

**EARTH HEAT RESOURCES LTD
ACN 115 229 984
(the “Company”)**

DIRECTORS AND OFFICERS CODE OF CONDUCT

Policy Overview:

This policy governs the way in which each of the Directors and/or Officers (depending on the relevant item) of the Company should conduct themselves in the discharge of their duties. The Code of Conduct outlines the principles and standards Directors and Officers are required to abide by. This Code of Conduct should operate in addition to relevant laws that are in force from time to time and also in conjunction with all other Board Governance Policies.

Board Resolution:

The Board resolves that the following be adopted as the Code of Conduct for each Director and/or Officer as appropriate.

Conduct Relevant to Directors and Officers:

Each Director and Officer must:

1. act honestly, in good faith and in the best interests of the Company as a whole at all times.
2. Have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. Always use the powers of the office for a proper purpose.
4. Recognise that their primary responsibility is to the Company’s members as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
5. Not make improper use of information acquired as a Director.
6. Not allow personal interests, or the interests of any Associated Person, to conflict with the interests of the Company.
7. Have an obligation 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 or recommended to the Board as appropriate.
8. Ensure that confidential information received by a Director or Officer in the course of the exercise of their duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or required by law.
9. Not engage in conduct likely to bring discredit upon the Company.
10. Comply, at all times, with the spirit, as well as the letter of the law and with the principles of this Code.

Conduct Relevant to Directors

1. Duties to the Company

- 1.1 Each Director should endeavour to ensure that the functions of the Board have been specified clearly, are properly understood and are completely discharged in the interests of the Company.
- 1.2 A Director should endeavour to ensure that the management of the Company is competent and is devoting its best endeavours to the interests of the Company.

- 1.3 In evaluating the interests of the Company, a Director should take into account the interests of the members as a whole, but where appropriate or required by law, should take into account the interests of all stakeholders.

2. Duties to Members

- 2.1 Each Director should endeavour to ensure that the Company is and remains financially viable, properly managed and constantly improved, so as to protect and enhance the interests of the members.
- 2.2 A Director should seek to ensure that all members are treated fairly according to their rights as between each other.
- 2.3 A Director who is appointed to the Board at the instigation of a party with a substantial interest in the company, such as a major member or a creditor, should recognise the particular sensitivity of the position. Fiduciary duty requires the Director to make a contribution in the interests of the Company and the members as a whole and not only in the interest of the nominator. Where obligations to other people or bodies preclude an independent position on an issue, the Director should disclose the position and seriously consider whether to be absent or refrain from participating in the Board's consideration of the issue (see also Guideline 6.2). Before taking the decision to be absent, a Director should consider whether that absence would deprive the Board of essential background or experience. The matter should be disclosed to and resolved by the rest of the Board.

3. Duties to Creditors

Whilst the obligations of a Director are primarily owed to the Company (that is to the members as a whole), there are situations in which it is necessary to evaluate the interests of the creditors. This is particularly so where the Company's financial position is uncertain or where insolvency may be pending. In cases of doubt, a Director should, with some urgency, seek professional advice.

4. Duties to other Stakeholders

All Directors must comply with the legal framework governing their operations and must be conscious of the impact of their business on society. Without limiting in any way the nature of the issues with which the Directors must be concerned in the running of the business, particular attention should be paid to environment, questions of occupational health and safety, industrial relations, equal opportunity for employees, the impact of competition and consumer protection rules, and other legislative initiatives that arise from time to time. Although the Director owes primary duty to the members of the Company as a whole, the responsibilities imposed on companies and the Director under various Acts of Parliament clearly demand that the Director evaluate actions in a broader social context.

5. Due Diligence

- 5.1 A Director should attend all Board Meetings but where attendance at meetings is not possible, appropriate steps should be taken to obtain leave of absence.
- 5.2 A Director must acquire knowledge about the business of the Company, the statutory and regulatory requirements affecting Directors in the discharge of their duties to the company, and be aware of the physical, political and social environment in which it operates.
- 5.3 In order to be fully effective, a Director should insist upon access to all relevant information in relation to issues to be considered by the Board. This information should be made available in sufficient time to allow proper consideration of all relevant issues. In the extreme circumstances where information is not provided, Directors should make an appropriate protest

about the failure on the part of the Company and its Executives to provide the information and if necessary abstain from voting on the particular matter on the basis that there has not been the time necessary to consider the matter properly. Any abstention, and the reasons for it, should be included in the minutes. It may also be appropriate to vote against the motion, or move for deferment until proper information is available.

- 5.4** A Director should endeavour to ensure that systems are established within the company to provide the Board, on a regular and timely basis, with the necessary data to enable them to make a reasoned judgement on all issues, and so discharge their duties of care and diligence.
- 5.5** Directors should endeavour to ensure that relations between the Board and the auditors are open, unimpeded and constructive. Similarly, the auditors should have direct and unimpeded access to the Directors. Directors should be satisfied that the scope of the audit is adequate and that it is carried out thoroughly and with full co-operation from management and the internal auditors.
- 5.6** A Director should endeavour to ensure that any company on whose Board the Director sits complies with the law and strives for the highest standards of business and ethical conduct.
- 5.7** A Director from time to time may need expert advice (whether it be legal, financial or some other professional advice and/or relates to fiduciary or other duties) in order to discharge the Director's duties properly. The Director should ensure, to the extent possible, that any advice obtained is independent of the company. In that regard wherever necessary the services of advisers independent of those advising the company may need to be sought. In any case of doubt, separate independent advice should always be sought by the Directors on matters that may impact on their position vis-à-vis the Company. There should be an agreed procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

6. Conflicts of Interest

- 6.1** Directors must not take improper advantage of their position as Director to gain, directly or indirectly, a personal advantage or an advantage for any Associated Person or which might cause detriment to the company. Associated Person in relation to a Director includes any spouse (including de facto spouse), parent, child, sibling of the Director or any company, partnership, trust or other entity owned or controlled by the Director or in which the Director has a personal interest within the meaning of the Corporations Law.
- 6.2** The personal interests of a Director and those of the Director's family, must not be allowed to prevail over those of the Company's members generally. A Director should seek to avoid conflicts of interest wherever possible. Full disclosure of any conflict, or potential conflict, must be made to the Board. In considering these issues, account should be taken of the significance of the potential conflict for the company and the possible consequences if it is not handled properly. Where a conflict does arise, a Director must consider whether to refrain from participating in the debate and/or voting on the matter, whether to be absent for discussion of the matter, whether to arrange that the relevant Board papers are not sent, or, in an extreme case, whether to resign from the Board. Where a Director chooses to be absent from the meeting, consideration should be given as to whether expertise that would be contributed by the Director is otherwise available. In the case of a continuing material conflict of interest, a Director should give careful consideration to resigning from the Board (see guideline 7.3)
- 6.3** An Executive Director must always be alert to the potential for conflict of interest between management interests and the Director's fiduciary duties as a Director.
- 6.4** The payment of "success fees" in situations of potential conflict of interest is unacceptable.

7. Use of Information

- 7.1** A Director must not make improper use of information acquired by virtue of the Director's position as a Director. This prohibition applies irrespective of whether the Director would gain directly or indirectly a personal advantage or an advantage for any Associated Person or might cause detriment to the Company.
- 7.2** Matters such as trade secrets, processes, methods, advertising and promotional programs, sales and statistics affecting financial results are particularly sensitive and must not be disclosed.
- 7.3** A Director who takes the serious step of resignation on a point of principle should consider whether the reasons for resignation should be disclosed to members or the appropriate Regulator. In deciding whether or not to make public the reasons for resigning and composing any resignation statement, a Director should have regard to the following:
- (a)** the duty not to disclose confidential information so as to damage the company; and
 - (b)** the duty to act bona fide in the interests of the Company.
- 7.4** A Director who has been nominated to a Board by outside parties should recognise the particular sensitivity of the position and should be especially careful not to disclose to the nominators matters that are confidential unless the prior agreement has been obtained.

8. Professional Integrity

- 8.1** An Executive Director should recognise that the position occupied is particularly sensitive. As a Director, one must be prepared, if necessary, to express disagreement with colleagues including the CEO/Managing Director. However, in the absence of a need to express disagreement, one should be prepared to implement the decisions of the Board and the instructions of the Chairman as a loyal member of the Board.
- 8.2** If there is any doubt whether a proposed course of action is inconsistent with a Director's fiduciary duties then the course of action should not be supported. Independent advice should be sought as soon as possible to clarify the issue.
- 8.3** When a Director feels so strongly as to be unable to acquiesce in a decision of the Board, some or all of the following steps should be considered:
- (a)** making the extent of the dissent and its possible consequences clear to the Board as a means of seeking to influence the decision;
 - (b)** asking for additional legal, accounting or other professional advice;
 - (c)** asking that the decision be postponed to the next meeting to allow time for further consideration and informal discussion;
 - (d)** tabling a statement of dissent and asking that it be minuted;
 - (e)** writing to the Chairman, or all members of the Board, and asking that the letter be filed with the minutes;
 - (f)** if necessary, resign, and consider advising the appropriate Regulator.
- 8.4** "Opinion shopping" and looking for loopholes in the law is unacceptable.