## REMUNERATION POLICY

The remuneration policy of Mineral Deposits Limited (**MDL** or the **Company**) is to set remuneration for key management personnel (**KMP**) and other employees at a level that is market competitive to attract, retain and motivate key individuals. It also aims to remunerate fairly and responsibly while ensuring that remuneration practices are aligned with the Company's strategic and business objectives, risk exposures through the resources cycle and the creation of shareholder value. Notwithstanding unforeseen circumstances and business developments, to the maximum extent possible remuneration practice should align with the details set out in this policy.

The nomination & remuneration committee (**N&RC**) oversees and makes recommendations to the MDL board with respect to the Company's remuneration structure, policy and practice.

The broad responsibilities of the N&RC are to:

- determine and review the overall philosophy, strategy, plans, policies and practices for the recruitment, remuneration and retention of KMP;
- review and approve corporate goals and objectives relevant to KMP compensation, evaluate KMP performance in light of those corporate goals and objectives and make recommendations to the board regarding the proposed remuneration package of KMP based on their evaluation;
- consider the adoption of appropriate incentive plans and review adopted plans on a regular basis to ensure they comply with legislation and regulatory requirements, reflect industry standards, are appropriately linked with value creation opportunities for shareholders and are effective in achieving Company objectives;
- approve the participants and total level of award under any employee short-term incentive (STI) and long-term incentive (LTI) plans; and
- identify circumstances wherein external remuneration advice should be sought and ensure conformance with respect to the appropriate appointment and reporting practices of remuneration consultants.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The Company's remuneration policy for non-executive directors (**NED**) considers the following factors when determining levels of remuneration:

- the size, activities and structure of the Company;
- the location and jurisdictions in which the Company operates;
- the responsibilities and work commitment requirements of board members; and
- the level of fees paid to NEDs relative to comparable companies.

Fees paid to NEDs are determined by the board and are subject to an aggregate limit in accordance with the Company's constitution and as approved by shareholders. The current aggregate limit approved by shareholders is A$750,000 (approved in 2013).

In sum, the Company's present policy with respect to the remuneration of NEDs is as follows:

- remuneration includes a fixed fee for service, paid in cash, and statutory superannuation (where applicable), the total of which is to be within the aggregate 'non-executive director fee pool' amount as last approved by shareholders;
- entitlement to reimbursement of reasonable travel, accommodation and other expenses incurred whilst engaged on Company business;
- at the board's discretion, additional remuneration may be paid for special duties or extra services performed on behalf of the Company (including those performed on behalf of the Company's joint venture asset TiZir Limited);
- no provision for retirement benefits other than statutory superannuation entitlements;
- no entitlement to participate in incentive-based remuneration schemes; and
- no additional fees are to be paid for participation on any board committees.

The board will review NED remuneration policy and practice annually and undertake benchmarking reviews as appropriate.

## EXECUTIVE & STAFF REMUNERATION

The N&RC advises the board on remuneration for the executive directors and management and oversees the Company's executive remuneration policy which aims to:

- reward executives fairly and responsibly in accordance with market rates and practices to ensure that the Company provides competitive rewards that attract, retain and motivate executives of a high calibre;
- set high levels of performance which are clearly linked to an executive's remuneration;
- structure remuneration at a level that reflects the executive's duties and accountabilities;
- benchmark remuneration against appropriate comparator groups;
- align executive incentive rewards with the creation of value for shareholders;
- align remuneration with the Company's long-term strategic plans & business objectives and with risk exposures through the resources cycle; and
- comply with applicable legal requirements and appropriate governance standards.

**Pay mix and benchmarking:** Executive remuneration structure is designed to comprise 'fixed' and 'at risk' (performance based) remuneration, benchmarked annually against peer companies within the resources sector that are of a similar size, market capitalisation and revenue base. Benchmarking is conducted by the N&RC with the assistance of an independent remuneration consultant (where required).

**Eligibility:** Eligibility to participate in the Company's STI and/or LTI plans is typically set out in an employee's service contract; however, participation will be determined annually by the board based on N&RC recommendations.

**Gate:** where appropriate, the board will establish a minimum level of expected performance related to, for example, Company earnings, operational cash flow or health, safety and environmental objectives, which must be achieved for any STI award to become payable under the STI plan.

**Board discretion:** The board has overriding discretion to amend STI and LTI outcomes to:

- properly reflect performance,
- adjust for anomalous outcomes,
- reflect the Company's risk exposures through the resources cycle; and
- ensure alignment of awards of 'at risk' remuneration with Company strategy and long-term shareholder value creation.

An overview of the Company's policy with respect to each component of employee 'pay mix' is outlined below:

| Fixed remuneration structure | |
|---|---|
| **Remuneration vehicle** | Total fixed remuneration (**TFR**) includes:<br>• cash based salary<br>• superannuation contributions |
| **Purpose and guidance** | Retain and attract a talented, knowledgeable and experienced workforce<br>Market competitive – guided by P50<br>Reflective of role, responsibilities and experience |
| **Link to performance** | Individual performance review having regard to overall Company performance<br>No contractual guarantee of an annual increase |

| Short-term incentive structure | |
|---|---|
| **Remuneration vehicle** | Cash bonus |
| **Purpose and guidance** | 'At risk' remuneration<br>Incentivise and provide competitive reward for achievement of Company-wide and individual performance targets linked to strategic objectives and management of risk |

**Link to performance**

*Grant structure*

STIs based on ‘at target’ and ‘stretch’ opportunities that will be reviewed annually by the N&RC at the beginning of the financial year, giving due consideration to the Company’s remuneration principles.

Opportunity percentages will be reviewed and established (or otherwise) annually relative to TFR. The N&RC at its discretion may determine a STI ‘cap’ relative to TFR.

General guidance on opportunity percentages relative to TFR are provided below:

| Employee | ‘At target’ STI opportunity % of TFR | ‘Stretch’ STI opportunity % of TFR |
|---|---|---|
| Managing director (MD) | 30 | 50 |
| Chief operating officer (COO) | 24 | 40 |
| Chief financial officer (CFO) | 24 | 40 |
| Company secretary | Board discretion | Board discretion |
| Other employees | Board discretion | Not applicable |

*Overall performance weighting*

STI performance criteria to be weighted between ‘financial performance’ (typically 50%) and individual performance (typically 50%). Key performance indicators (**KPI**) within these two broad performance areas will also typically be weighted.

*Targets*

Following the establishment of KPI areas, targets will typically be set to establish threshold, target and stretch objectives. In general, no payment will be made until an above-threshold level of performance is achieved. Thereafter payments will typically be made on a sliding scale between threshold and target and between target and stretch as appropriate to the specific KPI.

*Financial performance criteria*

Annual determination of financial performance criteria will be established by the N&RC at the beginning of each year, with one or more (up to three) to be considered and implemented for the relevant financial year. Financial measures will generally emphasise profit and cash flow drivers.

*Individual performance criteria*

Individual KPIs will be approved annually by the N&RC at the beginning of each financial year. Targets are intended to set challenging but achievable goals and will be selected by the N&RC, giving due consideration to overall business objectives, MDL culture and the individual executive’s role accountabilities. KPIs will reflect the executive’s experience and capacity to determine, control or influence KPI outcomes. General KPI areas will typically include sustainability (including health and safety and community liaison), operational performance (including production targets and cost efficiency), development/execution of strategic plans, management of JV relationships, risk management, leadership/talent management and governance. KPIs relate to MDL, TiZir, GCO and TTI activities and objectives.

*Assessment structure*

N&RC to review performance outcomes after year-end performance is known; individual performance criteria to be reviewed during the year with overall performance assessed at year-end.

*Payment timing*

Payments will be made in the first quarter following the relevant performance year (i.e. payment for 2017 performance – if achieved – would be made between January and March 2018).

*Leaver provisions*

Subject to board discretion, no payment of an STI will occur should an eligible participant leave before the relevant testing period.

| Long-term incentive structure | |
|---|---|
| **Remuneration vehicle** | Performance rights<br>Performance rights granted under the Company's LTI plan will carry no dividend or voting rights |
| **Purpose and guidance** | 'At risk' remuneration<br>Incentivise and provide competitive reward for continued service and achievement of long-term strategic/growth objectives |
| **Link to performance** | *Grant structure*<br>LTI opportunities will be reviewed and established (or deferred) annually by the N&RC at the beginning of each period, giving due consideration to the Company's remuneration principles<br>Where an LTI opportunity is established by the board, performance for that LTI cycle will be measured over three years (i.e. testing for 2016 cycle to occur three years after 2016 cycle start date in 2019)<br>The N&RC will recommend to the board opportunity percentages relative to TFR giving due consideration to the number of shares and incentives on issue and issued in the prior five years. In keeping with the Company's remuneration philosophy, leverage to LTI should be higher than STI.<br>The N&RC at its discretion may determine a LTI 'cap' relative to TFR.<br>General guidance on opportunity percentages relative to TFR are provided below: |

| Employee | Maximum LTI Opportunity % of TFR |
|---|---|
| MD | 50 |
| COO | 40 |
| CFO | 40 |
| Company secretary | 30 |
| Other employees | >30 |

*Performance conditions and vesting*

Generally applied performance conditions will be those that return value to shareholders and that incentivise executives to focus on the Company's long-term strategy, growth opportunities and the management of risks associated with the resources cycle.

Measures proposed and likely to be used in future include:

- relative TSR
- absolute TSR
- shareholder return measures (such as Return on Equity)
- delivery of strategic objectives

Typically, 'cliff vesting' hurdles should be avoided, unless the board determines that achieving the target objective is strongly aligned with long-term shareholder return and the delivery of valuable strategic objectives.

Generally, with respect to TSR provisions, vesting will occur on a proportionate straight-line basis for performance between threshold and target (absolute TSR) and between 50P and 75P (relative TSR).

For relative TSR vesting, the comparator group will typically be the S&P/ASX Resources 300 Index. The comparator group is intended to reflect any competitors, companies and sectors where investors may choose to invest their money if not in MDL with particular regard to those companies of similar industry and market capitalisation.

In its absolute discretion, the board may determine that no relative-TSR Performance Rights will vest if the Company's TSR performance is negative.

*Timing*

Annual testing of vesting criteria and issues of LTI performance rights will typically be undertaken in February of each financial year in order to disclose results in the Company's annual report and enable approval, as required, at the Company's annual general meeting.

*Calculation*

Typically, VWAP on the 20 days preceding the start of each three-year cycle. No retesting of performance criteria hurdles will be performed after agreement of calculation.

*Expiry*

There will be no entitlement to incentives for which performance criteria have not been met at the end of the performance period and no MDL shares will be provided in respect of those lapsed rights.

Vested performance rights will expire as per the conditions set out in each participant's offer letter and/or the MDL performance rights plan.

*Share trading*

Shares issued or transferred to executives under the Company's incentive scheme will be subject to compliance with the Company's share trading policy. KMP participating in an equity-based incentive plan of the Company will be prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in MDL's securities.

*Clawback*

Unvested LTI equity awards will be subject to clawback (forfeiture or lapse) in certain circumstances (including serious misconduct, unlawful, fraudulent, dishonest behaviour).

*Leaver provisions*

Vesting of performance rights will typically be subject to continuing employment of the eligible executives. Subject to director discretion, rights will generally lapse on an executive's resignation or dismissal. In exceptional circumstances and where a termination is for reasons including retirement, death, total and permanent disablement, change of control and bona fide redundancy, unless it determines otherwise, the board has the discretion to determine the extent to which all or part of any unvested equity may vest and the specific performance testing to be applied. Such provisions may also be subject to shareholder approval. Leaver provisions will typically be outlined in a participant's performance rights offer letter.

## REMUNERATION & PERFORMANCE REVIEW

The performance of the executive directors and CEO is typically evaluated by the board during the board and committee review period which occurs in December. A secondary review by the N&RC normally ensues between January and February of the following year.

Employee remuneration is reviewed annually. The performance of the COO, CFO, company secretary and other corporate staff is typically reviewed by the CEO in December and the outcome of these reviews is provided to the N&RC for consideration shortly thereafter, with recommendations provided to the board. Discretionary employee rewards are typically informed by the Company's remuneration policy as well as an assessment of individual performance, Company performance and the Company's remuneration practice relative to its peers. Any remuneration increase will be at the sole discretion of the Company.

It is the Company's policy to undertake a review of NED, executive and staff 'pay mix' via benchmarking against peer companies within the resources sector that are of a similar size, market capitalisation and revenue base. This review is to be undertaken by the N&RC with the assistance of an independent external remuneration consultant (where required).

Unless otherwise agreed by the board, employment contracts do not contain provisions for a guaranteed annual increase in TFR.

## PAYMENT OF SALARY & SUPERANNUATION

Employees will be paid base salary (less applicable tax payable) and any other cash benefits monthly, typically mid-month (two weeks in arrears, two weeks in advance) for that calendar month, into a nominated bank account.

Applicable statutory superannuation contributions (where applicable) will be paid into a complying superannuation fund of the employee's choice.

## REMUNERATION CONSULTANTS

The N&RC will review and make recommendations to the board on the appointment of remuneration consultants as well as identification of the circumstances wherein external remuneration advice should be sought.

## EQUITY HOLDINGS

The Company has no formal policy with respect to minimum shareholding requirements; however, share ownership is encouraged.

KMP participating in an equity-based incentive plan of the Company are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in MDL securities. This provision, along with other guidance in relation to MDL securities, is outlined in the Company's securities trading policy.

## RELATED PARTY TRANSACTIONS & LOANS

In broad terms, the terms and conditions of transactions with KMP should be no more favourable to KMP and their related entities than those available, or which might reasonably be expected to be available, on similar transactions to KMP related entities on an arm's-length basis.

The Company does not have a formal policy with respect to loans to KMP and other staff. However, should the Company make loans to KMP and/or other staff, the Company should do so on the basis of principles adopted for transactions with related parties.

## REVIEW

This policy will be periodically reviewed to ensure that it is effective and continues to meet the needs of the Company and the N&RC.