

Remuneration Policy

December 2015



Introduction

Lion Energy Limited (“Lion” or the “Company”) is committed to ensuring that its remuneration practices enable the Company to:

- (a) Provide reasonable remuneration to employees for the services they provide to the Company;
- (b) Attract and retain employees with the skills required to effectively manage the operations and growth of the business;
- (c) Motivate employees to perform in the best interests of the Company and its stakeholders;
- (d) Provide an appropriate level of transparency and meet all ASX and ASIC requirements; and
- (e) Ensure a level of equity and consistency across the Company.

1.0 Employees Remuneration Principles

1.1 Structure

Lion will align its remuneration with that of comparable organisations for roles at all levels of the Company. Remuneration comprises both total fixed remuneration and performance based remuneration. The proportion of an employee’s total remuneration that is performance based will increase with the seniority of the role and with the individual’s ability to impact the performance of the Group. Performance based elements of total remuneration may comprise both short term incentives and long term incentives that align medium and long term shareholder interests.

1.2 Total Fixed Remuneration

Total fixed remuneration of employees is to be at a sufficient level to provide full and appropriate compensation where performance is adequate but not superior. Total fixed remuneration is to be set having regard to the levels paid in comparable organisations at the time of recruitment to the position, recognising the need to maintain flexibility to take into account an individual’s experience or specialist skills and market demand for particular roles.

A review of fixed remuneration is to be conducted on an annual basis using market surveys and/or analysis supported by information gathered from independent consulting organisations or sources

Any increases in total fixed remuneration will be based on market movements, the Company’s financial position and performance (including ability to pay), remuneration history and individual performance. Consideration will be made to the overall remuneration package of the employee when setting each component of the package.

1.3 Performance Based Remuneration

In addition to total fixed remuneration, certain employees may be entitled to performance based remuneration which will be paid to reward superior (as opposed to satisfactory) performance.

Performance based remuneration will initially be calculated against predetermined and challenging targets, but the outcomes of the formula calculation will be capped as a percentage of the employee’s Total Fixed Remuneration.

Performance based remuneration may be made in the form of cash payments, equity or other payments as appropriate to the Group’s circumstances at the time.

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1.4 Long Term Incentives

Long term incentive plans may be provided to nominated staff to reward creation of shareholder value, and provide incentives to create further value. Lion believes that the most significant value that can be created for shareholders will occur by way of senior staff delivering on the strategic outcomes and goals approved by the Board.

Long term incentives will generally be made by way of non-cash awards. Annual awards of incentives will be made based on a percentage of the total fixed remuneration. Long term incentives are entirely at the discretion of the Board who will approve the issue of them. Any long term incentives are subject to the performance rights / option plan that applies at the time.

Performance will be measured at specified points during the life of the long term incentive plan.

1.5 Termination Payments

Termination payments, if any, for Key Management Personnel are agreed in advance - between the CEO and the individual and approved by the Board - pursuant to contractual obligations and any statutory requirements in place at the time of effect.

1.6 Hedging of Performance Based Remuneration Components

In accordance with the *Corporations Act*, Key Management Personnel are not permitted to hedge any unvested components of their performance based remuneration.

1.7 Clawback of Performance Based Remuneration Components

Performance based remuneration of Key Management Personnel may be reviewed by the Board in such events as acts of fraud, dishonesty or material misstatements in financial statements which lead to the vesting of an award which would not have otherwise vested.

2.0 Non-Executive Director Remuneration Principles

The overall level of annual non-executive Director fees is approved by shareholders in accordance with the requirements Lion's Constitution and the *Corporations Act*. The Board decides on actual fees to be received by individual directors within the quantum approved by shareholders.

In setting the fees, the Board will have regard to market rates, director skill and experience, and circumstances of the Company and expected workloads of the Directors.

Non-executive Directors are usually remunerated by way of fees. Directors, in certain circumstances, may be offered equity rights. Any equity rights offers are subject to shareholder approval on a case by case. Equity participation will only be proposed where the Board believes it is in the best interests of the Company, in particular where such inclusion may reduce the amount of cash remuneration otherwise required to be paid to attract the appropriate calibre of Directors.

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3.0 REMUNERATION CONSULTANTS

The Board may engage independent consultants where appropriate to advise on remuneration matters which will be disclosed as required under any statutory obligation.

Review of Policy

The Board will review this Policy annually.