it currently complies with all of the Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

CORPORATE GOVERNANCE OVERVIEW

Western Areas is committed to high standards of corporate governance in which the senior executives and the Board are accountable to its stakeholders. It is believed that good corporate governance is an essential component of sustained value creation and sound corporate governance practices should be reflected in our decision making and culture. The Board has developed policies to ensure that an appropriate level of corporate governance is in place. The corporate governance system is periodically reviewed by the Board to ensure that it fulfils the needs of our stakeholders and most importantly our shareholders.

The Board's approach in applying the Australian Stock Exchange ("ASX") Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" ("the Recommendations") is to ensure that Western Areas corporate governance policies and principles are established, implemented and monitored in such a way so as not to compromise or distract the Board and senior executives from their key goals and to enable the organisation to conduct its business in an efficient and effective manner.

In establishing its approach to new or emerging corporate governance developments, the Board takes into consideration the nature of the governance matter, the impact of immediate or accelerated change on the Company and the issues (particularly risks) associated with developing and implementing new policies, procedures or standards. In accordance with the Recommendations, this Corporate Governance Statement contains disclosures to the extent to which the Company has followed the guidelines during the period.

The Company's corporate governance policies, procedures and guidelines can be found in the Corporate Governance section of our website: www.westernareas.com.au

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board guides and monitors the business and affairs of Western Areas on behalf of the shareholders by whom they are elected and to whom they are accountable. The role and structure of the Board is defined in the Board Charter (Refer to the Corporate Governance section on our website: www.westernareas.com.au). The Board has responsibility for, and has the authority to determine, all matters relating to policies, practices, management, and operations. The Board is required to do all things necessary to determine the objectives and the strategy, and to ensure that the strategy is effectively implemented. Procedures are in place to enable Directors to seek independent professional advice at the Company's expense.

The performance of the Board and senior executives is reviewed against both measurable and qualitative indicators. The performance criteria against which Directors and senior executives are assessed is aligned with the financial and non-financial objectives of the Company. The functions reserved to the Board, delegations to senior executives and the process for evaluating the performance of senior executives are included in the Western Areas Corporate Governance Policies (Refer to the Corporate Governance page on our website: www.westernareas.com.au).

The Company Secretary is accountable directly to the Board on all matters related to the proper functioning of the Board. All Directors have direct access to the Company Secretary at any time.



PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The membership of the Board is considered by the full Board from time to time, having regard for the ongoing needs of the Company. The Board is structured to ensure that it has a proper understanding of, and competence to deal with, current and emerging issues of the business, the exercise of independent judgement and facilitating enhanced company performance. The skills, experience and expertise relevant to the position held by each Director in office at the date of this report is included in the Directors' Report contained in the Annual Report or available at the Company's website.

INDEPENDENCE

The Board comprises a majority of independent Directors.

Directors of Western Areas are considered to be independent when they are independent of management and free from any material business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the Company and individual Director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to influence the direction of the Company.

In accordance with the above definitions of independence and materiality, the following Directors of Western Areas are considered to be independent:

Name	Position
I Macliver	Non-Executive Chairman
R Yeates	Non-Executive Director
C Readhead	Non-Executive Director
T Netscher	Non-Executive Director
N Streltsova	Non-Executive Director

The Board has a Nomination Committee to assess the necessary and desirable competencies of a Board member and to evaluate the Board's performance. The Nomination Committee also reviews Board succession plans and makes recommendations for the appointment and removal of Directors. The Nomination Committee operates under a charter approved by the Board (Refer to the Corporate Governance section on our website www.westernareas.com.au). The charter details the role, rights, responsibilities and membership requirements for the Committee. The Nomination Committee has an independent Chair. For further details of the members of the Nomination Committee and their attendance at meetings of the Committee, refer to The Directors' Report contained in the Annual Report.



SKILLS MATRIX

A skills matrix is maintained as part of the Board performance review, and assessed against the Company's strategic direction and business objectives. The overall principle of the skills matrix assessment is to ensure that the Board has an appropriate balance between technical mining skills (engineering, metallurgy and geology), corporate acumen, entrepreneurial, financial and legal skills. As the Company operates entirely in the resources and exploration sector, resources related skills, experience and expertise are seen as an essential pre-requisite.

Desired Skill	Board members with skill (out of 6)
Leadership – Executive leadership experience in the mining industry	6
Strategy – Experience in developing and implementing strategic business plans	6
Mining and Geology – Technical resource industry experience, both locally and internationally.	4
Metal Offtake and Sales – experience in metal offtake, sales and marketing	3
Innovation – Research & development of exploration and processing technology	3
Financial acumen – Experience in financial reporting, treasury management and internal financial controls	3
Capital management – Experience in capital management strategies, corporate finance and capital markets	3
Governance & Risk – Commitment to governance and risk management	6

The appointment date and length of service for each Director as at the date of this report is below (and has been rounded to the nearest year).

Name	Date Appointed	Service
I Macliver	October 2011	8 years
D Lougher	May 2008	11 years
R Yeates	October 2009	10 years
C Readhead	June 2014	5 years
T Netscher	August 2014	5 years
N Streltsova	January 2017	3 years

In line with the Company's Board Performance Evaluation policy (Refer to the Corporate Governance section on our website www.westernareas.com.au) the Nomination Committee conducted one Board performance evaluation for the period. The Board performance evaluations generally require each member of the Board to rate the Board's performance against specific qualitative and quantitative criteria, with each year rotating through a different assessment process. The Company uses, on a rotational basis, group discussions, questionnaires and individual assessments. Assessments are conducted by the Nomination Committee and evaluated by the Board Chairman.

The 2019 year Board performance assessment will consist of a individual discussion between the members of the Board facilitated by the Chairman. This is scheduled for later in the 2019 calendar year.



Executive director and senior executive performance evaluations are conducted on an annual basis with ratings assigned against specific qualitative and quantitative criteria. Individual executives are also assigned a set of unique key performance indicators (KPI) for each financial year with performance toward meeting or achieving the KPI tracked and recorded.

DIVERSITY

The Company's Diversity policy (Refer to the Corporate Governance section our website www.westernareas.com.au) includes, but is not limited to, gender, age, ethnicity and cultural background. The policy ensures that roles and positions are filled by the best possible candidate available without discrimination.

The Company believes that diversity in the workplace is important across all of the various diversity measures. The Company's employee base contains a diverse range of staff that either originated or have been trained across a broad international geographic area and have varied work experience.

The Diversity policy outlines the requirements of the Board to develop measurable objectives for achieving diversity, and annually assesses both the objectives and the progress in achieving those objectives. The Company targets to increase diversity in senior appointments as positions become available. All appointments will be based on merit and expertise required to discharge the duties of such roles.

	30 June 2019	%	30 June 2018	%
Women on the Board	1	16	1	14
Women in Senior Management	2	8	1	5
Women employees in total	33	17	28	18

To assist in fostering diversity, the diversity policy includes the requirement for a least one female candidate to be shortlisted for all senior appointments (including Director appointments), should a suitably qualified candidate apply, or be identified, for the role.

The employment market for mining professionals remains very competitive, with limited supply of candidates across several key disciplines. The Company actively recruits, trains, mentors and promotes staff to secure diversity in gender, race and age across all levels and functions within our organisation, believing that by providing opportunities to the next generation of mining professionals today, we will develop the leaders who will enhance and grow not only our business, but our industry, into the future.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Board demand the Company maintain the highest levels of ethical conduct, and has in place a Code of Conduct to support and promote ethical behaviour by its personnel and contractors (Refer to the Corporate Governance section on our website www.westernareas.com.au). The key provisions of the Code of Conduct are to:

- Act honestly and with integrity;
- Act in the best interests of the Company and shareholders;
- Avoid and disclose any conflicts of interest both real and perceived;
- Comply with the law;
- Keep all material information confidential, until released to the wider market;
- Not use their position for personal gain; and
- Ensure compliance with the Code of Conduct.



PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board is responsible for ensuring that an effective internal control framework exists. The Audit and Risk Management Committee operates under a charter approved by the Board (Refer to the Corporate Governance section on our website www.westernareas.com.au). The charter includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. It also deals with non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment, maintenance and monitoring of the framework for internal control and ethical standards to the Audit and Risk Management Committee.

The Audit and Risk Management Committee provides the Board with additional assurance regarding the reliability of financial information included in the financial reports and the independence of the Company's Auditor. All of the members of the Audit and Risk Committee, including the Committee Chair, are Independent Non-Executive Directors. The Committee members, their qualifications and the number of meetings of the Audit and Risk Management Committee they attended throughout the year can be found in The Directors' Report contained in the Annual Report.

The Western Areas Chief Executive Officer and Chief Financial Officer provide the Audit and Risk Management Committee signed certification that the financial records of the Company are properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company's Continuous Disclosure policy (Refer to the Corporate Governance section on our website www.westernareas.com.au) provides effective support for compliance with the ASX Listing Rules regarding continuous disclosure. The aim of this policy is to ensure that the Company releases price-sensitive information in a timely manner. The policy is based on the premise that Western Areas will immediately notify the market by announcement to the ASX of any information concerning the business of Western Areas that a reasonable person would expect to have a material effect on the price or value of its securities. Generally, the Board is responsible for overseeing Western Area's disclosure practices and procedures. The Board's specific areas of responsibilities are:

- Fulfilling the Company's continuous disclosure obligations;
- Communications with the ASX;
- Making decisions on what should be disclosed publicly;
- Promoting awareness of the Continuous Disclosure policy within Western Areas ;
- Overseeing, reviewing and updating the Continuous Disclosure policy, as required, to ensure continuing compliance with the changing legal and regulatory requirements; and
- Implementing reporting processes and controls.

The Board has the power to delegate aspects of the administration of this policy to senior executives. To this end the practical application of the policy is the responsibility of the Company Secretary.

The Board makes decisions on the disclosure of material information pursuant to legal and regulatory requirements, and advises the Audit and Risk Committee with respect to disclosure issues relating to financial information.



PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Board, under the Company's Shareholder Communications policy (Refer to the Corporate Governance section on our website www.westernareas.com.au), is responsible for ensuring shareholder communications are adequate, appropriate, transparent and based on sound corporate governance principles. These principles form the basis of the policy which has the objective of providing shareholders with important information in a timely manner through written and electronic communication.

Western Areas promotes direct communications with shareholders, who can at any time direct questions to, or request information from, the directors or management through the Company Secretary or Investor Relations Representative. Full contact details are available on our website www.westernareas.com.au.

In addition, the opportunity is presented at the Annual General Meeting to ask questions directly to the Directors and external auditor. Furthermore, voting on resolutions at shareholder meetings are conducted via a poll to ensure that all shareholders are equally represented.

The Annual Report is made easily available to shareholders and other stakeholders in a timely manner in both print and on-line versions. The Company's financial reports and presentations can be freely downloaded from our website which also includes information released to the ASX.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Western Areas Risk Management and Compliance policy (Refer to the Corporate Governance section on our website www.westernareas.com.au), defines our commitment to maintaining a risk management culture to effectively manage risk and provide sustained long term shareholder value. Western Areas' Risk Management Program (RMP) provides a comprehensive, integrated risk management approach, enabling management to minimise potential risks to achieving our objectives. The RMP supports the identification, evaluation and management of material risks within all areas of the business. The Company engages MYR Consulting Pty Ltd to assist in development of the risk management framework, activities and policies.

Senior executives and the management team are responsible for the development and implementation of risk management strategies. All material business activities and decisions include careful consideration of the internal and external risks to the Company. The integration of a standard approach to risk management across the business is designed to facilitate the capture of all significant risks and to ensure senior management and the Board are made aware of foreseeable (potential) material risks.

The Audit and Risk Management Committee formally reviews the effectiveness of the RMP on an annual basis (completed in February 2019), which is the subject of ongoing development and enhancement to ensure it continues to meet the needs of the Company. The Audit and Risk Management Committee Charter further outlines its roles, duties, composition, activities and authorities (Refer to the Corporate Governance section on our website www.westernareas.com.au).

Western Areas does not believe the Company is of a size to warrant an internal audit function. To ensure that the required assurance is provided over the effectiveness of internal controls, a control assurance standard has been developed and implemented. In line with performance requirements outlined in the standard, there are structured processes to prioritise and complete control assurance reviews of material risks. Risk assessment workshops are held to identify, assess and prioritise the Company's material risks. The control assurance review process is then applied to analyse internal control design and implementation. The results of risk assessment workshops and control assurance reviews are reported to the Audit and Risk Committee and the Board.

REPORTING ON MATERIAL RISKS

The Board is kept fully informed of material risks that have the potential to impact the achievement of corporate objectives and the effectiveness of the controls mitigating the risk. There is an established process of formally reporting material risks and controls to the Board on a regular basis, including any changes to risks, and whether or not risk control improvements are required to better manage material risks. The Board also receives status reports on progress against the RMP annual work plan.



PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established a Remuneration Committee, which operates under a charter approved by the Board (Refer to the Corporate Governance section on our website www.westernareas.com.au). All members and the Committee Chair are Independent Non-Executive Directors. The Committee members, their qualifications and the number of meetings of the Remuneration Committee that they attended throughout the year can be found in the Directors' Report contained in the Annual Report.

It is the Company's objective to provide maximum stakeholder benefit through the retention of a high quality Board and senior executive team. To achieve this it seeks to remunerate Directors and key executives fairly and appropriately with reference to relevant employment market conditions and the review of independent employment statistics and benchmarking data. The Remuneration Committee engages independent remuneration consultants to provide impartial advice in respect of remuneration trends and executive employment contracts.

The Remuneration Committee establishes the principles and policies with respect to remuneration of Directors and senior executives. The Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Attraction of quality management to the Company;
- Reward reflects the competitive global market in which we operate;
- Retention and motivation of key executives throughout commodity price cycles;
- Individual reward based on sustained performance across a range of disciplines, targeting delivery of results and execution of strategies;
- Executive remuneration is linked to the creation of shareholder value; and
- Remuneration arrangements are equitable, fair and facilitate the deployment of executives and senior management across all areas of the Company.

Further details on the Company's remuneration philosophy and framework along with details on the amount of remuneration received by Directors and senior executives during the year is provided in the Remuneration Report contained in the Annual Financial Statements.