

Corporate Governance Policy –  
Securities Trading – Directors  
and Executives

**Balamara Resources Limited**  
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**Balamara Resources Limited (Company)**

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# Corporate Governance Policy – Securities Trading – Directors and Executives

## 1. Introduction

- 1.1 Directors and Executives of the Company are encouraged to be long-term holders of the Company's securities. It is important, however, that care is taken in the timing of any dealing in securities of the Company.
- 1.2 This policy imposes constraints on Directors and Executives of the Company dealing in securities of the Company.
- 1.3 The primary purpose of this policy is to assist Directors and Executives to avoid conduct known as "insider trading" which is prohibited under the *Corporations Act 2001* (**Corporations Act**). In some respects the Company's policy extends beyond the requirements of the Corporations Act.
- 1.4 This policy has been adopted by the Board of the Company.

## 2. Application

- 2.1 This policy applies to all Directors and Executives of the Company as set out in **Schedule 1**, as may be amended from time to time.
- 2.2 This policy applies not only to the sale and purchase of any securities of the Company and its subsidiaries, but also to any "dealing in securities" which includes transactions or arrangements which operate to limit the economic risk of a security holding.
- 2.3 This policy is subject, at all times, to the law against insider trading.

## 3. Objectives

- 3.1 The objectives of this policy are to:
  - (1) minimise the risk of Directors and Executives of the Company contravening the law against insider trading;
  - (2) ensure the Company is able to meet its reporting obligations under the ASX Listing Rules; and
  - (3) increase transparency with respect to trading in securities of the Company by Directors and Executives.

- 3.2 To achieve these objectives, Directors and Executives should treat this policy as binding on them in the absence of a specific exemption by the Board.

#### **4. Dealing in securities – legal and other considerations**

##### ***Insider Trading***

- 4.1 Sections 1042A to 1043O of the Corporations Act prohibits conduct known as "insider trading".
- 4.2 Insider trading is a criminal offence. It may also attract civil liability. In broad terms, a person will be guilty of insider trading if:
- (1) that person possesses information which is not generally available to the market; and
  - (2) if the information were generally available to the market, would be likely to have a material effect on the price or value of the Company's securities (ie, information that is "price-sensitive"); and
  - (3) that person:
    - a) buys or sells securities in the Company; or
    - b) procures someone else to buy or sell securities in the Company; or
    - c) passes on that information to a third party where that person knows, or ought reasonably to have known, that the third party would be likely to buy or sell the securities or procure someone else to buy or sell the securities of the Company.

The following are examples of information which could potentially be regarded as price-sensitive and which, if made available to the market, could materially affect the price of the Company's securities:

- (1) the Company is considering or negotiating a major acquisition or disposal of assets;
- (2) a threat of major litigation against the Company;
- (3) the Company's sales and profit results materially exceeding (or falling short of) the market's expectations;
- (4) a material change in debt, liquidity or cash flow;
- (5) a significant new development proposal, for example, a new product or technology;
- (6) the granting (or loss) of a major contract;
- (7) management or business restructuring proposal; and
- (8) a share issue proposal.

- 4.3 The above examples illustrate that Directors and Executives of the Company will from time to time be in a situation where they are in possession of price-sensitive information that is not generally available to the public.

A person does not need to be a Director or Executive of the Company to be guilty of insider trading in relation to securities of the Company. The prohibition extends to dealings by Directors or Executives through nominees, agents or other associates, such as family members, family trusts and family companies. It does not matter how or where the person obtains the information – it does not have to be obtained from the Company to constitute inside information.

***ASX continuous disclosure rules***

- 4.4 The risk of contravention of insider trading laws in relation to information concerning public companies was substantially reduced in 1994 with the introduction of the continuous disclosure regime. Under that regime, public companies listed on an exchange operated by Australian Securities Exchange Limited (**ASX**) are required to disclose all price-sensitive information immediately to ASX, except in limited circumstances. The tests of what constitute price-sensitive information under the insider trading laws and under the continuous disclosure requirements are effectively identical. As a consequence, at least in theory, there is little risk of Directors and Executives contravening insider trading laws as all relevant information will already have been disclosed to the market.

- 4.5 However, there are a number of limitations and qualifications to the above, including:

- (1) where the ASX Listing Rules and the Corporations Act permit companies to not disclose certain information, for example in the situation where an acquisition is being negotiated and remains confidential;
- (2) where information may be known to a particular Director or Executive but not yet by the Company as a whole (ie the Board);
- (3) where the Company may not have yet complied with its continuous disclosure obligations in relation to a particular event or circumstance – there will always be some element of delay in doing so; and
- (4) where Directors and Executives will generally have a better feel for the performance of the Company than the public.

In these situations, there is still potential for contravention of the insider trading laws. There is also the potential for an appearance of contravention even if there has not been actual contravention. This could reflect badly on the Company as well as on the Director or Executive concerned and lead to reputational harm.

- 4.6 Another circumstance that must be guarded against is where one or more Directors or Executives are aware of an event or circumstance and the remaining Directors and Executives are not yet aware. In such a circumstance, it is important that no Director or Executive deals in securities because:

- (1) there is a risk that they will be found to have been guilty of insider trading even if they had no intention of committing a contravention; and
- (2) of the potential for such circumstances to reflect badly on the Company.

- 4.7 For these reasons, the advice of the Chairperson and Managing Director should be sought prior to any dealings in securities taking place, and steps should be taken to ensure that the Chairperson and Managing Director are apprised of all relevant considerations by the Disclosure Officer (Company Secretary) appointed under ASX Listing Rule 1.1, condition 12.

## **5. Dealing in securities – Procedure and Prohibited Periods**

### ***Procedure for obtaining prior written clearance***

- 5.1 Directors and Executives must not deal in securities of the Company unless:
- (1) they have satisfied themselves that they are not in possession of any price-sensitive information that is not generally available to the public;
  - (2) they have contacted the Chairperson and Managing Director, or in their absence, the Company Secretary and notified them of their intention to do so (in advance of dealing in the securities) and the Chairperson and Managing Director indicate in writing (copied to the Company Secretary) that there is no impediment to them doing so; and
  - (3) where the Chairperson wishes to deal in securities, he or she has contacted the Managing Director or, in their absence, the Company Secretary, and notified them of their intention to do so (in advance of dealing in the securities) and Company Secretary indicates in writing that there is no impediment to him or her doing so.

**Schedule 2** contains a flowchart of the procedure for obtaining prior written clearance.

### ***Prohibited Periods***

- 5.2 Subject to the exceptions discussed in paragraph 6 below, Directors and Executives are prohibited from dealing in securities of the Company, and the Chairperson and Managing Director will not give written clearance to Directors or Executives to deal in securities of the Company, in the following closed periods:
- (1) In the five days immediately preceding the release of the Company's Quarterly Activities Report and the Quarterly Cashflow report to the Australian Securities Exchange (ASX) (Quarterly Reports) in accordance with the ASX listing rules (or is shorter, the period from the end of the quarter to the time of publication of such results);
  - (2) In the two days immediately after the release of the Company's Quarterly Reports; and
  - (3) from two weeks before the release of annual and half yearly results and two days after the release of the annual and half yearly results.

Directors and Executives should wait at least 2 hours after the relevant release before dealing in securities so that the market has had time to absorb the information.

- 5.3 The Company may also impose additional periods from time to time during which Directors and Executives are prohibited from dealing in securities of the Company, including while it considers matters which are exempt from immediate disclosure to ASX under ASX Listing Rule 3.1A.

If a Director or Executive of the Company is in possession of price-sensitive information which is not generally available to the market, then he or she must not deal in securities of the Company at any time, even if such trading might otherwise be permitted by this policy.

- 5.4 Directors and Executives must not:

- (1) at any time engage in short-term trading in securities of the Company;
- (2) communicate price-sensitive information to a person who may deal in securities of the Company; or
- (3) recommend or otherwise suggest to any person (including a spouse, relative, friend, trustee of a family trust or directors of a family company) the buying or selling of securities in the Company; or
- (4) communicate price-sensitive information to external advisers unless they are bound by confidentiality agreements or other enforceable confidentiality obligations.

The above principles also apply to any "dealing in securities" of the Company, including the following:

- (1) trading in financial products issued or created over the Company's securities and associated products; and
- (2) entering into transactions in associated products which operate to limit the economic risk of security holdings in the Company.

## 6. Exceptions

### ***Trading not subject to this Policy***

- 6.1 Notwithstanding the above prohibited periods, Directors and Executives may at any time (without the consent of the Chairperson and Managing Director, but subject at all times to the law against insider trading and to the notification requirements discussed below):

- (1) transfer Company securities already held into a superannuation fund or other saving scheme in which the Director or Executive is a beneficiary;
- (2) invest in, or trade in units of, a fund a fund or other scheme (other than a scheme only investing in the securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (3) where a Director or Executive is a trustee of a trust, trade in Company securities by that trust provided the Director or Executive is not a beneficiary

of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the Director or Executive;

- (4) undertake to accept, or accept, under a takeover offer;
- (5) trade under an offer or invitation made to all or most of the Company's security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- (6) exercise, 'acquire or agree to acquire' (but not sell securities following the exercise of) 'any new shares, rights or options' under an employee incentive scheme, or convert a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and the entity has been in an exceptionally long prohibited period or the entity has had a number of consecutive prohibited periods and the Director or Executive could not reasonably have been expected to exercise it at a time when free to do so; and
- (7) trade under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this policy and where:
  - a) the Director or Executive did not enter into the plan or amend the plan during a prohibited period;
  - b) the trading plan does not permit the Director or Executive to exercise any influence or discretion over how, when, or whether to trade; and
  - c) the policy does not allow the Director or Executive to cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a prohibited period other than in exceptional circumstances.

### **Exceptional Circumstances**

#### 6.2 Exceptional Circumstances in which Directors and Executives may deal in securities during a prohibited period:

- (1) A Director or Executive, who is not in possession of inside information in relation to the Company, may be given prior written clearance by the Chairperson and Managing Director to sell or otherwise dispose of the securities of the Company during a prohibited period under this policy where such person is in severe financial hardship or there are other exceptional circumstances.

A Director or Executive may be in severe financial hardship if he or she has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant securities of the Company. For example, a tax liability of such a person would not normally constitute severe financial hardship unless the person has no other means of satisfying the liability.

Other examples include if the Director or Executive is required by a court order, or there are court enforceable undertakings, for example, in a bona fide family settlement, to transfer or sell the securities of the Company or there is some other overriding legal or regulatory requirement for him or her to do so.

- (2) In recognition of the case that exceptional circumstances, by their nature, cannot always be specified in advance, it is envisaged that there may be other circumstances, which have not been identified in this policy, that may be deemed exceptional by the Chairperson and the Managing Director (or the Company Secretary where either of the Chairperson and the Managing Director is involved) and whereby prior written clearance is granted to permit dealing.

#### ***Procedure for obtaining prior written clearance***

- (3) The person seeking clearance to deal in securities must seek prior written clearance to do so and satisfy the Chairperson and the Managing Director that they are in severe financial hardship or that their circumstances are otherwise exceptional and that the proposed sale or disposal of the relevant securities is the only reasonable course of action available.
- (4) If the Chairperson and the Managing Director are in any doubt in making such determinations on behalf of the Company, consideration should be given to the purpose of the ASX Listing Rules and their discretion should be exercised with caution.
- (5) Any written clearance to deal in the Company's securities during the exceptional circumstances must specify the duration for which of such approval applies.
- (6) Only a written clearance signed by the Chairperson and the Managing Director or the Company Secretary, as the case may be, will constitute valid written clearance for the purpose of this policy.

**Schedule 2** contains a flowchart of the procedure for obtaining prior written clearance for severe financial hardship/exceptional circumstances.



## **7. Notification of dealing in securities**

- 7.1 Directors and Executives must notify the Chairperson and Managing Director (who will notify the Company Secretary) immediately on acquiring or disposing of a relevant interest in any securities in the Company.
- 7.2 Directors have entered into an agreement with the Company under which they are obliged to notify changes in interests in shares and other relevant matters.

## **8. Notification of dealings in securities – Directors – legal and other considerations**

- 8.1 ASX Listing Rules 3.19A and 3.19B require the Company to notify dealing in securities by Directors within 5 business days. Three appendices are included in the ASX Listing Rules for the purpose of this notification, being 3X Initial Director's Interest Notice, 3Y Change of Director's Interest Notice and 3Z Final Director's Interest Notice.
- 8.2 Section 205G of the *Corporations Act 2001* requires a Director of a listed company to notify ASX within 14 days of acquiring or disposing of a relevant interest in any securities of the Company. This is an obligation of the Director, not the Company. There is no prescribed form for such notifications. ASIC has granted relief from the requirements of section 205G where notifications are made by the Company under Listing Rules 3.19A and 3.19B.
- 8.3 Directors and Executives are required to notify the Chairperson and Managing Director (who will notify the Company Secretary) of any dealing in securities within 3 business days to allow the Company to comply with ASX Listing Rules 3.19A and 3.19B.

## **9. Penalties**

- 9.1 A trade in any securities by a person who is in possession of price-sensitive information not publicly available could contravene the Corporations Act and expose the person to civil and criminal penalties.
- 9.2 A contravention of this policy by an Executive may result in summary dismissal.

## 10. Material Changes to the Securities Trading Policy

- 10.1 Under ASX Listing Rule 12.10, if the Company makes a "material change" to this trading policy, the amended policy must be announced to the market within 5 business days of the material change taking effect.

For purposes of the ASX Listing Rules, amendments to the Company's trading policy that would constitute a material change and which would require that the amended policy be given to ASX for release to the market include:

- (1) changes to the periods specified in the trading policy when the Company's Directors and Executives are prohibited from dealing in securities of the Company (ie the prohibited periods);
- (2) changes with respect to the trading that is excluded from the operation of the Company's trading policy; and
- (3) changes with respect to the exceptional circumstances in which the Company's Directors and Executives may be permitted to trade during a prohibited period.

## 11. Effect of Compliance with this Policy

- 11.1 Compliance with this policy does not absolve Directors or Executives from complying with the law, which must be the overriding consideration when trading in the Company's securities.

## 12. Definitions

- 12.1 For the purposes of this policy:

- (1) **"Board"** means the board of directors of the Company as appointed from time to time;
- (2) **"closed period"** means the fixed periods specified in paragraph 5.2 when the Company's Directors and Executives are prohibited from dealing in securities of the Company;
- (3) **"deal in securities"** or **"dealing in securities"** means to buy or sell shares, options or other securities in the Company, or enter into transactions in relation to shares, options or other securities in the Company which operate to limit the economic risk of a security holding. It includes procuring another person to do any of these things;
- (4) **"price-sensitive information"** means information concerning the company that is not generally available to the market and, if available to the market, that a reasonable person would expect to have a material affect on the price or value of securities in the Company;
- (5) **"prohibited period"** means any closed period or additional periods when the Company's Directors and Executives are prohibited from dealing in securities of the Company, which are imposed by the Company from time to time when the Company is considering matters which hare subject to ASX Listing Rule 3.1A.

- 12.2 For the purposes of paragraph 4, a Director's "dealing in securities" includes associates of Directors and Executives dealing in securities, and it is incumbent on each Director to ensure that an associate does not deal in circumstances where the dealing could be attributed to the Director concerned. Associate has the meaning given to it Division 2 of Part 1.2 of the Corporations Act.

## **Schedule 1**

Directors to whom this policy applies:

- Mr Derek Lenartowicz
- Mr Michael Hale
- Mr Milos Bosnjakovic
- Mr Michael Ralston
- Mr Alastair Clayton
- All members of the board of subsidiaries of the Company
- Any other director appointed to the Board of the Company or a board of a subsidiary of the Company

Executives to whom this policy applies:

- All executives who directly report to the Managing Director
- Other executives as determined by the Board from time to time

## Schedule 2

### Dealing in Securities of the Company Clearance Flowchart

