



## BUYING AND SELLING SECURITIES IN RESOURCE GENERATION LIMITED

### 1. Introduction

This guidance note sets out the policy of Resource Generation Limited (ACN 059 950 337) (the **Company**) on the sale and purchase of securities in the Company by its directors and employees. Directors and employees are encouraged to be long-term holders of the Company's shares. However, it is important that care is taken in the timing of any acquisition or disposal of securities in the Company.

The purpose of this note is to assist directors and employees to avoid conduct known as 'insider trading'. In some respects, the Company's policy extends beyond the strict requirements of the *Corporations Act 2001* (Cth) (the **Corporations Act**).

This note provides a basic explanation of what constitutes insider trading and the Company's policy to prevent it, including:

- a description of what conduct may constitute insider trading;
- a description of the safest times for directors and employees to buy or sell securities in the Company in order to minimise the risk of insider trading; and
- the steps for directors and employees to take when buying or selling securities in the Company.

### 2. What is insider trading?

#### 2.1 Prohibition

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 a company's securities (ie, information that is 'price sensitive'); and
- (b) that person:
  - (i) buys or sells securities in the company (which includes shares and options);
  - (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.

Information is generally available where the information is:

- readily observable; or
- made known in a manner that would, or would be likely to, bring it to the attention of people who commonly invest in the Company's securities or securities of a kind similar to the Company's securities, and a reasonable period has elapsed to allow the information to be disseminated; or
- able to be deduced, concluded or inferred from those types of the information.

#### 2.2 Penalties

Insider trading is a criminal offence. The criminal penalties for a breach of the insider trading prohibition include:

- for an individual – a fine of up to \$220,000 and a jail term of up to 5 years; and
- for a corporation – a fine of up to \$1,100,000.

In addition, the insider trader, and any other persons involved in the contravention, may also be liable to compensate third parties for any resulting loss.

#### 2.3 Examples of price sensitive information

To illustrate the prohibition described above, the following are possible examples of price sensitive information which, if it has not already been disclosed to the market and if it were made available to the market, may be likely to affect materially the price of the Company's securities:

- the Company considering a major acquisition or disposal of assets;
- the threat of major litigation against the Company;

- the Company's financial results materially exceeding (or falling short of) the market's expectations;
- a significant new development proposal;
- the likely granting (or loss) of a major contract, tenement or government approval;
- a proposed dividend or change in dividend policy;
- a proposed new share issue;
- a significant change in senior management.

#### **2.4 Dealing through third parties**

A director or employee of the Company can still be guilty of insider trading in relation to the Company's securities even though they are not the actual person who bought or sold the securities. The prohibition extends to:

- dealings by directors and employees through nominees, agents or other associates, such as family members, family trusts and family companies; and
- directors and employees procuring third parties to deal in the Company's securities, which includes inducing or encouraging those third parties to deal.

#### **2.5 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.

#### **2.6 Employee share schemes**

The insider trading prohibition does not apply to:

- (a) applications for; and
- (b) acquisitions under those applications of, the Company's securities by employees of the Company or any of its related bodies corporate made under employee share and option plans.

This means that the insider trading prohibition **will not** apply to the acquisition by any employees of the Company's securities (including the exercise of options to subscribe for shares in the Company) under any employee share and option plans that may be established.

However, the prohibition **will** apply to any subsequent disposal by those employees of shares in the Company acquired under those employee share or option plans.

### **3. Guidelines for trading in the Company's securities**

#### **3.1 General rule**

Directors and employees of the Company should not buy or sell securities in the Company when they are in possession of price sensitive information relating to the Company which is not generally available to the market.

#### **3.2 No short-term trading in the Company's securities**

It is also contrary to Company policy for directors and employees to be engaged in short term trading of the Company's securities.

#### **3.3 Safest times to deal in the Company's securities**

In the past, the view has been that it is safest to trade in a company's securities during 'window' periods immediately following the release of information to the public; for instance, in the period following the Annual General Meeting or the release of the annual or half-yearly results.

However, public listed companies and other disclosing entities are now required by statute to disclose price sensitive information on an on-going basis. Therefore, it is no longer relevant to refer to specific 'window' periods during which it is safest to trade in a company's securities. There are, however, certain carve-outs from a listed company's continuous disclosure obligation (such as where the information relates to confidential and incomplete negotiations of a material transaction).



The only appropriate time for a director or employee to acquire or sell the Company's shares is when he or she is not in possession of price sensitive information which is not generally available to the market.

In addition, to avoid any adverse inference being drawn of unfair dealing, directors and employees should not deal in the Company's shares during the month immediately before the release of the Company's half-yearly or yearly results or in the month immediately before the Annual General Meeting when it is customary for the Chairman to provide further information about the Company's current performance.

#### **4. Disclosure policy**

Any director or salaried employee wishing to buy or sell the Company's securities or exercise options over the Company's shares **must** advise the Chairman (in the case of directors) or the Company Secretary (in the case of an employee) of their intention to do so **before** buying or selling the securities or exercising options. This notification obligation operates at all times.

Directors and salaried employees **must not** buy or sell the Company's securities or exercise their options until notification has been given in writing to the Chairman or Company Secretary.

This procedure should prevent potential embarrassment and adverse publicity relating to trading in the Company's securities when, for example, there may be important corporate information (whether or not material in a legal context) not publicly released, or when projected financial results may deviate from market expectations.

#### **5. ASX notification by directors**

Directors should note that the Corporations Act obliges a director to notify the ASX within 14 days after any dealing in the Company's securities (either personally or through a third party) which results in a change in the relevant interests of the director in the Company's securities.

In addition, under the ASX Listing Rules the Company is required to notify the ASX of such dealings within 5 business days of such dealings taking place. Directors have agreed with the Company to provide notice of such dealings to the Company as soon as possible after such dealing to enable the Company to comply with its obligations under the Listing Rules.

A notice given by the Company to the ASX under the ASX Listing Rules satisfies the director's obligation to notify the ASX under the Corporations Act.

Any director requiring assistance in this regard should contact the Company Secretary.