

CORPORATE GOVERNANCE POLICIES

Board Charter

The Board of K2 Energy Limited (Board) is responsible to the shareholders for determining the strategic direction of the Company.

Accountabilities

AUTHORITY AND PURPOSE

The constitution of the company and the ASX listing rules set out details regarding board composition, size, term of office, committees and governance standards. This Charter identifies role and responsibilities of the board and management.

FUNCTION

The Board is responsible for:

- (a) setting the strategic goals of the Company.
- (b) oversight of the management of the Company.
- (c) protecting and increasing shareholder value.

RESPONSIBILITIES

- the overall corporate governance of the Company including its strategic direction, financial objectives, and overseeing (or supervision) of control and accountability systems;
- input into and approval of strategic plans and goal and performance objectives, key operational and financial matters, as well as major investment and divestment proposals;
- being accountable for the performance of the Company;
- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair and/or the “senior independent director”;
- appointing, and when necessary replacing, the Chairman and other senior executives including the Company Secretary;
- assessing the performance of and overseeing succession plans for senior executives;
- approving the nominations of Directors to the Board;
- overseeing management’s implementation of the Company’s strategic objectives;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company’s accounting and corporate reporting systems, including the external audit;
- overseeing the Company’s process for market disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities;
- ensuring that the Company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;
- approving the Company’s remuneration framework;
- monitoring the effectiveness of the Company’s governance practices;
- reporting to and communications with shareholders;
- the approval of the annual and half yearly financial report; and
- monitoring the performance of the Company.

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PROTOCOLS

The board has issued a separate Board Protocol to govern the individual responsibilities of directors.

DELEGATIONS

The Board delegates to the Managing Director (if appointed) and the senior executive team, authority over the day to day management of the Company and its operations, including responsibility for:

- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Company;
- managing the Company's reputation and operating performance in accordance parameters set by the Board;
- day-to-day running of the Company;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

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Board Protocol

This protocol is for Directors of K2 Energy Limited (Company).

DIRECTOR

- To act honestly at all times and in the best interests of the Company.
- Exercise appropriate care and diligence in performing their duties.
- Their priority is to the Company, and not to any outside party or shareholder.
- Not disclose confidential or proprietary information to outside parties
- Not to use company information for the benefit of the Director or persons associated with them.
- Notify the chairman of any potential conflict of interest.
- The majority of the Board should be independent directors. Mr Gazal, Mr Gaunt and Dr Mears are all independent and the company is therefore in compliance with this requirement.
- Remuneration of non-executive directors must not exceed the aggregate amount approved by shareholders.
- Remuneration of executive directors is determined after consideration of market rates, based on the services provided.

CHAIRMAN

- Responsible for overseeing the Board.
- Ensure that systems are in place to ensure compliance with the Listing Rules, and in particular, the Continuous Disclosure Rules.
- Review ASX announcements before their release.
- Should be an independent director and the role of chairman and chief executive officer should not be shared by the same individual. Mr Gazal is currently the Chairman of the Company and the company does not currently have a CEO, therefore in compliance with this requirement.

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MEETING PROTOCOLS

- The board meets during the year, as appropriate. The chairman may call additional meetings from time to time as needed.
- Two or more Directors may ask the chairman to call a special board meeting for a specific purpose.
- The agenda for meetings is to be approved by the chairman.
- Board papers are to be distributed electronically by the Company Secretary
- All board papers and all discussions of the board both formal and informal are confidential.
- Board members, past and present, may access a copy of any paper from the official records for any board meeting at which they were/are a member.
- A quorum for board meetings is two members of the board.
- The Company constitution provides that the chairperson of the meeting shall have a second or casting vote.

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Code of Conduct

K2 Energy Limited (Company) expects honesty and integrity in the conduct of its business. This applies to directors, executives, employees and contractors. They are expected to comply with all relevant laws, rules and regulations.

CONFLICTS

Potential conflicts of interest are to be reported to the Company Secretary.

COMPANY ASSETS

Assets of the Company are to be used in the interests of the Company.

CONFIDENTIAL INFORMATION

Confidential or commercially sensitive information is not to be disclosed without proper authorization. However, there is an obligation to ensure that:

- Continuous disclosure obligations are to be met in accordance with the *Company's Continuous Disclosure Policy*
- Securities trading must be conducted in compliance with the *Company's Securities Trading Policy*.

EMPLOYMENT PRACTICES

K2 Energy requires the following of each relevant person:

- act honestly, in good faith and in the best interests of the Company as a whole;
- exercise a duty to use care and diligence in fulfilling the functions of office or position and exercising the powers attached to that office or position;
- use the powers of office for a proper purpose and in the best interests of the Company as a whole;
- recognise that the primary responsibility is to the Company as a whole but may, where appropriate, have regard for the interest of other stakeholders of the Company;
- not to make improper use of information acquired as a director or employee;
- not take improper advantage of their position as a member of the Board or employee;
- properly manage and declare any conflict of interest with the Company;
- directors to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- confidential information received in the course of the exercise of their duties remains the property of the Company and, unless appropriate authority granted, it is improper to disclose it, or allow it to be disclosed;
- not to engage in conduct likely to affect the reputation of Company; and
- to comply with the spirit, as well as the letter, of the law and with the principles of this Code.

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GIFTS AND ENTERTAINMENT

All business entertainment received or provided is to be reasonable and properly authorised:

- Gifts may only be accepted which are not in cash or equivalent, of small value, and appropriate to the business relationship
- No employee will make offers of, or receive, bribes or other improper payments.

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Continuous Disclosure Policy

The board of K2 Energy Limited (Company) has adopted this policy with respect to its continuous disclosure obligations. The board acknowledges that for ASX listed companies, continuous disclosure is important.

AUTHORITY AND PURPOSE

The Company's disclosure policy and procedures are designed to comply with all applicable laws and regulations. The Company is committed to:

- promote investor confidence and ensure that shareholders and the market are provided with timely disclosure of all material matters concerning the Company;
- ensuring that the continuous disclosure obligations contained in the ASX Listing Rules and the disclosure requirements under the Corporations Act are satisfied; and
- ensuring that all shareholders have equal and timely access to information issued by the Company.

Where announcements are made to the market through the ASX, such announcements are pre-vetted by the CFO, Chairman and Board of Directors to ensure that such statements are:

- factual;
- do not omit material information; and
- expressed in a clear and objective manner.

PRINCIPLES

Under ASX Listing Rule 3.1 and section 674(2) of the Corporations Act, the Company is required to notify the ASX immediately upon becoming aware of any information concerning it that:

- (a) is not generally available; and
- (b) a reasonable person would expect to have a *material effect* on the price or value of the Company's securities.

The only exception to the above rule is where:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
- one or more of the following applies:
 - it would be a breach of a law to disclose the information;
 - the information concerns an incomplete proposal or negotiation;
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - the information is generated for the internal management purposes of the Company; or
 - the information is a trade secret

As soon as possible after disclosure to the Stock Exchange all announcements will be posted on the Company's website.

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COMPANY SECRETARY

The Company Secretary is responsible for:

- (a) lodging announcements with the
- (b) ensuring disclosure of information to the ASX.

The Company Secretary is to ensure compliance of the Company's disclosure policy.

GUIDELINES TO EMPLOYEES

Any employees who become aware of potentially price sensitive information which they consider may not be known to the Chairman or Board must immediately inform the Chairman or Company Secretary of that information.

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Audit Committee

The board of K2 Energy Limited (the Company) has established an Audit Committee ("AC") governed by this charter.

AUTHORITY

The AC is to investigate any activity of the Company of an unusual nature. AC is able to investigate any matter brought to its attention have unfettered access to the books and records of the Company.

COMPOSITION

ASX guidelines recommend an audit committee includes three non-executive, independent directors. Members consist of Mr Gazal and Mr Gaunt, both of whom are non-executive, independent directors of the Company. Given the size of the Company and its Board, it is considered reasonable that the AC consists of two members.

The AC may invite other persons including executive directors, management personnel and the company's auditors to attend part or all of their meetings.

At least one member of AC or an invited participant shall hold financial/accounting qualifications.

The chairman of AC is currently Mr Gaunt. As required by ASX guidelines he must be a non-executive, independent director and should not be the chairman of the board, and is appointed by the members of the AC. The Company is in compliance with this requirement.

RESPONSIBILITIES

The AC is responsible for carrying out the following functions:

- review and monitor the integrity of Annual Report including the financial statements;
- to review and assess the Company's accounting policies, and determine in consultation with the Chief Financial Officer if any changes to policy should be enacted;
- review and oversee systems of risk management, internal control and legal compliance;
- review the adequacy of the corporate reporting processes;
- oversee the process for identifying significant risks facing the Company and implementing appropriate and adequate control, monitoring and reporting mechanisms;
- liaise with and monitor the performance and independence of the external auditor; and
- to make recommendations to the Board for the appointment, reappointment or replacement and remuneration of an appropriate independent external auditor.

MEETINGS

AC meets as often as necessary. Minutes and resolutions of AC meetings shall be kept by the company secretary.

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QUORUM

A quorum will comprise any two AC members. In the absence of the AC chairman or his appointed delegate, members shall elect one of their number as chairman for the meeting.

DECLARATION

The AC will ensure the Company obtains a declaration as required by Section 295A of the Corporations Act when preparing the Company's accounts each financial year.

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Remuneration Committee

The majority of the Board of K2 Energy Limited (Company) undertakes the role of Remuneration Committee to manage the process for recruiting, selecting, and remunerating directors and executives.

ASX guidelines recommend a remuneration committee includes three members, has an independent chairman and a majority of independent directors. The Remuneration Committee comprises the entire Board. The entirety of the Committee members are independent thereby partially satisfying this ASX recommendation.

PURPOSE

The Company has a responsibility to its shareholders to ensure that:

- the Board comprises individuals best able to discharge the responsibilities of Directors; and
- the Company has remuneration policies and practices which enable it to attract and retain Directors and executives who will best contribute towards achieving positive outcomes for shareholders.

RESPONSIBILITIES

The Remuneration Committee is responsible for monitoring and advising upon the following matters:

- the Company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report, contained within the Directors' report.

Diversity Policy

1. Overview

K2 Energy Limited is committed to workplace diversity. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, we will comply with the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) through this policy.

2. County Coal's Commitment to Workplace Diversity

The Company is committed to workplaces where everyone is treated fairly and decisions are based on merit. The Board believes in workplace diversity as a positive means of achieving its corporate goals. It recognises that benefits arise from diversity including:

- a broader pool of high quality employees;
- improved employee productivity and retention; and
- access to different perspectives and ideas.

The board comprises three men, all of whom are non-executive directors. When the time comes to appoint a new director arises, this policy will apply to the selection of that new director.

3. Selection and Appointment of Directors and Employees

The Company is committed to a corporate culture that promotes diversity when determining the composition of the board, senior management and employees, including its recruitment and selection processes.

The Company's recruitment decisions are based on merit and a person's skills and qualifications, regardless of their age, gender, nationality, cultural background or any other factor not relevant to the position.

3.1 Selection and Appointment of New Directors

The Board will take diversity of background into account (in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields) to enhance the Board's skills. A wider candidate pool can be established by engaging a professional search firm and by advertising Board and employment vacancies.

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In order to promote the specific objective of gender diversity, the selection process for Board appointments must involve the following steps:

- the director selection process and decision making must be formal and transparent as set out in the ASX Principles;
- candidates should be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search firm.
- at least one woman candidate should be present on every shortlist;
- if, at the end of the selection process, a woman candidate is not selected, the Board must be satisfied that there are objective reasons to support its decision determination.

3.2 Selection and Appointment of Employees (Including Senior Management Roles)

Maintain diversity objectives through the following steps:

- the Chairman will have reference to this policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the executive team;
- the Board will also consider gender diversity and the objectives of this policy when considering those recommendations;
- candidates will be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search/recruitment firm(s), and/or by advertising vacancies; and
- a short-list identifying potential candidates for the appointment should include a mix of both men and women wherever possible.

4. Diversity Strategies

In addition to recruitment guidelines which promote diversity, we are committed to a range of other strategies to improve diversity including:

- measuring performance based on agreed goals to remove bias and promote equity;
- developing a culture which takes into account domestic responsibilities of employees including helping women and men balance their work, life and family responsibilities including flexible work options and return to work programs;
- as part of its annual remuneration review, assessing the gender pay parity across the business and implementing action plans to address any areas of concern;
- implementing regular diversity education and training for all employees and contractors, and periodically conducting awareness sessions on issues related to equal employment opportunities in the workplace;
- maintaining a workplace culture that supports difference and that enables each staff member to fully contribute to the best of their ability; and
- identifying roadblocks to diversity success and taking action to address the issues including targeting professional development programs aimed at helping women to develop skills.

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5. Reporting Measurable Objectives

For the purposes of reporting on measurable objectives, the Company's current focus is on gender diversity as required by the ASX Principles. The Board will include in its Corporate Governance Statement each year:

- measurable gender diversity objectives set by the Board;
- progress towards achieving those objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.