



Remuneration Policy

1 Introduction

Talisman Mining Limited ABN 71 079 536 495 (**Company**) has adopted the following policy in relation to the remuneration of its non-executive directors, executive directors and other senior executives.

The Board is responsible for determining the remuneration policies for the Group, including those affecting Executive Directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

2 Non-executive directors

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed and reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The latest determination was in June 2016 when shareholders approved an aggregate remuneration of \$300,000 per year.

The Group's Non-Executive Directors receive fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Group's Non-Executive Directors reflect the demands on, and responsibilities of, the Directors. They do not receive any retirement benefits (other than compulsory superannuation). The Board decides annually the level of fees to be paid to Non-Executive Directors with reference to market standards. Non-Executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Group's development. Such options vest across the life of the option and are primarily designed to provide an incentive to Non-Executive Directors to remain with the Group. Options issued to Non-Executive Directors are subject to shareholder approval.

3 Executive directors and other senior executives

The Company's remuneration policy for Executive Directors and key management personnel is designed to promote superior performance and long-term commitment to the Group. The main principles of the policy when considering remuneration are as follows:

- Executive Directors and key management personnel are motivated to pursue long term growth and success of the Group within an appropriate control framework;
- interests of key leadership are aligned with the long-term interests of the Company's shareholders; and
- there is a clear correlation between performance and remuneration.

The remuneration policy for Executive Directors and other key management personnel has three main components, fixed remuneration, long term incentive and a potential discretionary bonus.

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to external, independent advice where necessary.

Executive Directors and other key management personnel are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Long term incentives

To align the interests of Executive Directors and other key management personnel with the long-term objectives of the Company and its shareholders, the Company's policy, having regard to the stage of development of its assets, is to issue share options under the shareholder approved 'Executive and Employee Equity Plan' (EEEP) and at the discretion of the Board, subject to shareholder approval for Directors. The issue of share options as remuneration represents cost effective consideration to Directors and key management personnel for their commitment and contribution to the Group and are used as a strategic tool to recruit and retain high calibre personnel.

Options issued during the year vest at various periods during the life of the options and value is only realised by Directors and key management personnel upon growth at various premiums to the 5-day volume weighted share price of the Company's share price from the date of the grant of the options. Vesting conditions relating to the performance of the Group are not considered appropriate having regard to the stage of development of the Group's assets.

Participants in the EEEP, are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

In addition, under the EEEP, if the Board makes a determination that in its opinion an optionholder has been dismissed or removed from office for a reason which entitles the Company to dismiss the optionholder without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company (whether or not charged with an offence) or has done any act which brings the Company and its related bodies corporate or any one of them into disrepute, the options held by that optionholder will lapse.

Potential discretionary bonus

A potential discretionary bonus may be paid to Executive Directors and other key management personnel. Any potential bonus paid is at the discretion of the Remuneration Committee (under delegated authority from the Board) and will typically be made in recognition of contribution to the Company's performance and other significant efforts of Executive Directors and key management personnel in applicable and appropriate circumstances.

4 Review

The Remuneration Policy will be reviewed by the Board at least annually and updated as required.