

Master Drilling Group Ltd

Herein after referred to as the Company or the Employer

COMPANY POLICY: REMUNERATION PHILOSOPHY

1. PURPOSE

The purpose of this document is to describe the company's Remuneration Philosophy and to provide principles and guidelines to regulate the strategic management of employee remuneration

2. REMUNERATION PHILOSOPHY STATEMENT

The company recognizes that one of its competitive sources of value is its people, and holds to the belief that in order to meet corporate goals and business objectives, reward policies and objectives must:

- be an integral part of an overall human resource strategy, geared to support business strategies;
- be designed to motivate and reinforce superior performance;
- encourage the development of organisational and individual performance;
- encourage the development of competencies required to meet future business needs;
- be based on the premise that employees should share in the success of the company;
- be designed to attract and retain high-quality people with the optimum mix of competencies;
- be aimed at securing employee commitment to company goals and purposes via the optimum mix of financial and non-financial rewards;
- be aligned with the anti-discriminatory clause in the Bill of Rights.

3. REMUNERATION PRINCIPLES

3.1 Internal Equity

Individuals will be remunerated fairly in relation to their role in the organisation, their critical performance accountabilities and their performance as measured by the results they achieve in relation to agreed objectives.

Each job will be internally and externally benchmarked, to determine its relative contribution in terms of complexity and expected outputs / results.

This process will be facilitated by the Human Resources and Finance departments in conjunction with the relevant line manager.

3.2 External market competitiveness

In order to attract and retain high-caliber individuals, the company will identify the markets in which it competes for people.

This market is identified as the:

- mining industries;
- process industries with a high asset base;
- large companies with a number of business units; and
- functions attracting premium remuneration.

The company will maintain national rates of remuneration, which are based on the appropriate market for each job category.

Where scarce competencies are identified, individuals will be paid in line with the relevant specialist markets to ensure that these employees are attracted, motivated and retained.

In general, the company will remunerate at the 25th percentile of the market for guaranteed remuneration.

Remuneration will be analyzed relative to market norms based on job categories and job types - at least on an annual basis - and adjusted where necessary to ensure that remuneration remains competitive.

3.3 Remuneration ranges

Role levels, Patterson Grading level and market medians will form the basis of remuneration range structures.

Remuneration ranges with minimum and maximum values will be utilized in order to allow for flexibility of remuneration based on market trends and performance.

Remuneration ranges will be reviewed at least annually to ensure ongoing market competitiveness.

3.4 Remuneration Package and Benefits

In general, the company will use the individual guaranteed total cost to company as a basis for determining market competitiveness. In addition, market remuneration trends will influence the design of variable remuneration such as performance based reward and bonus schemes.

All employees are entitled to the same range of employee benefits appropriate to their role levels.

Package category employees will have some choice in structuring their remuneration packages within certain company and legislative guidelines.

3.5 Performance Reward

Remuneration for performance is based on the premise that employees are motivated when:

- they understand what is required,
- they understand how it is to be achieved,
- they understand how it is to be measured,
- standards of expected performance are fairly and mutually set,
- they have appropriate authority to act, and
- potential rewards are market related.

Employees must be encouraged to foster commitment to organisational and individual performance.

Managers will consult their subordinates to determine the basis on which their performance will be measured.

Employees will be expected to deliver a performance commensurate with their reward.

Employees will be given objective feedback about their performance, development needs and career path expectations at appropriate intervals throughout the year and will be counseled to achieve or exceed performance targets (at least on an annual basis).

3.6 Remuneration-setting process

The Human Resources Department will negotiate and obtain remuneration mandates with relevant Executive and Remuneration Committees on behalf of line management.

Remuneration levels will be set within the boundaries of the company's remuneration philosophy, guiding principles and mandates.

Corporate Human Resources will monitor remuneration practices throughout the company and ensure that procedures determined by the Management Team and the Human Resources and Remuneration Committee of the Board are implemented. Deviations and trends will be reported to Top Management and the Remuneration Committee where applicable.

3.7 Communication of Remuneration issues

Remuneration and performance expectations will be communicated clearly and frequently to employees so that they understand what is expected and how reward is related to achievement.

Employees have the right to understand the purpose of each element of remuneration and how the values of each element are determined. To this end applicable aspects of remuneration will be explained to all employees in appropriate terms via various communication channels.

The company's remuneration philosophy and guiding principles will be made available to all employees.