



**-4%** Otto Energy five-year TSR (as at December 2103)



# Execs have remuneration options

**New CEO Salary Packages** - Recently appointed WA chief executives, or chief executives whose remuneration has changed over past 3 months.

CEO	Company	Market Cap <sup>A</sup>	Fixed Remuneration	Short Term Incentive	Long Term Incentive
Matthew Allen	Otto Energy	\$102.3m	\$475,000	Not specified	6.5m performance rights
Mike Young	Energy and Minerals Aust.	\$17.4m	\$450,000	Nil	Nil
Simon Thomas	OTOC	\$25.1m	*\$425,000	Up to 40% of salary	Deferred equity, to be determined
Bob Cassie	Jacka Resources	\$28.6m	\$400,000	Nil	1m share options
Darren Townsend	Peak Resources	\$23.4m	**\$400,000	Nil	7.5m options + 5m performance rights
Chris Gale	Latin Resources	\$10.6m	\$396,000	Nil	Up to 60% of salary, via equity
Graeme Sumner	Advanced Braking	\$14.4m	\$375,000	Nil	23.4m share options
Scott Huffadine	Kingsrose Mining	\$125.9m	*\$350,000	Nil	3m share options
Anthony Tse	Galaxy Resources	\$68.8m	\$350,000	Nil	Nil
Andrew Sturcke	Nomad Building Solutions	\$16.4m	\$343,350	Up to 35% of salary	Not specified
Arran Marshall	Indo Mines	\$21.5m	\$329,000	Up to \$370,000	Nil
Nick Di Latte	Diploma Group	\$17.0m	\$295,000	Not specified	10m share options
David Lymburn	AnaeCo	\$22.6m	*\$274,029	Up to 30% of salary	6.75m share options
Tom Revy	Ferrum Crescent	\$19.4m	*\$250,000	Nil	2.5m share options
Mark Reilly	Forte Energy	\$6.2m	\$226,000	Not specified	Not specified
Anthony Viljoen	Lemur Resources	\$5.8m	\$212,000	Up to 50% of salary	Not specified
Corey Nolan	Leyshon Resources	\$4.2m	*\$200,000	Up to 50% of salary	Not specified
Martin Depisch	Stirling Resources	\$8.9m	*\$200,000	Nil	Nil
Paul Cartwright	Xstate Resources	\$9.1m	\$200,000	Nil	10.5m share options
Gary Jeffery	Australian Oil Company	\$13.7m	\$200,000	Nil	5m share options
Ian Spence	Oklo Resources	\$7.1m	*\$120,000	Nil	20m share options

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\* Plus superannuation | \*\* Pay will be \$300,000pa initially for 75% of time | <sup>A</sup>As of 24/2/2014

Listed companies in Perth are getting more creative and flexible in structuring chief executive salary packages, the latest *Business News* quarterly survey has found.

## Mark Beyer

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IS \$1,500 per day plus all reasonable expenses a good rate of pay for the top executive at a junior mining company in the midst of a cost-cutting drive?

That's what Dragon Mining has agreed to pay newly appointed executive director Brett Smith while he undertakes a review of the company's operations, which are focused on Scandinavia.

His appointment comes after Dragon agreed to cut its chairman's fee from \$100,000 to \$60,000 and non-executive director fees from \$50,000 to \$30,000 to "make clear the new board's commitment to cost saving initiatives being undertaken by the

company".

If Mr Smith were to take up the chief executive role and his daily pay was converted to an annual salary, it would amount to \$390,000, putting him ahead of many of his peers in the junior mining sector.

More pointedly, however, it is a lot less than ousted managing director Kjell Larsson was paid – his three-year contract entitled him to annual remuneration of \$579,558 and a car valued at up to \$71,343.

That kind of salary package is becoming a rarity as listed companies look for cost savings.

If there were an award for thrift it would go to Mali-focused gold explorer Oklo Resources, which

in January recruited Ian Spence as chief executive.

Mr Spence agreed to join the company on a reduced salary while Oklo "is still establishing itself from a very low capital base".

He has agreed to a fixed remuneration of \$10,000 per month (plus super), equating to \$120,000 per annum.

The big upside for Mr Spence comes from the granting of 20 million three-year share options exercisable at 1 cent – about double the current price.

Oklo is not alone in putting its chief executive on a discounted salary, though the starting point for the discount varies widely.

Rare earth project developer Peak Resources recruited Darren





Townsend as its managing director in January.

His normal salary will be \$400,000 a year (including superannuation) but he will initially spend just 75 per cent of his normal working hours on Peak matters. Hence his remuneration will be \$300,000/year.

Mr Townsend also has big equity upside, after the company granted him 7.5 million share options and 5 million performance rights.

Xstate Resources managing director Paul Cartwright has an annual salary of \$200,000/year, on the basis that he spends only 70 per cent of his time on company matters.

In addition, his salary payments are split 50:50 between cash and shares.

Australian Oil Company managing director Gary Jeffery has agreed to the same 50:50 split, while Galaxy Resources' Anthony Tse and Latin Resources' Chris Gale have also agreed to take part of their salaries in the form of shares.

The cost cutting that was a feature of last year has continued to work its way through the market in recent months, both for new and continuing chief executives.

Forte Energy announced in early January that chairman Glenn Featherby would take a 40 per cent pay cut, while managing director Mark Reilly accepted a 50 per cent pay cut, to about \$225,000.

It's a similar story outside the mining sector.

Building company Diploma Group announced last year that managing director Nick Di Latte agreed to cut his base remuneration from \$475,000 to \$295,000.

Sweetening this pay cut was the introduction of a cash-based incentive scheme and the issuing of 10 million "continuous employment based" shares.

Waste technology company AnaeCo took the opportunity posed by the appointment of new chief executive David Lymburn to cut base remuneration to \$274,029 (plus super).

The largest of all the WA chief executive salary packages announced in the past three months was by oil producer Otto Energy, which fittingly also has one of the largest market valuations. It promoted chief financial officer Matthew Allen to chief executive on a fixed salary of \$475,000/year.

The attached table shows that market cap is a very rough guide to the salary packages listed companies are likely to pay.

Kingsroze Mining chief executive Scott Huffadine is very good value on this measure. The market values the gold miner at \$126 million, while Mr Huffadine is paid a relatively modest \$350,000/year.

Remote site contractor OTOC has continued to be a relatively generous employer, after recruiting former BHP Billiton executive Simon Thomas as chief executive.

Mr Thomas will be paid an annual remuneration of \$425,000 (plus super). In addition he will be paid a \$100,000 bonus after 12 months in the job and may be paid an annual performance bonus up to 40 per cent of his base salary.

During 2013, OTOC was one of the few companies to award a big pay rise. Former chief executive and major shareholder Adam Lamond – who has taken a new strategy role following the appointment of Mr Thomas – was awarded a 29 per cent pay rise last year to \$485,000.



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