

The Remuneration Committee engaged the services of the Godfrey Remuneration Group Pty Ltd during 2012 to review its remuneration practice revisions and to provide further validation in respect of both the executive short-term and long-term incentive plan design and standards. These recommendations covered the remuneration treatment of the Group's Non-Executive Directors and Key Management Personnel.

Under the terms of the engagement, the Godfrey Remuneration Group Pty Ltd provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$76,520 in financial year 2012 for these services. The Company did not pay Godfrey Remuneration Group Pty Ltd any further fees this financial year in relation to other services.

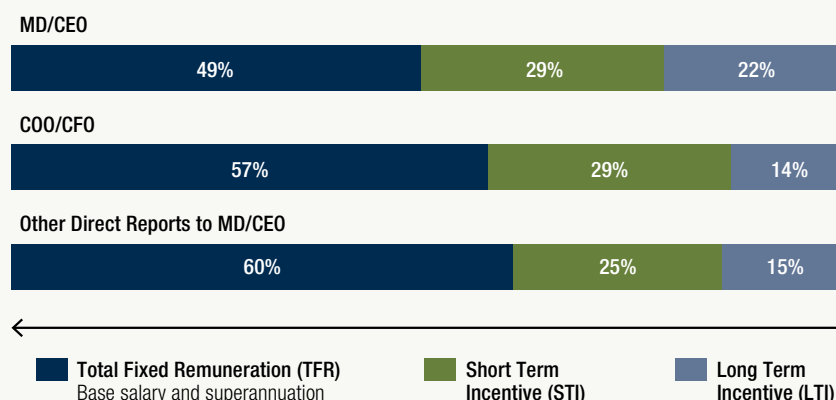
The Godfrey Remuneration Group Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the Group's Key Management Personnel.

The following arrangements were implemented by the Remuneration Committee to ensure that the remuneration recommendations were free from undue influence:

- › The Godfrey Remuneration Group Pty Ltd was engaged by, and reported directly to, the Chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board; and
- › Any remuneration recommendations by the Godfrey Remuneration Group Pty Ltd were made directly to the Chair of the Remuneration Committee.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the Group's Key Management Personnel.

#### Remuneration Reward Mix (based on the achievement of STI / LTI targets)



### Executive director and key management personnel remuneration

The executive pay and reward framework is comprised of three components:

- › fixed remuneration including superannuation;
- › short-term performance incentives; and
- › long-term incentives through participation in the Executive Rights Plan.

#### Reward Mix

The above chart represents the remuneration reward mix for the various Key Management Personnel based on achievement of all stretch targets.

#### Fixed remuneration

Total fixed remuneration ("TFR") is structured as a total employment cost package, including base pay and superannuation. Base pay may be delivered as a mix of cash, statutory and salary sacrificed superannuation, and prescribed non-financial benefits, at the executive's discretion.

Executives are offered a competitive base pay. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

In addition to using the AON Hewitt / McDonald Survey (resources industry) Remuneration Report as an annual benchmarking tool and the Egan and Associates 'The KMP Report'; external remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. The 5th Edition of Egan and Associates 'The KMP Report' (August 2013) shows overall Non-Executive Directors' remuneration for Kingsgate to be below the average for ASX 101 – 200 peer group companies. Significantly, average Non-Executive Directors fee increases of 8.7% for the ASX 101 – 200 and 6.5% for the ASX 201 – 300 groups over the period compares to no increase in fees for Kingsgate Non – Executive Directors.

The Board annually reviews and determines the fixed remuneration for the CEO / Managing Director. The CEO / Managing Director does the same for his direct reports. The Executive Management group reviews and recommends fixed remuneration for other senior management, for the CEO / Managing Director's approval.

There are no guaranteed increases to fixed remuneration incorporated into any senior executives' agreements.