



Securities Trading Policy

Straits Metals Limited

Adopted by the Board 28 January 2011

1 Background

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

The general scheme of this policy regarding allowable dealings by employees, directors and officers of the Company (“**Staff**”) in the Company’s securities is that Staff should not deal in securities in the Company or securities in any listed corporation that the Company holds securities in (collectively, the “**Applicable Companies**”) while in possession of Inside Information (defined in section 2).

In addition, Senior Management (defined in section 6) must:

- never engage in short term trading of Applicable Company securities;
- notify the Company Secretary of all intended transactions involving an Applicable Company’s securities; and
- ensure any of their buying or selling of an Applicable Company’s securities occurs outside of Prohibited Periods (defined below) unless the dealing falls within an exception (see section 9) or prior written clearance is obtained in accordance with this policy (see section 10).

The law imposes a number of significant restrictions on directors and other employees of the Company when they deal in securities. As fiduciaries these corporate managers must not utilise their position for their own gain or for the gain of any person other than the Company.

The *Corporations Act 2001* (Cth) (“**Corporations Act**”) imposes severe penalties (both criminal and civil) on persons who conduct insider trading activities. Perhaps more importantly, any perceptions of improper conduct by members of the Company have the potential to substantially damage the Company’s reputation.

The directors of the Company have implemented the policy set out in this document in an effort to prevent the incidence of insider trading in the Company’s securities. The policy provides a general summary of the law in Australia in relation to insider trading and also sets out additional requirements in relation to certain dealings in securities. As such, this policy operates in addition to the legal requirements.

The policy applies to all Staff and their related parties. Additional responsibilities apply to Senior Management. 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.

2 Overview of the insider trading provisions of the Corporations Act

It is illegal for anybody to deal in any securities of a body corporate (including any Applicable Company) when in possession of information that the person knows, or ought reasonably to know:

- ❑ is not generally available (including information that the Applicable Company has not disclosed to the market); and
- ❑ might have a material effect on the price or value of those securities if it was generally available,

(“**Inside Information**”).

This prohibition extends to procuring another person to deal, and, in the case of securities of listed corporations, extends to communicating 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 in question or procure another person to do so e.g. advising a friend or family member to purchase shares in an Applicable Company based on Inside Information.

Although this policy deals with restrictions on dealing in securities of Applicable Companies, Staff must not deal in securities of another company if they possess Inside Information in relation to that company. Through their work, Staff may become aware of Inside Information relating to the Company’s suppliers, customers, contractors, joint venture partners or other business partners.

“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.

The prohibition applies to dealings directly by a person or on its behalf through nominees, agents or other associates such as family members, family companies or family trusts.

“Securities” include shares, derivatives and other financial products that can be traded on a financial market including financial products issued or created over an Applicable Company’s securities by third parties and products which operate to limit economic risk in securities holdings in an Applicable Company. For example, the Company’s shares traded on the Australian Securities Exchange (“**ASX**”) are securities.

Examples of information that may be Inside Information in relation to an Applicable Company or another company include:

- ❑ the financial performance of the company;
- ❑ the company’s capital structure, such as a proposed dividend or issue of securities;
- ❑ actual or proposed major acquisitions and disposals of the company’s assets;
- ❑ an actual or proposed takeover or merger involving the company;
- ❑ major claims against the company; or
- ❑ the company entering into or terminating a major contract.

3 Guidelines for dealing in an Applicable Company’s securities

While in possession of Inside Information about an Applicable Company, Staff must not:

- ❑ acquire, dispose of or engage in other dealings in securities in that company; or
- ❑ procure, encourage, incite or induce any other person to do any of the above things.

Senior Management are subject to more restrictive trading periods than other Staff as set out in sections 6 to 12.

4 Dealing with security analysts, institutional investors and journalists

Staff may be exposed to persons outside the Company such as security analysts, institutional investors and journalists. It is important that Staff are 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 the Company was communicated only to local or trade journalists 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 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.

Expressing subjective attitudes about the Company's performance or by calling attention to disparate pieces of information not available as an aggregate to the general public may also be a breach of this policy or the Corporations Act. 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 the Company 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 the Company 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 analysts' 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.

5 Associated parties

Each member of Staff (including Senior Management) 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 them.

6 Senior Management restrictions on trading

Senior Management of the Company, whose positions expose or are likely to expose them to confidential or non-public information regarding the Applicable Companies, being:

- the Board;
- the Chief Executive Officer, and his or her direct reports;
- the Company Secretary;
- any other Staff who are “key management personnel” under applicable accounting standards; and
- other employees deemed Senior Management for the purposes of this policy;

(collectively, “**Senior Management**”) are to be subject to restrictions on trading in Applicable Company securities at certain times set out in sections 7 and 8. This includes any employee who may be exposed to Inside Information in the course of their duties.

From time to time the Chief Executive Officer will deem certain employees to be **Senior Management** for the purposes of this policy and therefore subject to restrictions on trading. The list of Senior Management will be reviewed periodically. Employees who are deemed Senior Management will be advised by the Company Secretary.

7 Prohibition on Senior Management’s dealing in Applicable Company securities

In addition to the overriding prohibition on dealing when a person is in possession of Inside Information, Senior Management and their associated parties are prohibited from dealing in an Applicable Company’s securities during the following **Prohibited Periods**:

- each period of **14** days immediately before each date upon which the Applicable Company gives to the ASX its preliminary final, half-yearly and quarterly reports;
- each period of **14** days immediately before each date upon which the Applicable Company holds its annual general meeting or any other general meeting; and
- for any other period designated as a Prohibited Period by the Board and advised to Senior Management.

The Company Secretary will advise these Prohibited Periods at the appropriate time.

“Immediately before each date” means that Senior Management and their associated parties cannot trade on the date the full year, half year or quarterly announcements are made or on the date the annual or other general meeting is held. The period in which trading is allowed again will, in each instance, start on the date after the announcement or the relevant general meeting.

If any member of Senior Management is unsure as to the precise start and finish dates of the Prohibited Periods, they should consult the Company Secretary. For the avoidance of doubt, it is stressed that the existence of trading windows outside of the Prohibited Periods does not permit Senior Management to deal whilst in the possession of Inside Information - this restriction applies at all times.

8 Prohibition on “short-term” trading for Senior Management

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

The Board may, on application, exempt an Applicable Person or their associated parties from this prohibition in exceptional circumstances (see section 10 for examples of exceptional circumstances).

9 Certain dealings excluded from policy

The following dealings in Applicable Company securities involving Staff (and/or their associated parties) are excluded from the operation of clauses 7 and 8 of this policy:

- being issued securities in an Applicable Company under:
 - a rights issue;
 - a dividend reinvestment plan;
 - a security purchase plan; or
 - an employee option plan, employee share acquisition scheme, executive share acquisition plan or similar arrangement;
- disposing of securities:
 - under a buy back or capital reduction made available to most or all Applicable Company security holders; or
 - as a result of a secured lender exercising their right under a margin lending arrangement;
- disposing of entitlements under a renounceable pro rata rights issue;
- accepting (or undertaking to accept) an offer under a takeover bid, disposing of securities under a scheme of arrangement or agreeing to cancel options over unissued shares in an Applicable Company in conjunction with a change of control transaction;
- transferring Applicable Company securities to a superannuation fund or other saving scheme in which the transferee is a beneficiary;
- investing in, or trading in units of, a fund or other scheme (other than a scheme investing only in Applicable Company securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
- entering into a transaction where the beneficial interest in Applicable Company securities will not change; and
- exercising an option over Applicable Company shares, exercising a right under an employee incentive scheme or converting a convertible security in an Applicable Company:
 - outside a Prohibited Period; or
 - where the final date for exercising the option or right falls during a Prohibited Period and the holder could not reasonably have been expected to exercise the option or right at a time outside of a Prohibited Period.

10 Exemption to trade during a Prohibited Period

The Chief Executive Officer may, in exceptional circumstances only, give prior written approval for any member of Senior Management or his or her associated parties to deal in Applicable Company securities during a Prohibited Period. An exemption will not be granted by the Chief Executive Officer if he considers there is information that is not generally available, but if it were, would be likely to “materially affect” the price of the Applicable Company’s securities.

Exceptional circumstances include, but are not limited to:

- severe financial hardship; or
- court orders requiring the sale of the securities in question.

Applications should be made to the Company Secretary in writing setting out reasons for wishing to trade during a Prohibited Period. The Company Secretary will arrange for the Chief Executive Officer to review the application.

The Chief Executive Officer may provide prior written clearance to the applicant by email confirming the terms of the clearance.

Application by the Chief Executive Officer for an exemption to trade during a Prohibited Period can only be approved by the Board. The Board may provide written clearance by:

- resolving to approve the clearance at a Board meeting and authorising a person (such as the Company Secretary) to provide the Chief Executive Officer with written details of the confirmation, including any terms approved by the Board;
- each director signing a written resolution approving the clearance on the same terms; or
- each director confirming by email that they consent to the clearance on the same terms.

Senior Management granted prior written clearance in accordance with this section must comply (or procure that their associated parties comply) with any terms of the clearance, including the effective period of the clearance.

11 Margin lending

Senior Management should ensure that when arranging finance either for themselves or through their associated parties, where security in an Applicable Company is provided as collateral, such obligations do not conflict with their obligations under this policy. In particular, Senior Management should ensure that the terms of any margin lending arrangements do not require dealings in an Applicable Company’s securities at such time when Senior Management are prohibited from dealing in those securities.

If a member of Senior Management enters into a margin lending arrangement, within ten days of entering into such arrangement, the following information must be provided to the Company Secretary:

- number of the Applicable Company’s securities that are subject to such arrangement;
- the trigger events for disposal of such securities; and

- any other information that may be relevant to the Applicable Company's continuous disclosure obligations, including the ability of the member of Senior Management to meet any margin call.

If a member of Senior Management has provided details of any margin lending arrangements, it must keep the Company Secretary informed of any change in circumstances that may be relevant to the Applicable Company's continuous disclosure obligations.

12 Derivatives

Senior Management may only enter into transactions involving derivatives (as defined in section 761D of the Corporations Act) ("**Derivatives**") in respect of an Applicable Company's securities (including shares, performance options and performance rights) if the following criteria are satisfied:

- the relevant securities are fully vested;
- the Derivative has a maturity date that falls outside a Prohibited Period;
- an Applicable Company is not a counterparty to the Derivative;
- the Derivative is used for the purposes of protecting the value of an asset supporting a loan taken out for the exercise price of options granted by the Applicable Company or to protect the value of the security in respect of tax liabilities that may become due and payable; and
- the Derivative transaction complies with all applicable laws.

The notification rules in section 14 of this policy apply to the use of Derivatives. At the time of making a notification, the relevant member of Senior Management must also provide evidence that the criteria set out above have been satisfied.

The Company may publicly disclose all Derivative positions over Applicable Company securities taken out by Senior Management, including in situations where disclosure is not required by law.

13 Board's discretion

The Board of the Company has an absolute discretion to prohibit any Staff and/or their respective associated parties trading in an Applicable Company's securities at any time.

14 Notification rules in relation to dealing in an Applicable Company's securities by Senior Management

In addition to complying with any requirement under section 10 to obtain prior written clearance, Senior Management are required to notify the Company of **all intended dealings** in an Applicable Company's securities, by themselves or their associated parties, at least three days prior to such intended dealings. This should be done by written notice to the Company Secretary outlining:

- the name of the security holder;
- the proposed date of dealing;
- the type of proposed transaction (purchase, sale, etc.);
- the number of securities involved; and
- confirmation that they do not hold Inside Information.

Before trading in the Applicable Company's securities, the member of Senior Management must have been advised by the Company Secretary that there is no known reason to preclude the trading in those securities.

Following completion of the proposed dealing, the member of Senior Management in question must provide confirmation to the Company Secretary that the dealing has occurred, and details of the price per security, within three days of the dealing.

In addition to the requirements set out above, within two business days of:

- a director's appointment;
- a change to the director's shareholding in the Company; or
- the effective date of the director's resignation as a director of the Company,

the director must either complete, or provide sufficient information for the Company Secretary to complete, an Appendix 3X, 3Y or 3Z (as applicable) to be filed with the ASX for the purposes of section 205G of the Corporations Act and ASX Listing Rule 3.19A.

15 Disclosure

In order to maintain transparency, this policy is to be disclosed in the Company's annual report and be made publicly available consistent with the Company's Disclosure Policy.

16 Breaches of policy

Any breaches of this policy are a serious matter and appropriate disciplinary action will be taken, which may lead to summary termination.

All members of Staff will be provided with a copy of this policy and within ten days are required to provide Company Secretary with a signed acknowledgment in the form attached in the annexure.

ANNEXURE
Form of acknowledgment

To: Strait Metals Limited ACN 147 131 977
Attention: Company Secretary

Securities Trading Policy

I have been supplied with a copy of the Company's Securities Trading Policy.

I have read and considered the contents of the policy.

I give my unqualified undertaking to be bound by and comply with the letter and the spirit of the policy in all my dealings with or on behalf of the Company.

Signature:

Name:

Position:.....

Business Unit:.....

Date:.....