

HILLGROVE RESOURCES LIMITED

REMUNERATION POLICY

1. Overview

The board recognizes that to prosper, the Company must be able to attract, motivate and retain key executives.

Remuneration of non-executive directors and executives is to be determined and structured in accordance with this policy.

2. Key Principles

The key principles that underpin Hillgrove's Remuneration Policy are:

- a) remuneration will reflect the market in which the Company operates;
- b) remuneration will be linked to the creation of value to shareholders; and
- c) remuneration will reward both financial and non-financial performance.

3. Executive Remuneration

3.1 Aim of Remuneration Policy

To achieve its goals in relation to executive staff, the Remuneration Policy is designed to:

- align individual and team reward with business performance in both the short term and long term;
- encourage executives to align their interest with those of shareholders;
- encourage executives to perform to their fullest capacity;
- be business focused and flexible;
- be competitive and cost effective in each relevant employment market; and
- be internally consistent.

3.2 Content of Remuneration Packages

Remuneration may incorporate fixed and variable pay performance elements with both a short term and long term focus.

Remuneration packages may contain any or all of the following:

- annual salary based – with provision to recognize the value of the individuals personal performance and their ability and experience;
- rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;

- share participation – Hillgrove’s has adopted an Employee Share Option Plan; and
- other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

3.3 Setting Remuneration and Review

The Board will determine the appropriate level and structure of remuneration of the executive team.

Executive remuneration is set at levels and structured to attract, motivate, reward and retain good performers to drive the business effectively.

Each year, the directors will consider the remuneration of executives on the recommendation of the Managing Director.

Remuneration of the Managing Director will be reviewed annually. Non-executive directors will gather and review relevant information, comparative remuneration, individual performance and, if required, obtain external advice.

4. Non-Executive Director Remuneration

4.1 Introduction

The Board’s focus is on long term strategic direction and overall performance of the Company. As a consequence, non-executive director remuneration is primarily related to long term performance of the Company.

4.2 Determination of Non-Executive Director Remuneration

Remuneration of non-executive directors is determined with regard to Hillgrove’s need to maintain appropriately experienced and qualified directors and in accordance with competitive pressures in the marketplace. The Remuneration Policy is designed:

- To attract and retain directors
- To motivate directors to achieved Hillgrove’s business objective; and
- To align the interests of directors with the long term interests of shareholders.

The Board may from time to time seek independent advice in relation to the remuneration of non-executive directors and may make recommendations to members in relation to any total fee increase.

4.3 Extra Duties and Expenses

From time to time, the Board may ask individual directors to devote extra time or to undertake extra duties. Directors who undertake these tasks at the Board’s direction may receive payment for this work. Directors are also to be reimbursed for expenses associated with undertaking their duties.

4.4 Review

Each year, the Board reviews director remuneration. The shareholders may be asked to consider, and if they think it appropriate, approve any increase in gross fees. The total amount of remuneration paid to non-executive directors must not exceed the maximum amount the shareholders authorise at general meeting.

4.5 Retirement Benefits

The Board may provide for retirement benefits to directors. However, it is the Board's aim to appropriately reward directors during their term and therefore not grant retirement benefits.

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Adopted by the Board on 31 January 2005