



A record year, now developing projects to further extend mine lives

Company/ASX Code	St Barbara Limited/SBM
AGM date	Wednesday, 24 October 2018
Time and location	11am at Royce Hotel, 379 St Kilda Road, Melbourne
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Michael Muntisov
Pre AGM Meeting?	Yes, with Director Kerry Gleeson and Company Secretary Rowan Cole

Item 1	Annual Reports
ASA Vote	No vote required

Financial performance

St Barbara had a record year in FY18 with all-time records in production, cash flow and profit and record low costs (AISC). The record production rates were achieved at both of the company's gold mines at Gwalia (WA) and Simberi (PNG).

Net profit after tax was up 43% on prior year, and at year end the company had a cash position of over \$342M, up from \$161M. Total dividend paid for the year was 12cps (up from 6c).

Key events

The company is using its healthy cash position to invest in the extension of mine lives at its two mines, in exploration within their tenements, and in investments in prospective ASX-listed gold explorers.

The Gwalia Extension Project (GEP) is in progress, and is around 50% complete. This involves a ventilation upgrade and backfilling mined out stope cavities with a paste fill aggregate. A feasibility study for the Gwalia Mass extraction (GMX) study is due to be completed by December 2018. This is a new mining method which promises increased mining rates and maintaining margins as Gwalia gets deeper.

Key Board or senior management changes

No changes

ASA focus issues

Remuneration disclosure - LTI performance period is 3 years not 4 or 5 years, but this is common in the volatile resources sector. The ASA advocates for "take home pay" table to be included in the remuneration report. Management says that feedback from institutional and larger investors is

that they are not interested in such a table and so have decided not to provide it. See more detailed commentary on Remuneration at Resolution 1.

Skin in the Game – Directors Netscher and Gleeson own shares in the company but at levels below the ASA preferred guideline of one year’s base fee. The company does not specify target ownership targets for directors and management and makes its case citing a range of reasons, many of which are specific to the gold sector (page 37 annual report).

Board composition. A majority of directors are independent directors. 25% female directors. A recruitment process is underway for a fifth director to join the Board.

Shareholder participation. No capital raising this year.

Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	227	157.6	169.4	39.7
UPAT (\$m)	201.9	160.4	127.5	41.9
Share price (\$)	4.83	2.91	2.95	0.57
Dividend (cents)	12	6	-	-
TSR (%)	70	-1.4	417	396
EPS (cents)	43.7	31.7	34.2	4.3
CEO total remuneration, actual (\$m)	1.55	1.46	1.62	1.31

For FY18, the CEO’s total actual remuneration was **18 times** the Australian Full time Adult Average Weekly Total Earnings.

Resolution 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration scheme for the CEO comprises a fixed remuneration portion of approximately 53% of target total, paid in cash, a short-term incentive (STI) component of 27% paid in cash in the following financial year, and 20% in long-term incentives (LTI) granted as performance rights. The share price for the rights is determined by the face value methodology favoured by ASA.

ASA prefers the STI to be part paid in equity, but a cash payment is common in the resources sector.

The LTI performance rights vest based on a 3-year measurement period against two criteria: relative total shareholder return (RTSR) against a cohort of similar sized companies in the sector which carries a weighting of 67%, and return on capital employed (ROCE) which carries a weighting of 33%.

The hurdles on these criteria are:

a) A RTSR from 50thile to 75thile performance will contribute pro-rata to between 50% and 100% vesting;

b) A return on capital employed (ROCE) achievement of a rate between weighted average cost of capital (WACC) +3% and WACC +7% will contribute pro-rata to between 50% and 100% vesting.

The ROCE measure appears to be a low hurdle under the current operating environment, but was introduced at a time when the company was under significant financial strain. It may be time to review this LTI criteria or its hurdle rates. This was discussed at the pre-AGM meeting.

The total director fees paid are well below the fee cap, assisted by having a board of only three non-executive directors.

In terms of presentation, the remuneration report is excellent. All necessary information is provided in a clear and transparent way.

Given the reasonable structure of the remuneration scheme and not unreasonable remuneration levels, the ASA will support this resolution.

Resolution 2	Re-election of Ms Kerry Gleeson as a Director
ASA Vote	For

Summary of ASA Position

Ms Kerry Gleeson was elected to the board in 2015. She is a lawyer with experience in the UK and Australia. She was a senior executive at Incitec Pivot for ten years to 2013. She has no other current listed company directorships.

Given the support of the other directors, and the significant improvement in the company's performance and cash position over the period of her tenure, the ASA supports Ms Gleeson's re-election.

Resolution 3	Grant of Performance Rights and Performance Options to Managing Director
ASA Vote	For

Summary of ASA Position

The LTI scheme is described in the commentary to Resolution 1. For the reasons set out under that item the ASA proposes to support the resolution.

The individual (or their associates) involved in the preparation of this voting intention does not have a shareholding in this company.

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