

Red Emperor Resources NL Security Dealing Policy

1. Introduction

These guidelines set out the policy on the sale and purchase of securities in Company by the Directors, officers and all employees of the Company. In certain circumstances this policy also applies to contractors and consultants.

Directors and employees are encouraged to be long term holders of the Company's securities. However, it is important that care is taken in the timing of any purchase or sale of such securities.

The law prohibits and imposes severe penalties on insider trading, in particular the *Corporations Act 2001* (Cth) (**Corporations Act**), and the ASX Listing Rules (as applicable) require the disclosure of any trading in the Company's securities by its Directors or their related entities.

The purpose of these guidelines is to:

- assist Directors and employees to avoid conduct known as "insider trading";
- to explain the type of conduct in relation to dealings in securities of the Company that is prohibited under the Corporations Act which is applicable to all Directors and employees of the Company;
- to establish a best practice procedure relating to dealing in securities that provides protection to both the Company and employees against the misuse of unpublished information which could materially affect the value of the Company's securities.

In some respects the Company's policy may extend beyond the strict requirements of the Corporations Act. Ultimately it is the responsibility of the individual to ensure that none of his or her dealings could constitute insider trading.

For the purpose of this policy, dealing means buying or selling a security holding in the Company or entering into a margin loan, scrip lending or hedging arrangement which involves a security holding in the Company.

2. What is Insider Trading?

2.1 Prohibition

Insider trading is a criminal offence. It may also result in civil liability. In broad terms, a person will be guilty of insider trading if:

- (a) that person possesses information which is not generally available to the market and, if it 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");
- (b) and that person:
 - (i) buys or sells securities in the Company; or
 - (ii) procures someone else to buy or sell securities in the Company; or
 - (iii) passes on that information to a third party where that person knows, or ought reasonably to know, 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.

It is irrelevant how or in what capacity the person came into possession of the information. This means that the prohibition will apply to any employee or Director who acquires “inside information” in relation to a financial product, no matter in which capacity and is prohibited dealing in that financial product.

2.2 Examples

To illustrate the prohibition described above, the following are possible examples of price sensitive information which, if made available to the market, may be likely to affect materially the price of the Company’s securities:

- (a) the Company considering a major acquisition or disposal of assets;
- (b) proposed changes in the nature of the business of the Company;
- (c) the threat of major litigation against the Company;
- (d) information relating to the Company's financial results;
- (e) the Company’s sales and profit results materially exceeding (or falling short of) the market’s expectations;
- (f) a material change in debt, liquidity or cash flow;
- (g) a significant new development proposal ie. new product or technology;
- (h) the granting (or loss) or a major contract;
- (i) management or business restructuring proposal;
- (j) changes to the Board; and
- (k) a share issue proposal or other proposed changes in the capital structure, capital returns and buy backs of financial products.

2.3 Dealing through third parties

A person does not need to be a Director or employee of the Company to be guilty of insider trading in relation to securities in the Company. The prohibition extends to dealings by Directors and employees through nominees, agents or other associates, such as family members, family trusts and family companies.

2.4 Information however obtained

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 (e.g. even if the employee, consultant or Director overhears it or is told in a social setting).

2.5 Confidential information

Employees and Directors also have a duty of confidentiality to the Company. A Director or employee must not reveal any confidential information concerning the Company, use that information in any way which may cause loss to the Company, or use that information to gain an advantage for themselves or anyone else. Directors and employee should ensure that if confidential information is required to be provided to external advisers that they are also aware they have a duty of confidentiality to the Company.

2.6 Insider Trading is Prohibited at all times

Notwithstanding any other provision of this policy, if you possess inside information, you must not buy or sell securities in the Company, advise or get others to do so or pass on the inside information to others. The prohibition applies regardless of how you learn the information.

The prohibition on insider trading is not restricted to information concerning the Company's securities. If a person has inside information in relation to securities of another company, that person must not deal in those securities.

3. Approval and Notification Requirements

3.1 Approval Requirements – Directors

- (a) Any Director wishing to buy, sell or exercise rights in relation to the Company's securities must obtain the prior written approval of the Chairman or the Board before doing so; or
- (b) If the Chairman wishes to buy, sell or exercise rights in relation to the Company's securities the Chairman must obtain the prior written approval of the Board before doing so.

3.2 Approval Requirements – Key Management Personnel

- (a) Any Key Management Personnel wishing to buy, sell or exercise rights in relation to the Company's securities must obtain the prior written approval of the Chief Executive Officer or Chairman before doing so.
- (b) For the purpose of this policy, "Key Management Personnel" are defined as:
 - (i) any first line reports of the Chief Executive Officer and their direct reports; and
 - (ii) any other person designated by the Chief Executive Officer as key management personnel on the basis that they have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

3.3 Notification

Any Director or employee who (or through his or her Associates) buys, sells, or exercises rights in relation to Company securities must notify the Company Secretary of the details of the transaction immediately for the purposes of section 3.10 below. This notification obligation operates at all times but does not apply to acquisitions of shares or options by employees made under employee share or option schemes, nor does it apply to the acquisition of shares as a result of the exercise of options under an employee option scheme.

3.4 Approvals to buy or sell securities

All requests to buy or sell securities must include the intended volume of securities to be purchased or sold and an estimated time frame for the sale or purchase.

3.5 Director and Key Management Personnel sales of securities

Directors and executives need to be mindful of the market perception associated with any sale of Company securities and possibly the ability of the market to absorb the volume of shares being sold. With this in mind, the management of the sale of any significant volume of Company securities (i.e. a volume that would represent a volume in excess of 10% of the total securities held by the seller prior to the sale, or a volume to be sold that would be in excess of 10% of the average daily traded volume of the shares of the Company on the ASX for the preceding 20 trading days) by a Director, the Chief Executive Officer or

other Key Management Personnel needs to be discussed with the board and the Company's legal and financial advisers prior to the execution of any sale. These discussions need to be documented in the form of a file note, to be retained by the Company Secretary.

3.6 Exemption from Blackout Period restriction due to exceptional circumstance

A Director, employee or contractor who is not in possession of inside information in relation to the Company, may be given prior written clearance by the Chief Executive Officer (or in the case of a Director the Chairman, or in the case of the Chairman all of the other members of the board) to sell or otherwise dispose of Company securities during a Blackout Period where the person is in severe financial hardship or where there are exceptional circumstances as set out in this policy.

3.7 Severe Financial Hardship or Exceptional Circumstances

The determination of whether a Director, employee or contractor is in severe financial hardship will be made by the Chief Executive Officer in the case of employees, the Chairman in the case of a Director, and all of the board in the case of the Chairman.

A financial hardship or exceptional circumstances determination can only be made by examining all of the facts and if necessary obtaining independent verification of the facts from banks, accountants or other like institutions.

3.8 Financial Hardship

A Director, employee or contractor may be in severe financial hardship if they have a pressing financial commitment that cannot be satisfied other than by selling the securities of the Company.

In the interests of an expedient and informed determination by the Chief Executive Officer, Chairman or board of Directors, any application for an exemption allowing the sale of Company securities during a Blackout Period based on financial hardship must be made in writing, be accompanied by a statutory declaration stating all of the facts and be accompanied by copies of relevant supporting documentation, including contact details of the persons accountant, bank and other such independent institutions.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

3.9 Exceptional Circumstances

Exceptional circumstances may apply to the disposal of Company securities by a Director, employee or contractor if the person is required by a court order, a court enforceable undertaking for example in a bona fide family settlement, to transfer or sell securities of the Company or there is some other overriding legal or regulatory requirement to do so.

Any application for an exemption allowing the sale of Company securities during a Blackout Period based on exceptional circumstances must be made in writing and be accompanied by relevant court and/or supporting legal documentation.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

3.10 Notification of dealing – Directors

ASX Listing Rules and the Corporations Act require the Company to notify dealing in securities by Directors within 5 business days. Three appendixes are included in the 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.

Directors must notify the Company Secretary immediately on acquiring or disposing of a relevant interest in any securities in the Company.

The Company Secretary will draft the appropriate ASX appendix 3X, 3Y or 3Z notification for approval by the Director. This notification must then be lodged with ASX within 5 business days of the date of any such dealings.

4. Guidelines for trading in the Company's securities

4.1 General Rules

The Chairperson will generally not permit Directors or employees to deal in securities as a matter of course during the following blackout periods:

- in the 2 days prior to the release of the Company's quarterly reports (if appropriate) and for one business day after the release of the report;
- in the two months prior to the release of the Company's half year financial results and for one business day after the release of the results;
- in the two months prior to the release of the Company's full year financial results and for one business day after the release of the results;
- in any other period when the Company is in possession of unpublished price-sensitive information and for one business day after the release of such information; and
- any time it may be reasonably probable that notification of price-sensitive information is required pursuant to the ASX Listing Rules and for one business day after the release of such information.

In exceptional circumstances clearance may be given by the Chairperson for a Director or employee to sell (but not to purchase) securities when they would otherwise be prohibited from doing so but not while there exists any matter which constitutes unpublished price-sensitive information in relation to the Company's securities.

Directors and employees should ensure that they wait sufficient time after the release of an announcement to ASX before dealing in securities to ensure that the market has had time to absorb the information.

If a Director or employee 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 the Company's securities at any time.

4.2 No short-term trading in the Company's securities

Directors and employees should never engage in short-term trading of the Company's securities except for the exercise of options where the shares will be sold shortly thereafter.

4.3 Securities in other companies

Buying and selling securities of other companies with which the Company may be dealing is prohibited where an individual possesses information which is not generally available to the market and is "price sensitive". For example, where an individual is aware that the Company is about to sign a major agreement with another company, they should not buy securities in either the Company or the other company.

4.4 Exceptions

- (a) Directors and all employees may at any time:
- (i) acquire ordinary shares in the Company by conversion of securities giving a right of conversion to ordinary shares;
 - (ii) acquire Company securities under a bonus issue made to all holders of securities of the same class;
 - (iii) acquire Company securities under a dividend reinvestment, or top-up plan that is available to all holders of securities of the same class;
 - (iv) acquire, or agree to acquire or exercise options under a Company share option plan;
 - (v) withdraw ordinary shares in the Company held on behalf of the employee in an employee share plan where the withdrawal is permitted by the rules of that plan; and
 - (vi) acquire ordinary shares in the Company as a result of the exercise of options held under an Company employee option scheme.
 - (vii) transfer securities of the Company already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
 - (viii) make an investment in, or trade in units of, 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;
 - (ix) where a restricted person is a trustee, trade in the securities of the Company 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;
 - (x) undertake to accept, or accept, a takeover offer;
 - (xi) trade 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;
 - (xii) dispose of securities of the Company resulting from a secured lender exercising their rights, for example, under a margin lending arrangement;
 - (xiii) exercise (but not sell securities following exercise) an option or a right 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 Company has been in an exceptionally long prohibited period or the Company 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; or
 - (xiv) trade under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy.

- (b) It is noted however that:
- (i) it is not permissible to provide the exercise price of options by selling the shares acquired on the exercise of these options unless the sale of those shares is approved in accordance with section 3 of this policy; and
 - (ii) where the exercise price of options is being provided by a margin loan or other form of lending arrangement then there may be a risk that the employee or Director may need to sell shares to avoid providing additional capital or security to the lender in the event of a decrease in the value of the shares.

Were this to occur at a time when the person possessed inside information then the sale of Company securities would be a breach of insider trading laws, even though the person's decision to sell was not influenced by the inside information that the person possessed and the person may not have made a profit on the sale. Where Company securities are provided to a lender as security by way of mortgage or charge a sale that occurs under that mortgage or charge as a consequence of default would not breach insider trading laws.

4.5 General

The requirements imposed by this policy are separate from and additional to, the legal prohibitions in the Corporations Act on insider trading.

This policy covers dealing not only in the Company's shares, but also in other securities of the Company including options and warrant contracts and any debentures or notes issued by the Company.

In addition the Company will comply with any other requirements set out in the rules of the Alternative Investment Market of the London Stock Exchange (**AIM**), as applicable.

4.6 Breaches of policy

Strict compliance with this policy is a condition of employment. Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

Policy History

Established:	December 2010
Last review:	May 2011
Review frequency:	Annually or as required