

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Company, in connection with the management of the affairs of the entity and its subsidiaries, during the year to 30 June 2018.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives of the Company and the Consolidated Entity.

### A. REMUNERATION POLICY

#### Remuneration Committee

At 30 June 2018, the function of the Remuneration Committee (“the Committee”) was carried out by the Board.

The function of the Board in fulfilling its corporate governance responsibilities with respect to remuneration is by reviewing and making appropriate recommendations on:

- (a) Remuneration packages of Executive Directors, Non-Executive Directors and Senior Management;
- (b) Employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

#### Remuneration Policy

The Committee adopts the following policies on executive compensation and will bear these policies in mind during remuneration reviews:

All key executives should be paid fair market Total Fixed Remuneration (“TFR”) for their employment, taking into account their responsibilities and performance expectations.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Prior to August 2013 (when the Board resolved that the employee incentive scheme would be suspended), the Company had a practice of granting shares and/or options to the Executives (being Executive Directors and Senior Management). The shares granted were valued at the difference between the market price of those shares and the amount paid by the Executives. Options were valued using the Black-Scholes methodology.

In 2012 the Remuneration Committee initially adopted Performance Rights as the incentive scheme for the Executive Directors and Senior Management.

The Committee’s policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when needed. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. The Directors are not required to hold any shares in the Company under the Company’s Constitution. However, to align Directors’ interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

#### Executive Directors’ Remuneration

In considering the Company’s Remuneration Policy and levels of remuneration for Executives, the Committee makes recommendations that seek to:

- Motivate Executive Directors and Senior Management to pursue long term growth and success of the Company within an appropriate control framework;
- Demonstrate a clear correlation between Executives’ performance and remuneration; and
- Align the interests of Executives with the long-term interests of the Company’s shareholders.

To the extent that the Company adopts a different remuneration structure for its Executive Directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

## Non-Executive Director Remuneration

In considering the Company's Remuneration Policy and levels of remuneration for Non-Executive Directors, the Committee is to ensure that:

- Fees paid to Non-Executive Directors are within the aggregate amount approved by shareholders and recommendations are made to the Board with respect to the need for increases to this aggregate amount at the Company's Annual General Meeting;
- Non-Executive Directors are remunerated by way of fees (in the form of cash);
- Non-Executive Directors are not provided with retirement benefits; and
- Non-Executive Directors are not entitled to participate in equity-based remuneration schemes designed for Executives without due consideration and appropriate disclosure to the Company's shareholders.

To the extent that the Company adopts a different remuneration structure for its Non-Executive Directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

At the 2017 Annual General Meeting, shareholders approved under ASX Listing Rule 10.14 to allow the issue of a number of shares to the then Non-Executive Directors under the Intra-Energy Corporation Non-Executive Director Share Plan in lieu of 100% of their annual Directors remuneration. To date, no shares have been issued under the Plan.

## Incentive Scheme

To qualify for the Scheme a person must be an employee and have worked with the Company for a minimum of 6 months (the only exception is to attract Senior Management or a Head of Business and is subject to the approval of the Remuneration Committee).

The incentive scheme has two components, namely, the Short Term Incentive ("STI") and Long Term Incentive ("LTI") respectively. This is to ensure that the key Executives have short and long term interests of the Company in mind in their decision making.

In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

## Executive Management

For Executive Directors the performance conditions are 50% external, 50% internal.

Payout of LTI incentive is dependent on the combined score of both the external and internal measures.

STI: 40% of TFR, payable in lump sum annually when an Executive has satisfactorily achieved his or her performance targets set by the Company.

LTI: 60% of TFR, This is in a form of an equity incentive using Performance Rights as an instrument. Payout will be based on the performance of the entire management team in achieving exceptional performance for the Company and its shareholders.

## Management

The Management team performance conditions are 1/3 satisfaction of individual performance (agreed Key Performance Indicators), 1/3 external measure and 1/3 internal measure. The annual individual performance targets are agreed at the June board meeting.

## External Measure

The vesting of Performance Rights is subject to the Company's Total Shareholder Return ("TSR") outperforming the S&P/ASX300 Energy Index (ASX: XEK) over the vesting period.

Percentile Ranking	Percentage of Tranche 1 (T1) Performance Rights to Vest (50% component)
50 <sup>th</sup>	Nil
> 51 <sup>st</sup> but < 60 <sup>th</sup>	30%
> 60 <sup>th</sup> but < 68 <sup>th</sup>	60%
> 68 <sup>th</sup> but < 76 <sup>th</sup>	90%
> 76 <sup>th</sup>	100%

IEC's TSR over the vesting period is ranked against the constituent companies of the S&P/ASX300 Energy Index. T1 Performance Rights will vest based on the IEC TSR Percentile Ranking achieved in this table. The Peer Group is established on the Grant Date as all companies within the S&P/ASX300 Energy Index.

Any companies within the Peer Group which are delisted as at the vesting date are removed from the final analysis.

The Company reserves the right to amend the Peer Group at any time prior to the vesting date.

#### Internal Measure

The internal measure uses earnings per share ("EPS") as the indicator.

The annual EPS target is set by the Board and agreed by the Committee after approval of the following year's Group budget. The vesting of these Rights is subject to achieving the budgeted earnings per share ("Budget EPS") as determined by the Board over the vesting period. That is, the sum of three years' EPS ending 30 June.

The Budget EPS is determined by the Board and takes into account market expectations, economic and industry conditions, meeting financial objectives and the past performance of the Company. EPS is as defined under AIFRS for the relevant period.

Performance against budget EPS	Percentage of Tranche 2 (T2) Performance Rights to Vest (50% component)
< 100%	Nil
> 100% but < 107%	25%
> 107% but < 114%	50%
> 114% but < 120%	75%
> 120%	100%

## KEY MANAGEMENT PERSONNEL

During the year ended 30 June 2018 the Key Management Personnel (“KMP”) of IEC were:

Name	Position Held
Mr Graeme Robertson	Non-Executive Chairman
Mr Troy Wilson <sup>1</sup>	Non-Executive Director
Mr David Nolan <sup>2</sup>	Non-Executive Director
Mr Michael Addison <sup>3</sup>	Non-Executive Director
Mr James Shedd	Chief Executive Officer
Ms Kerry Angel	Chief Financial Officer

<sup>1</sup>Mr Troy Wilson was appointed 4 October 2017

<sup>2</sup>Mr David Nolan resigned 24 August 2018

<sup>3</sup>Mr Michael Addison resigned 28 September 2017

# Remuneration Report



## B. DETAILS OF REMUNERATION

2018	Short-term			Post-Employment		Long-term	Share-based Payment			TOTAL	% of Remuneration granted as options	
	Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Retirement Benefits	Long service leave	Shares	Options	Incentive plans			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	
<b>NON-EXECUTIVE DIRECTORS</b>												
Mr G Robertson	113,233	-	-	-	-	-	-	-	-	-	113,233	-
Mr D Nolan <sup>1</sup>	40,000	-	-	-	-	-	-	-	-	-	40,000	-
Mr T Wilson <sup>2</sup>	30,000	-	-	-	-	-	-	-	-	-	30,000	-
Mr M Addison <sup>3</sup>	10,000	-	-	-	-	-	-	-	-	-	10,000	-
<b>KEY MANAGEMENT PERSONNEL</b>												
Mr J Shedd	407,581	-	-	-	-	-	-	-	-	-	407,581	-
Ms K Angel	226,646	-	-	-	-	-	-	-	-	-	226,646	-
<b>Total</b>	<b>827,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>827,460</b>	<b>-</b>

<sup>1</sup>Resigned 24 August 2018 <sup>2</sup>Appointed 4 October 2017 <sup>3</sup>Resigned 28 September 2017

2017	Short-term			Post-Employment		Long-term	Share-based Payment			TOTAL	% of Remuneration granted as options	
	Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Retirement Benefits	Long service leave	Shares	Options	Incentive plans			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	
<b>NON-EXECUTIVE DIRECTORS</b>												
Mr G Robertson	112,467	-	-	-	-	-	-	-	-	-	112,467	-
Mr M Addison <sup>1</sup>	3,333	-	-	-	-	-	-	-	-	-	3,333	-
Mr D Nolan <sup>2</sup>	10,000	-	-	-	-	-	-	-	-	-	10,000	-
Mr M McAndrew <sup>3</sup>	207,886	-	-	18,166	-	-	-	-	-	-	226,052	-
Mr D Mason <sup>4</sup>	87,456	-	-	-	-	-	-	-	-	-	87,456	-
Mr J Warrand <sup>5</sup>	14,167	-	-	-	-	-	-	-	-	-	14,167	-
<b>KEY MANAGEMENT PERSONNEL</b>												
Mr J Shedd <sup>6</sup>	203,991	-	-	-	-	-	-	-	-	-	203,991	-
Mr T Brereton <sup>7</sup>	15,783	-	-	-	-	-	-	-	-	-	15,783	-
Ms K Angel	225,572	-	-	-	-	-	-	-	-	-	225,572	-
<b>Total</b>	<b>880,655</b>	<b>-</b>	<b>-</b>	<b>18,166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>898,821</b>	<b>-</b>

<sup>1</sup>Appointed 1 June 2017, resigned 28 September 2017 <sup>2</sup>Appointed 3 April 2017 <sup>3</sup>Resigned 27 June 2017 <sup>4</sup>Resigned 18 April 2017 <sup>5</sup>Resigned 8 August 2016 <sup>6</sup>Appointed 27 December 2016 <sup>7</sup>Ceased 18 July 2016

## C. CASH BONUSES

There were no cash bonuses paid during the year.

## D. SHARE BASED PAYMENT BONUSES

There were no share-based payment bonuses paid during the year.

## E. OPTIONS ISSUED AS PART OF REMUNERATION

In 2012 the Committee adopted Performance Rights as the incentive scheme for the Executive Directors and Senior Management. In August 2013, the Board resolved that the employee incentive scheme would be suspended for an indefinite period.

## EMPLOYMENT CONTRACTS OF DIRECTORS AND EXECUTIVES

Until 31 October 2014, Mr Graeme Robertson was employed by the Company as Executive Chairman. Mr Robertson transferred to a non-executive role on 31 October 2014 and continued on the Board as Non-Executive Chairman. He was entitled to receive three months' termination payment. His Non-Executive Chairman's fees are \$85,000 per annum. Mr Robertson is also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC. During the year he received director's fees of US\$28,233 from Tancoal.

Mr David Nolan was employed as Non-Executive Director from 3 April 2017 till 24 August 2018, his Non-Executive Director's fees were \$40,000 per annum.

Mr Michael Addison was employed as Non-Executive Director from 31 June 2017 till 28 September 2017, his Non-Executive Director's fees were \$40,000 per annum.

Mr Troy Wilson was employed as Non-Executive Director on 4 October 2017, his Non-Executive Director's fees are \$40,000 per annum.

Mr Alan Fraser was employed as Non-Executive Director on 24 August 2018, his Non-Executive Director's fees are \$40,000 per annum.

Mr Jonathan Warrand was employed by the Company as Executive Director and Chief Financial Officer until 31 October 2014 when he transferred to a non-executive role and continued on the Board as Non-Executive Director. His Non-Executive Director's fees were \$85,000 per annum. Mr Warrand resigned on 8 August 2016.

Mr David Mason was employed as Executive Director – Exploration and Business Development until 31 August 2014. Mr Mason transferred to a non-executive role on 31 August 2014 and continued on the Board as Non-Executive Director. His Non-Executive Director's fees are \$85,000 per annum. Mr Mason was also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC, during the year he received director's fees of US\$14,633 from Tancoal.

Mr Mark McAndrew was employed as Executive Director and Chief Operating Officer on 7 October 2015 for an indefinite period until terminated by either party by giving not less than three months' notice. His salary was \$160,000 per annum including superannuation. Mr McAndrew was also appointed Acting Chief Executive Officer on 18 July 2016 on a salary of US\$280,000 per annum including superannuation. From 31 January 2017 Mr McAndrew transferred to a non-executive role and continued on the Board as on-Executive Director until his resignation on 27 June 2017.

Mr Tarn Brereton was employed as Chief Executive Officer for an indefinite period until terminated by either party by giving not less than three months' notice. Mr Brereton was paid US\$280,000 in total as an employee. Mr Brereton passed away and his employment ceased on 18 July 2016.

Mr James (Jim) Shedd was employed as Chief Executive Officer from 27 December 2016 for an indefinite period until terminated by either party by giving not less than three months' notice. Mr Shedd was paid US\$280,000 in total as an employee. Mr Shedd is also a non-executive director of Tancoal Energy Limited (Tancoal), a 70% owned subsidiary of IEC, during the year he received director's fees of US\$34,283 from Tancoal.

The key terms of Mr Shedd's remuneration package are as follows:

- Total Fixed Remuneration (TFR) of US\$280,000 (including superannuation contributions), subject to annual review;
- Eligibility to participate in the Company's incentive scheme as approved by the Board from time to time;

Ms Kerry Angel is employed as the Chief Financial Officer. Ms Angel's salary is US\$170,000 per annum including superannuation.

Each employment contract of Executive Directors and Executives includes:

- Base total fixed remuneration (including superannuation) to be reviewed annually;
- Provision of annual leave, accrued balance payable upon termination;
- Provision made for the awarding of bonuses at the recommendation of the Committee ("STI"); and
- Provision made for the award of performance share rights ("LTI"), subject to shareholder approval.

No payments were made under an LTI or STI scheme for the year ended 30 June 2018.

## F. KEY MANAGEMENT PERSONNEL COMPENSATION – OPTIONS

2018	Balance at beginning of year	Granted during the year as compensation	Exercised during the year	Lapsed / cancelled during the year	Balance at the end of the year	Vested and exercisable
Mr G Robertson	–	–	–	–	–	–
Mr T Wilson <sup>1</sup>	–	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–	–
Mr M Addison <sup>3</sup>	–	–	–	–	–	–
Mr J Shedd	–	–	–	–	–	–
Ms K Angel	–	–	–	–	–	–
<b>Total</b>	-	-	-	-	-	-

<sup>1</sup>Mr Troy Wilson was appointed 4 October 2017

<sup>2</sup>Mr David Nolan resigned 24 August 2018

<sup>3</sup>Mr Michael Addison resigned 28 September 2017

2017	Balance at beginning of year	Granted during the year as compensation	Exercised during the year	Lapsed / cancelled during the year	Balance at the end of the year	Vested and exercisable
Mr G Robertson	–	–	–	–	–	–
Mr M Addison <sup>1</sup>	–	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–	–
Mr M McAndrew <sup>3</sup>	–	–	–	–	–	–
Mr D Mason <sup>4</sup>	–	–	–	–	–	–
Mr J Warrand <sup>5</sup>	–	–	–	–	–	–
Mr J Shedd <sup>6</sup>	–	–	–	–	–	–
Mr T Brereton <sup>7</sup>	–	–	–	–	–	–
Ms K Angel	–	–	–	–	–	–
<b>Total</b>	-	-	-	-	-	-

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<sup>1</sup>Mr Michael Addison was appointed 1 June 2017, resigned 28 September 2017

<sup>2</sup>Mr David Nolan was appointed 3 April 2017

<sup>3</sup>Mr Mark McAndrew was the Executive Director and Chief Operating Officer, then appointed Acting Chief Executive Officer 18 July 2016, then Non-Executive Officer from 31 January 2017 till his resignation on 27 June 2017

<sup>4</sup>Mr David Mason resigned 18 April 2017

<sup>5</sup>Mr Jonathan Warrant resigned 8 August 2016

<sup>6</sup>Mr James (Jim) Shedd was appointed 27 December 2017

<sup>7</sup>Mr Tarn Brereton passed away 16 July 2016



## G. KEY MANAGEMENT PERSONNEL COMPENSATION – FULLY PAID SHARES

The numbers of shares in the Company held during the financial year or at time of resignation by each Director or KMP of IEC are set out below:

2018	Balance at beginning of year	Granted during the year as compensation	Received during the year on exercise of options	Changes during the year*	Balance at the end of the year
Mr G Robertson	131,306,585	–	–	–	131,306,585
Mr T Wilson <sup>1</sup>	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–
Mr M Addison <sup>3</sup>	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
<b>Total</b>	<b>131,306,585</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>131,306,585</b>

<sup>1</sup>Mr Troy Wilson was appointed 4 October 2017

<sup>2</sup>Mr David Nolan resigned 24 August 2018

<sup>3</sup>Mr Michael Addison resigned 28 September 2017

2017	Balance at beginning of year	Granted during the year as compensation	Received during the year on exercise of options	Changes during the year*	Balance at the end of the year
Mr G Robertson	118,806,585	–	–	12,500,000	131,306,585
Mr M Addison <sup>1</sup>	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–
Mr M McAndrew <sup>3</sup>	–	–	–	–	–
Mr D Mason <sup>4</sup>	7,950,228	–	–	12,500,000	20,450,228
Mr J Warrand <sup>5</sup>	7,680,237	–	–	(251,726)	7,428,511
Mr J Shedd <sup>6</sup>	–	–	–	–	–
Mr T Brereton <sup>7</sup>	–	–	–	–	–
Ms K Angel	–	–	–	–	–
<b>Total</b>	<b>134,437,050</b>	<b>–</b>	<b>–</b>	<b>24,748,274</b>	<b>159,185,324</b>

<sup>1</sup>Mr Michael Addison was appointed 1 June 2017, resigned 28 September 2017

<sup>2</sup>Mr David Nolan was appointed 3 April 2017

<sup>3</sup>Mr Mark McAndrew was the Executive Director and Chief Operating Officer, then appointed Acting Chief Executive Officer 18 July 2016, then Non-Executive Officer from 31 January 2017 till his resignation on 27 June 2017

<sup>4</sup>Mr David Mason resigned 18 April 2017

<sup>5</sup>Mr Jonathan Warrand resigned 8 August 2016

<sup>6</sup>Mr James (Jim) Shedd was appointed 27 December 2017

<sup>7</sup>Mr Tarn Brereton passed away 16 July 2016

\*Changes during the year represent shares acquired or sold by KMP or their associates

## H. KEY MANAGEMENT PERSONNEL COMPENSATION – PERFORMANCE RIGHTS

The numbers of performance rights in the Company held during the financial year or at time of resignation by each Director or KMP of IEC, including their personally related parties, are set out below:

2018	Balance at beginning of year	Granted during the year as compensation	Vested during the year	Lapsed/cancelled during the year	Balance at the end of the year
Mr G Robertson	–	–	–	–	–
Mr T Wilson <sup>1</sup>	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–
Mr M Addison <sup>3</sup>	–	–	–	–	–
Mr J Shedd	–	–	–	–	–
Ms K Angel	–	–	–	–	–
<b>Total</b>	–	–	–	–	–

<sup>1</sup>Mr Troy Wilson was appointed 4 October 2017

<sup>2</sup>Mr David Nolan resigned 24 August 2018

<sup>3</sup>Mr Michael Addison resigned 28 September 2017

2017	Balance at beginning of year	Granted during the year as compensation	Vested during the year	Lapsed/cancelled during the year	Balance at the end of the year
Mr G Robertson	–	–	–	–	–
Mr M Addison <sup>1</sup>	–	–	–	–	–
Mr D Nolan <sup>2</sup>	–	–	–	–	–
Mr M McAndrew <sup>3</sup>	–	–	–	–	–
Mr D Mason <sup>4</sup>	–	–	–	–	–
Mr J Warrand <sup>5</sup>	–	–	–	–	–
Mr J Shedd <sup>6</sup>	–	–	–	–	–
Mr T Brereton <sup>7</sup>	–	–	–	–	–
Ms Kerry Angel	–	–	–	–	–
<b>Total</b>	–	–	–	–	–

<sup>1</sup>Mr Michael Addison was appointed 1 June 2017, resigned 28 September 2017

<sup>2</sup>Mr David Nolan was appointed 3 April 2017

<sup>3</sup>Mr Mark McAndrew was the Executive Director and Chief Operating Officer, then appointed Acting Chief Executive Officer 18 July 2016, then Non-Executive Officer from 31 January 2017 till his resignation on 27 June 2017

<sup>4</sup>Mr David Mason resigned 18 April 2017

<sup>5</sup>Mr Jonathan Warrand resigned 8 August 2016

<sup>6</sup>Mr James (Jim) Shedd was appointed 27 December 2017

<sup>7</sup>Mr Tarn Brereton passed away 16 July 2016

## I. LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to any Directors or Executives during the financial year.

## J. PAYMENTS TO DIRECTORS

Due to the Director's belief in the Company's ability to reach profitability the Non-Executive Directors have elected not to be paid until there is an improvement in operating cash flow. At the end of the year A\$880k was owing to current and past Directors of the Company.

### End of Remuneration Report