

## 1. Background

In order to preserve the reputation and integrity of Earths Resources Limited ("**Earths**"), it is imperative that when people associated with Earths deal in Securities those dealings are not only fair, but are seen to be fair. When directors and employees deal in securities of Earths they must be sure that it does not reflect badly on them or Earths. The following policy is designed to avoid the possibility that misconceptions, misunderstandings or suspicions might arise.

The general scheme of this securities trading policy regarding allowable dealings by Key Management Personnel and other Employees in Securities is that those persons should:

- a) never engage in short term trading of Securities;
- b) not deal in Securities while in possession of price sensitive information;
- c) notify the company secretary of any material intended transactions involving Securities; and
- d) restrict their buying and selling of Securities within the "trading window".

The law imposes a number of restrictions on directors and other employees of Earths when they deal in Securities. The director and other employees are prohibited from improperly using their position to gain an advantage for themselves or someone else to the detriment of Earths.

The Corporations Act imposes serious penalties (both criminal and civil) on persons who participate in Insider Trading activities. Perhaps more importantly, any perception of improper conduct by employees (including directors) of Earths has the potential to substantially damage Earths reputation.

## 2. Purpose

This policy has been prepared to address the requirements of the ASX Listing Rules which requires Earths to provide a framework to Key Management Personnel and Employees when Dealing in Securities. The Securities Trading Policy has been prepared taking into consideration the following:

- a) the size, nature and stage of the development of Earths resource projects (see below for further details);
- b) obligations under the Corporations Act not to Deal in Securities whilst in possession of Inside Information;
- c) rights of shareholders under the Constitution of Earths to freely trade their shares; and
- d) contractual and statutory rights embedded in the Securities.

The policy has been prepared with the stage of development of Earths. As Earths is in the exploration phase, key Inside Information is likely to be comprised of results from feasibility studies, exploration and corporate activities. Accordingly, the Closed Periods 3 are based around the release of this information, rather than the release of financial reports. This aspect of Earths Securities Trading Policy may change should the stage of development of Earths change in the future.

The policy set out in this document aims to prevent the incidence of insider trading in Securities. The policy provides a general summary of the law in Australia in relation to insider trading, and as such operates in addition to the legal requirements. It is the personal responsibility of each individual to comply with this policy.

**This is an important document. If you do not understand any aspect of this policy, it is strongly recommended that you contact the company secretary.**

### **3. Overview of the Insider Trading Provisions in the Corporations Act**

It is illegal for anybody to Deal in any Securities of a body corporate (including Earths or any subsidiaries) when in possession of information that the person knows, or ought reasonably to know:

- a) is not generally available (including information that Earths has not disclosed to the market in accordance with Earths Continuous Disclosure Policy); and
- b) if it were generally available, it would have a material effect on the price or value of those Securities if it was generally available.

This prohibition extends to procuring another person to deal in the Securities and communicating the Inside Information to another person, if the person knows, or ought reasonably to know, that the other person would, or would be likely to, deal in the Securities or procure another person to do so.

### **4. Confidentiality and Inside Information**

A person in possession of Inside Information about Earths has a duty to keep that information confidential and must not in any way disclose or communicate that information to any person. Confidentiality is also stressed in relation to external advisers.

### **5. Dealing with Security Analysts, Institutional Investors and Journalists**

You may be exposed to persons outside Earths such as security analysts, institutional investors and journalists. It is important that you be aware that selective disclosure of non-public information may result in a breach of the insider trading rules. Thus, if a report containing material non-public information concerning Earths was communicated only to local or trade journals and if full public disclosure of the information was not made at the same time, it is possible that this may give rise to breach of the Corporations Act.

It is important to stress that it is the mere fact of conveyance of the material non-public information that gives rise to liability, not the manner in which it is conveyed. For example, the confirmation of an analyst's educated guess about a situation not known to 4

the general public may be just as much a violation as the direct conveyance of information to an analyst. This is clearly the case even if the analyst's case is based upon his or her independent and creative analysis of publicly available information.

### **Example**

*At a luncheon attended at Johnson & Co's offices security analysts from Sharp Dealing discussed generally with management the company's declining earnings. At one point Mr Cautious reveals that a preliminary earning statement would be released shortly, from which the analysts could deduce that earnings would be lower than expected. A week after the lunch on the basis of a follow up phone call from the security analysts, Mr Cautious confirmed that there was a good possibility that earnings would be down, and added that this information was confidential. In these circumstances, the first tip is likely to be considered immaterial; however, the second tip is, in all probability, material and a breach of this policy and the Corporations Act.*

You convey information in breach of this policy and the Corporations Act by expressing subjective attitudes about Earths performance or by calling attention to disparate bits of information not available as an aggregate to the general public. It is essential to avoid the indirect conveyance of information by any means whatsoever.

If during the course of a discussion with an analyst, journalist or other outsider, material non-public information concerning Earths is disclosed, inadvertently or otherwise, the recipient of the information should be informed of its non-public nature and cautioned against its use unless and until Earths has made full public disclosure of that information. The company secretary should be notified of the situation immediately so that a decision can be made regarding disclosure of the information. In view of the pitfalls inherent in responding to analyst's projections and questions regarding previously undisclosed operating results or other developments, no comment at all should be made on these matters except to correct serious factual errors in situations in which the facts are in the public domain.

## **6. Key Management Personnel Restrictions on Trading**

Key Management Personnel, whose positions expose or are likely to expose them to information regarding Earths, are subject to the restrictions on trading in Securities as set out in section 7 of this Policy. This includes any employee who may be exposed to Inside Information in the course of their duties.

## **7. Associated Parties**

Each Key Management Person has a personal responsibility to ensure that his or her "associated parties" (being immediate family (including a spouse (or equivalent) or dependent), family company or trust) complies with the same respective restrictions as apply to Key Management Personnel.

## **8. Embargo on Dealing in Earths Shares**

- a) Subject to sections 10 and 11 of this policy, Key Management Personnel and Employees shall not Deal in any Securities:

- (i) if he or she has information that he or she knows, or ought reasonably to know, is Inside Information in relation to Securities;
  - (ii) during a Closed Period; and
  - (iii) if he or she has information that he or she knows, or ought reasonably to know, has not been announced to the market under ASX Listing Rule 3.1A in relation to Securities.
- b) Key Management Personnel are prohibited at all times from Dealing in financial products issued or created over or in respect of Securities. For the avoidance of doubt this clause does not apply to an option over unissued capital granted by Earths.

## 9. Total Embargo on “Short-Term” Trading

In order to prevent the unfair use of information, Key Management Personnel are generally prohibited from short-term trading at all times. Short-term trading is a purchase and sale of the same securities within a three-month period.

This embargo on short term trading may be excepted in some very limited circumstances for example, exercising options in employee share ownership plans, redemption of securities or certain other option exercises.

## 10. Excluded Trading

Key Management Personnel and Employees are permitted to deal in Securities where there is no change in beneficial interest in the Securities, or where the Key Management Person or Employee has no control or influence with respect to trading decisions, or where the trading occurs under an offer to all or most of the security holders of the entity. Specific examples of excluded trading are included at Schedule 3.

## 11. Exemption to Trade during Embargo Period

- a) The Approving Officer may give clearance during a Closed Period for a Key Management Person to sell (but not buy) Securities in Exceptional Circumstances.
- b) The Approving Officer may not give clearance under the exception in clause 11 (a) if there is a matter about which there is Inside Information in relation to Securities (whether or not the Key Management Person knows about the matter) when the Key Management Person requests clearance or proposes to Deal in Securities.<sup>6</sup>
- c) The Key Management Person seeking clearance to Deal in the Securities must outline in writing to the Approving Officer the circumstances of their severe financial hardship or as to why their circumstances are otherwise exceptional and that the proposed Dealing in the Securities is the only reasonable course of action available.
- d) The Approving Officer will decide if the Exceptional Circumstances exist.

- e) A list of matters that may constitute Exceptional Circumstances is contained in Schedule 4.

## 12. Clearance from the Approving Officer

- a) At least 2 Business Days prior when a Key Management Person intends to Deal in Securities, the Key Management Person must first inform the Approving Officer (and at the same time the company secretary) by submitted a completed Securities Trading Request Form (See Schedule 5). If the Key Management Person is not able to fax or email a scanned copy of the Securities Trading Request Form, then the Key Management Person may send an email with the same information in it to the Approving Officer.
- b) The Approving Officer must approve or reject the Securities Trading Request as soon as practicable (generally within 2 Business Days). The Key Management Person must not Deal in Securities until it has received the clearance from the Approving Officer.
- c) The Approving Officer may not give clearance if:
  - (i) there is a matter about which there is or may be Inside Information in relation to Securities (whether or not the Key Management Person knows about the matter) when the Key Management Person requests clearance or proposes to deal in Securities; and
  - (ii) the Securities Trading Request form is lodged during a Closed Period;
  - (iii) the proposed Dealing is during a Closed Period; or
  - (iv) the Approving Officer has any other reason to believe that the proposed Dealing breaches this Policy.
- d) In making a determination under clause 12(c) about the existence of Inside Information the Approving Officer should exercise caution and refuse the clearance if there is any possibility that Inside Information may exist.
- e) Irrespective of any clearances given under this Policy, the Employee or Key Management Person is not to Deal with Securities whilst in possession of Inside Information.
- f) The Approving Officer must:
  - (i) keep a written record of:
    - (A) any information received from a Key Management Person in connection with this Policy; and
    - (B) any clearance given under this policy, including the duration for which the clearance applies; and

- (ii) send a copy of the written record to Earths secretary for keeping.
- g) The company secretary must keep a file of any written record referred to in this clause 12.
- h) For the purposes of this policy, written requests and clearances may include facsimiles and emails and are valid for a period the earlier of:
  - (i) 5 Business Days;
  - (ii) the Business Day before Earths enters a Closed Period; and
  - (iii) the time that the Key Management Person comes into possession of Inside Information

### **13. Board of Directors Discretion**

The Board of Earths have an absolute discretion to place an embargo on Key Management Personnel and/or Employees and/or their respective associated parties trading in Securities at any time.

### **14. Directors to notify ASX of Shareholding**

The directors of Earths are required to complete either Appendix 3X, 3Y or 3Z (as applicable) and provide it to Earths to be filed with the ASX in respect of their shareholding in Earths for the purposes of section 205G of the Corporations Act and Listing Rule 3.19A.

### **15. Disclosure**

In order to maintain transparency, this policy is to be disclosed in the annual report and be made publicly available.

### **16. Breaches of Policy**

A breach of this policy by an Key Management Person or Employee is serious and may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.

Insider trading is a serious matter which is a criminal offence. It is punishable by substantial fines or imprisonment or both. 8

Insider Trading may also attract civil penalties. A court may impose substantial pecuniary penalties for insider trading and order payment of compensation to persons who suffer loss or damage because of insider trading.

### **17. Acknowledgement of this Policy**

Each Employee and Key Management Person shall be required to provide to Earths an acknowledgement of this policy in the form in Schedule 1.

## Schedule 1 – Definitions

**Approving Officer** means:

- a) for a Key Management Person who is not a Director, the chief executive officer;
- b) for a Director (except the chairman of the board), the chairman of the board; and
- c) for the chairman of the board, any other two Directors.

**ASX** means ASX Limited (ABN 98 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Business Day** means any day of the week other than a Saturday, Sunday or Public Holiday ASX Limited (ABN 98 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Closed Period** means:

- a) during the period commencing 5 Business Days prior to the planned date for the release of the annual financial report and quarterly reports by Earths and ending 2 Business Days following the release of such report by Earths;
- b) during the 10 Business Day period prior to the expected release of results of technical studies, including but not limited to:
  - (i) scoping study;
  - (ii) pre-feasibility study;
  - (iii) feasibility study; or
  - (iv) other detailed technical study; or
- c) during the 5 Business Day period prior to the expected release of:
  - (i) any scheduled announcement containing Inside Information;
  - (ii) exploration results;
  - (iii) production results;
  - (iv) a capital raising (except participation by a Key Management Person in the capital raising itself) by Earths;
  - (v) a target statement for a takeover offer for Securities in Earths; or
  - (vi) a bidder's statement for the issue of Securities in Earths.

**Corporations Act** means the Corporations Act 2001.

**Dealing** includes applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or sell, securities, and “deal” has a corresponding meaning.

**Employee** means any employee or consultant of Earths.

**Exceptional Circumstance** has the meaning outlined in Schedule 4.

**Inside Information** means information that is not generally available and if it were generally available, a reasonable person would expect it to have a Material Effect on the price or value of Earths Securities. For the purposes of this Policy, Inside Information generally includes, but is not limited to:

- a) material exploration results;
- b) resource estimates or deposit targets;
- c) results of technical studies (including, but not limited to, scoping, pre-feasibility and feasibility studies);
- d) sales and production figures;
- e) profit and production forecasts;
- f) material borrowings or material changes to terms of existing borrowings;
- g) material changes to liquidity and material cash flow information;
- h) significant changes in operations;
- i) significant litigation;
- j) impending mergers, joint ventures, acquisitions, restructures, takeovers;
- k) major asset purchases or sales; and
- l) material new products and technology.

**Insider Trading** in relation to this Policy means if a person has information about securities and the person knows, or ought reasonably to know, that the information is Inside Information, the person is prohibited from:

- a) Dealing in the securities;
- b) procuring another person to Deal in the securities; or
- c) giving the information to another person who the person knows, or ought reasonably to know, is likely to:
  - (i) Deal in the securities; or
  - (ii) procure someone else to Deal in the securities.

**Key Management Personnel or Key Management Person** means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including:

- a) any Director (whether executive or otherwise) of Earths,



- b) the Chief Executive Officer;
- c) Chief Financial Officer;
- d) Company secretary of Earths;
- e) a Vice President;
- f) country managers; and
- g) a Business Unit Manager.

**Securities** include shares, derivatives and other financial products that can be traded on a financial market including financial products issued or created over Securities by third parties and products which operate to limit economic risk in securities holdings in Earths.

**Schedule 2 – FORM OF ACKNOWLEDGMENT BY EMPLOYEE**

- a) I have read and understood the document titled "Securities Trading Policy" of Earths (the **Securities Trading Policy**).
- b) I agree to be bound by, and to comply with, the Securities Trading Policy.
- c) I acknowledge and agree that the Securities Trading Policy forms part of the terms of my appointment as an employee/director/consultant of Earths.

.....

Signature

Name: .....

Date: .....

*To be returned to the Company Secretary on completion*

### Schedule 3 – EXCLUSIONS



Dealing excluded from the operation of the policy includes:

- a) transfers of securities of the entity already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
- b) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;
- c) where a restricted person is a trustee, trading in the securities of the entity by that trust provided the restricted person 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 restricted person;
- d) undertakings to accept, or acceptance of, a takeover offer;
- e) trading under an offer or invitation made to all or most of the 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;
- f) a disposal of securities of the entity that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement.;
- g) the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of 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 restricted person could not reasonably have been expected to exercise it at a time when free to do so; and
- h) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in the trading policy and where:
  - (i) the restricted person did not enter into the plan or amend the plan during a prohibited period;
  - (ii) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
  - (iii) the entity's trading policy does not allow for the cancellation of a trading plan during a prohibited period other than in exceptional circumstances.

#### **Schedule 4 – EXCEPTIONAL CIRCUMSTANCES**

For the purposes of this Policy, Exceptional Circumstances include:

- a) severe financial hardship whereby the employee has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Securities.

For example, a tax liability of an employee would not normally constitute severe financial hardship unless the person has no other means of satisfying the liability. A tax liability relating to Securities received under an employee incentive scheme would also not normally constitute severe financial hardship or otherwise be considered an Exceptional Circumstance.

- b) The Employee 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 entity or there is some other overriding legal or regulatory requirement for him or her to do so.
- c) in any other circumstances that may be deemed exceptional by the chairman of Earths (or the Chief Executive Officer if the Chairman is involved).

**Schedule 5 – SECURITIES TRADING REQUEST FORM**

**Securities Trading Request**

In accordance with the Securities Trading Policy of Earths, before dealing in any Securities you are required to obtain clearance.

Please forward this request to Approving Officer by fax no. +61 8 9388 8824 or scan then by email to admin@Earthsresources.com.au.

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Location: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

I request permission to trade the following Securities which are currently held / proposed to be held by myself personally and/or other parties with whom I have a Relevant Interest as follows:

<b>Registered Name of Security Holder</b>	<b>Type of Security</b>	<b>Number of Securities</b>	<b>Buy/Sell/Exercise &amp; Hold/Exercise &amp; Sell</b>
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I confirm that:

- a. it is not a Closed Period;
- b. I am not in possession of Inside Information;
- c. I will not deal in the above Securities until I am notified that clearance is approved; and
- d. I may be refused permission to deal without explanation.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

This form is valid for a period of 5 Business Days from the date of approval. After this time, clearance will lapse and a further request will need to be completed. This form will be returned to you with the period of validation completed if approval has been granted.

\_\_\_\_\_

*For completion by the Approving Officer:*

Approval for the above dealing has been *cleared for a period of 5 Business Days / refused*  
(Approving Officer to delete one).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Approving Officer: \_\_\_\_\_