

The Corporate Governance Principles and Recommendations

Principle 1 – Lay solid foundations for management and oversight

<ul style="list-style-type: none"> Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions 	A	Matters reserved for the board were resolved at a meeting []. Copies of the matters are included on the company's website.
<ul style="list-style-type: none"> Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives 	N/A	Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues. The remuneration of executive and non executive Directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of executive management is reviewed and approved by the Board.
<ul style="list-style-type: none"> Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1 	A (in Part)	Matters reserved for the board can be found on the Company's website.

Principle 2 – Structure the board to add value

<ul style="list-style-type: none"> Recommendation 2.1: A majority of the board should be independent directors 	N/A	Given the Company's background, the nature and size of its business and the current stage of its development the board comprises five directors, two of whom are non-executive (including the independent Chairman). The board believes that this is both appropriate and acceptable at this stage of the Company's development.
<ul style="list-style-type: none"> Recommendation 2.2: The chair should be an independent director 	A	
<ul style="list-style-type: none"> Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual 	A	The position of Chairman and Managing Director are held by separate persons
<ul style="list-style-type: none"> Recommendation 2.4: The board should establish a nomination committee 	N/A	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to the process.
<ul style="list-style-type: none"> Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors 	N/A	Given the size of the Company, formal procedures for evaluating the performance of the board, committees and individual directors have not been developed. The Company conducts these aspects on an ongoing basis and takes action to correct

		any abnormalities
<ul style="list-style-type: none"> • Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2 	<p>A (in part)</p>	The skills and experience of directors are set out in the Company's Annual Report and on its website.

Principle 3 – Promote ethical and responsible decision-making

<ul style="list-style-type: none"> • Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ○ the practices necessary to maintain confidence in the company's integrity ○ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ○ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	<p>A</p>	The Company has formulated a Code of Conduct which can be viewed on the Company's website.
<ul style="list-style-type: none"> • Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy 	<p>A</p>	The Company has formulated a securities trading policy, which can be viewed on its website.
<ul style="list-style-type: none"> • Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3 	<p>A</p>	

Principle 4 – Safeguard integrity in financial reporting

<ul style="list-style-type: none"> • Recommendation 4.1: The board should establish an audit committee 	<p>A</p>	The Company has established an audit committee which comprises three members, two being non executive independent directors. The charter for this committee is disclosed on the Company's website. Sourcing alternative or additional directors to strictly comply with this Principle is considered expensive with costs outweighing the potential benefits. In addition, the board as a whole addresses the governance aspects to the full scope of the Company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.
<ul style="list-style-type: none"> • Recommendation 4.2: The audit committee should be structured so that it: <ul style="list-style-type: none"> ○ consists only of non-executive directors ○ consists of a majority of independent directors 	<p>A</p> <p>✗</p> <p>✓</p>	The company only has two non executive directors

<ul style="list-style-type: none"> ○ is chaired by an independent chair, who is not chair of the board ○ has at least three members 	✓	
<ul style="list-style-type: none"> • Recommendation 4.3: The audit committee should have a formal charter 	A	
<ul style="list-style-type: none"> • Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4 	A	

Principle 5 – Make timely and balanced disclosure

<ul style="list-style-type: none"> • Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies 	A	The Company has instigated internal procedures designed to provide reasonable assurance to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informational systems in place to ensure compliance, underpinned by experience.
<ul style="list-style-type: none"> • Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5 	A	The board receive monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.

Principle 6 – Respect the rights of shareholders

<ul style="list-style-type: none"> • Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy 	A	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions and events or other price sensitive information.
<ul style="list-style-type: none"> • Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6 	A	The Company has formulated a Communication Policy which can be viewed on the Company website.

Principle 7 – Recognise and manage risk

<ul style="list-style-type: none"> • Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies 	A	While the Company does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place for adequately to managing these risks. This issue is regularly reviewed at board
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		<p>meetings and a risk management culture is encouraged amongst employees and contractors.</p> <p>Determined areas of risk which are regularly considered include:</p> <ul style="list-style-type: none"> • Performance and funding of exploration activities • Budget control and asset protection • Status of petroleum permits • Compliance with government laws and regulations • Safety and the environment • Continuous disclosure obligations • Sovereign risk
<ul style="list-style-type: none"> • Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks 	N/A	<p>While the Company does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at board meetings and a risk management culture is encouraged amongst employees and contractors.</p>
<ul style="list-style-type: none"> • Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks 	A	
<ul style="list-style-type: none"> • Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7 	N/A	

Principle 8 – Remunerate fairly and responsibly

<ul style="list-style-type: none"> • Recommendation 8.1: The board should establish a remuneration committee 	A	<p>For information on the Company's Remuneration Committee refer to its website.</p>
<ul style="list-style-type: none"> • Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives 	A	
<ul style="list-style-type: none"> • Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8 	A	<p>Refer to the Annual Report and the Corporate Governance section of the Company's website.</p>

COMPANY SECURITIES TRADING POLICY

1. INTRODUCTION

This Code for Dealing in Securities (“Code”) sets out the requirements for Directors, employees, consultants and contractors of KEY (collectively “KEY Personnel”) dealing in KEY securities. In order to ensure that KEY Personnel do not inadvertently breach the insider trading provisions of the Australian Corporations Act, KEY Personnel are only permitted to deal in KEY securities in limited circumstances determined by this Code. These limited circumstances are called “trading windows” and are determined by the provisions of this Code.

Even during trading windows, a securities dealing written request must be submitted to and approved by the Managing Director or his delegate prior to any dealing in KEY securities.

Subject to the overriding restriction that persons may not deal in any securities when they are in possession of inside information, KEY Personnel may not deal in KEY securities during certain periods as set out in this Code.

2. PROHIBITED CONDUCT UNDER INSIDER TRADING PROVISIONS

2.1 The Company

(a) As a matter of law, all KEY Personnel must not deal (meaning any change whatsoever including, but not limited to, any sale, purchase, exercise of options (even if due to expire), discharge of any right or obligation, or transfer) in KEY securities where:

- they possess information which is not generally available;
- that information may have a material effect on the price or value of KEY securities; and
- they know or ought reasonably to know that the information is not generally available and if it were it might have a material effect on the price of KEY securities,

as such information constitutes inside information.

- (b) KEY Personnel with inside information must comply with KEY's Policy in relation to insider trading which has been approved by the Board.

2.2 Other Companies

The laws regarding insider trading extend to dealings in securities of any companies about which a person possesses material price sensitive information which is not generally available including for example, companies in a joint venture with KEY.

3. POLICY FOR DEALING IN SECURITIES

Subject to the restriction that no KEY Personnel must deal in any securities when they are in possession of inside information, the following restrictions also apply:

- (a) No KEY Personnel are permitted to deal in KEY securities in the following periods:-
- two weeks before the release of KEY's quarterly reports;
 - two weeks before the release of KEY's annual results;
 - two weeks before the release of KEY's half yearly report.
- (b) No KEY Personnel are permitted to deal in KEY securities on the day of release or the day immediately following the release of quarterly, half yearly or annual financial results.
- (c) No KEY Personnel are permitted to deal in KEY securities during a trading window when there exists any matter which constitutes inside information in relation to KEY securities (whether or not such person has knowledge of such matter) and the proposed dealing would (if permitted) take place before the time when it has become reasonably probable that an announcement will be required in relation to that matter. This is a measure for the benefit and protection of KEY Personnel and KEY to ensure dealing in KEY securities by KEY Personnel is, at all times, transparent and free of any potential controversy.

Company options for ordinary shares may only be exercised in accordance with the terms and conditions of those options and in accordance with the requirements governing their issue, and, further, in accordance with this Code. In addition, any dealing of KEY securities acquired upon exercise of options must only occur in accordance with this Code.

Where options are held by any KEY Personnel and the expiry date of those options is imminent, special permission for exercise may need to be obtained from the relevant stock exchanges on which the Company is listed if the application of this Code would otherwise prevent exercise of those options.

4. CLEARANCE REQUEST

All KEY Personnel wishing to deal in KEY securities within a trading window must request for approval. The Managing Director will determine such request (except in the case of his own securities, in which case the Chairman must approve the proposed dealing).

5. GENERAL OBSERVATIONS

If any KEY person possesses inside information that is not generally available, such person is prohibited from procuring any other person to deal in those securities and from directly or indirectly communicating the information to another person who the KEY person believes is likely to deal in, or procure another person to deal in, those securities.

It is important that any KEY person who possesses inside information that is not generally available does not recommend or otherwise suggest to any person or associates (including a spouse, relative, friend or any trustee of a trust or family company) to deal in KEY securities.

Accordingly, this Code applies equally to persons acting for KEY Personnel or with whom it may appear KEY Personnel may communicate the inside information – that is, the spouse, children, family trusts, family companies of KEY Personnel or other associates of KEY Personnel must not deal in KEY securities otherwise than in accordance with this Code.

KEY Personnel should also ensure that before any external body of which they are a member, director, representative or trustee (for example, personal or family superannuation funds) undertakes any transaction regarding KEY securities, that any dealing in KEY securities complies with this Code.

This Code will be administered by the Company Secretary with input from the Managing Director. The Company Secretary will be available to answer any questions you may have in relation to it. However, neither KEY nor the Company Secretary is to be held responsible for any answers or any act or omission by you in reliance on those answers. It is your responsibility to comply with the law so if you are in any doubt you should obtain your own legal advice.

This Code is subject to regular review by the Board and will be amended as and when appropriate.

Approved by the KEY Board on 14 November 2007.