

MALABAR COAL LIMITED ABN 29 151 691 468 (Company)

CORPORATE GOVERNANCE CHARTER

**MALABAR COAL LIMITED ABN 29 151 691 468 (COMPANY)**

**SECURITY TRADING POLICY**

**DATE: Wednesday 23 January 2013**

## **B. Security Trading Policy**

### **B. 1 Purpose of this Policy**

- (a) This trading policy (Policy) is intended to ensure that persons who are discharging managerial responsibilities including but not limited to Directors and the chief executive officer, do not abuse, and do not place themselves under suspicion of abusing, Inside Information that they may be thought to have, especially in periods leading up to an announcement by the Company.
- (b) The Policy sets out the procedure for trading in Securities of the Company and aims to provide Directors and Employees and any other persons who may be associated with the Company, with guidance on how and when trades in the Company's Securities may take place and when trading of the Company's Securities is strictly prohibited.
- (c) For the avoidance of doubt, nothing in this Policy sanctions a breach of the market misconduct or insider trading provisions of the Corporations Act 2001 (Cth) (Act).
- (d) References to the Company in this Policy are references to the Company and its subsidiaries.
- (e) Defined terms are set out in section B. 18 of this Policy.

### **B. 2 Who this policy applies to**

This policy applies to Restricted Persons.

### **B. 3 Dealing by Restricted Persons**

A Restricted Person must not Deal in any Securities of the Company unless a clearance to Deal is obtained in accordance with section B. 4 of this Policy or the Dealing is an Excluded Dealing.

### **B. 4 Clearance to Deal**

- (a) A Director (other than the chairperson) or company secretary must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the chairperson (or a Director designated by the board for this purpose) and receiving clearance to Deal from the chairperson or designated Director.
- (b) The chairperson must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying an independent Director and receiving clearance to Deal from the independent Director or, if an independent Director is not readily available, without first notifying a committee of the Board or other officer of the Company nominated for that purpose by the Board, and receiving clearance to Deal from that Director, committee or officer.
- (c) The chief executive officer or managing Director (if any) must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the chairperson and receiving clearance to Deal from him or, if the chairperson is not readily available, without first notifying an independent Director, or a committee of the Board or other officer of the Company nominated for that purpose by the chairperson, and receiving clearance to Deal from that Director, committee or officer.
- (d) If the roles of chairperson and managing director are combined, that person must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying an independent Director and receiving clearance to Deal from the independent Director.
- (e) All Restricted Persons (who are not Directors or the Company secretary) must not Deal in any Securities of the Company (unless the Dealing is an Excluded Dealing) without first notifying the Company secretary or a designated Director and receiving clearance to Deal

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from the Company secretary or designated Director.

- (f) A response to a request for clearance to Deal must be given to the relevant Restricted Person within five Business Days of the request being made.
- (g) The Company must maintain a record of the response to any Dealing request made by a Restricted Person and of any clearance given. A copy of the response and clearance (if any) must be given to the Restricted Person concerned.
- (h) A Restricted Person who is given clearance to Deal in accordance with this section B. 4 must deal as soon as possible in any event within two Business Days of clearance being received by the Restricted Person.

### **B. 5 Circumstances for refusal**

A Restricted Person must not be given clearance to Deal in any securities of the Company during a Prohibited Period unless an exceptional circumstance arises in accordance with section B. 6 of this Policy.

### **B. 6 Dealing in exceptional circumstances**

- (a) A Restricted Person, who is not in possession of Inside Information in relation to the Company, may be given clearance to Deal during a Prohibited Period if that person is in severe financial difficulty or there are other exceptional circumstances. Clearance may be given for such a person to sell (but not purchase) Securities of the Company when that person would otherwise be prohibited by this Policy from doing so. The determination of whether the person in question is in severe financial difficulty or whether there are other exceptional circumstances can only be made by the Clearance Officer designated by the Board for this purpose under section B. 4.
- (b) A person may be in severe financial difficulty if that person has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Securities of the Company. A liability of a person to pay tax would not normally constitute severe financial difficulty unless the person has no other means of satisfying the liability. A circumstance will be considered exceptional if the person in question is required by a court order to transfer or sell the Securities of the Company or there is some other overriding legal requirement to do so.
- (c) If required by the Listing Rules, the Company should consult the ASX at an early stage regarding any application by a Restricted Person to deal in exceptional circumstances.

### **B. 7 Prohibition on Insider Trading**

No Restricted Person may Deal in Company Securities at any time (including a Prohibited Period), if that person is or could reasonably be expected to be in possession of Inside Information.

### **B. 8 Communicating Inside Information**

A Restricted Person in possession of Inside Information must not, directly or indirectly, communicate the information, or cause the Inside Information to be communicated, to another person if the Restricted Person ought to know, or ought reasonably to know, that the other person would be likely to Deal in the Company's Securities.

### **B. 9 Dealing by person associated with Restricted Persons**

- (a) A Restricted Person must take all reasonable steps to prevent an Associate of the Restricted

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Person from Dealing in the Company's Securities during a Prohibited Period.

- (b) A Restricted Person must take reasonable steps to advise any Associate of the Restricted Person that:
  - (1) he or she is a Restricted Person of the Company; and
  - (2) of the Prohibited Periods during which the Restricted Person and his or her Associates cannot Deal in the Company's Securities.
- (c) A Restricted Person must immediately notify a Clearance Officer if he or she becomes aware of or suspects an Associate of Dealing in the Company's Securities during a Prohibited Period.

### **B. 10 Disclosure of Dealings by Directors**

- (a) In accordance with section 250G of the Act and ASX Listing Rule 3.19A, Directors must notify ASX of any Dealings (whether in a Prohibited Period or otherwise) in the Company's Securities within five Business Days of such Dealing.
- (b) As required when notifying the ASX of a Director's Dealings, and otherwise to the extent required to do so under the Listing Rules, the Company shall disclose to the market when a Director has been given a Clearance to Deal during a Prohibited Period. These disclosure requirements are set out in section **Error! Reference source not found.** of this Policy.

### **B. 11 Dealings in Securities of other companies**

A Restricted Person who has Inside Information about another company as a result of his or her position in the Company is prohibited from Dealing in the other company's Securities or communicating the Inside Information. Set out below are some examples (without being exhaustive) of how, Inside Information about another company may be obtained:

- (a) during the course of a proposed transaction;
- (b) during the course of due diligence investigations;
- (c) Board deliberations;
- (d) negotiations; or
- (e) information provided by others during the ordinary course of business.

### **B. 12 Penalties**

There are penalties under the Act for a breach of Insider Trading provisions under the Act.

Currently the maximum penalties under the Act are:

- (1) in the case of a natural person imprisonment of 10 years and/or a fine the higher of:
  - (A) 4,500 penalty units (\$495,000); and
  - (B) if the Court can determine the total value of the benefits the person obtained, which are reasonably attributable to the commission of the offence, three times that value;
- (2) in the case of a body corporate, a fine the greatest of the following:
  - (A) 45,000 penalty units (\$4.95 million);
  - (B) if the Court can determine the total value of the benefits that have been obtained and are reasonably attributable to the commission of the offence, three times that value; and
  - (C) if the Court cannot determine the total value of those benefits, 10% of the body corporate's annual turnover during the 12 month period ending in the month when the offence was committed; and
- (3) unlimited civil penalties.

### **B. 13 Policy on Margin Loan Arrangements**

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- (a) A Restricted Person may enter into a margin loan or similar funding arrangement in respect of any Company Securities (Funding Arrangements) but must disclose the existence, nature and terms of the Funding Arrangements to a Clearance Officer who shall notify the Board.
- (b) The Company and its Board shall disclose any Funding Arrangements which would require disclosure under Listing Rule 3.1.
- (c) Without limiting paragraph (b), where a Restricted Person's Funding Arrangement involves 5% or more of the Company's shares, the Board and Company secretary shall make appropriate disclosure to the market of any key terms of the Funding Arrangements.

### **B. 14 What is Inside Information?**

**Inside Information** is information that is not Generally Available and, if it were Generally Available, a reasonable person would expect it to have a Material Effect on either the price or the value of the Company's Securities.

### **B. 15 When is information Generally Available?**

Information is **Generally Available** if:

- (1) it consists of readily observable matter; or
- (2) where the information has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in Securities, a reasonable period for it to be disseminated among such persons has elapsed (for example, it has been released to the ASX or published in an annual report or prospectus); or
- (3) it may be deduced, inferred or concluded from the information referred to above.

### **B. 16 What is a Material Effect?**

- (a) **Material Effect**, in relation to Inside Information, is where that information would, or would be likely to, influence persons who commonly acquire Securities in deciding whether or not to acquire or dispose of Securities of that nature.
- (b) Examples of information, that may have a Material Effect on the price or value of Securities when it becomes Generally Available, include:
  - (1) revenue;
  - (2) profit forecasts;
  - (3) inventory levels;
  - (4) forecasts;
  - (5) items of major capital expenditure;
  - (6) borrowings;
  - (7) liquidity and cashflow information;
  - (8) management restructuring;
  - (9) changes in distribution arrangements;
  - (10) litigation;
  - (11) impending mergers and acquisitions, reconstructions or takeovers;
  - (12) major asset purchases or sales;
  - (13) exploration results; or
  - (14) new product and technology.

### **B. 17 What is Dealing in Securities?**

**Dealing** in Securities means:

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- (a) applying for, acquiring or disposing of Securities; or
- (b) entering into an agreement to apply for acquire or dispose of Securities; or
- (c) procuring another person to:

- (1) apply for, acquire or dispose of Securities; or
- (2) enter into an agreement to apply for, acquire or dispose of Securities.

**B. 18 Definitions**

**In this Policy:**

**Act** means *Corporations Act 2001* (Cth) as amended from time to time.

**Associate** has the same meaning as set out in section 50 of the Act.

**ASX** means the Australian Securities Exchange owned and operated by ASX Limited ABN 98 008 624 691.

**Blackout Period** means:

- (1) any time a Restricted Person is in possession of inside information; and
- (2) any time outside the 20 business days following:

- (A) the announcement to the ASX of the half year results;
- (B) the announcement to the ASX of the full year results; and
- (C) the annual general meeting,

unless prior permission is granted to the Restricted Person by the Clearance Officer

**Board** means board of Directors.

**Business Day** means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney.

**Clearance Officer** means any one of:

- (1) the chairperson;
- (2) the managing director; and
- (3) the Company secretary.

**Company** means Malabar Coal Limited ABN 29 151 691 468.

**Constitution** means the constitution of the Company as amended from time to time.

**Dealing** has the meaning set out in section B. 17 of this Policy.

**Director** means a director of the Company.

**Employee** means an individual who works for the Company under a contract of employment and includes senior management, management and contractors.

**Excluded Dealings** means:

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- (1) dealings in securities not in a Blackout Period;
- (2) undertakings or elections to take up entitlements under a rights issue or other offer made to all or most of the Company's Security holders (including an offer of the Company's Securities in lieu of a cash dividend);
- (3) allowing entitlements to lapse under a rights issue or other offer made to all or most of the Company's Security holders (including an offer of the Company's Securities in lieu of a cash dividend);
- (4) the sale of sufficient entitlements nil-paid to take up the balance of the entitlements under a rights issue;
- (5) undertakings to accept, or the acceptance of, a takeover offer;
- (6) dealing where the beneficial interest in the relevant Security does not change;
- (7) transfers of the Company's Securities already held into a superannuation fund or other saving scheme in which the Restricted Person is a beneficiary;
- (8) in the event the Restricted Person is a trustee of a trust but is not a beneficiary of the trust, trading in the Company's Securities by that trust provided any decision to trade during a Blackout Period is taken by the other trustees or investment manager independently of the Restricted Person;
- (9) the exercise of an option or right under an incentive scheme or the conversion of a convertible security, where the final date for the exercise or conversion falls during a Blackout Period and the Restricted Person could not reasonably have been expected to exercise or convert the Security at a time when it was entitled to, due to the Company having an exceptionally long Blackout Period or a number of consecutive Blackout Periods;
- (10) the cancellation or surrender of an option under an employees' share scheme;
- (11) transfers of the Company's Securities by an independent trustee of an employees' share scheme to a beneficiary who is not a Restricted Person; and
- (12) bona fide gifts to a Restricted Person by a third party.

**Generally Available** has the meaning set out in section B. 15 of this Policy.

**Information** includes:

- (1) matters of supposition and other matters that are insufficiently definite to warrant being made to the public; and
- (2) matters relating to the intentions, or likely intentions, of a person.

**Inside Information** has the meaning set out in section B. 14 of this Policy.

**Listing Rules** means the Listing Rules of the ASX.

**Material Effect** has the meaning set out in section B. 16 of this Policy.

**Procure** means to incite, induce or encourage an act or omission by another person.

**Prohibited Period** means:

- (1) any Blackout Period; or
- (2) any period where any matter exists which could constitute Inside Information in relation to the Company.

**Restricted Person** means any person discharging managerial responsibilities for the Company including, but not limited to:

- (1) Directors;
- (2) senior management;
- (3) management;

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- (4) employees
- (5) contractors;
- (6) other persons specified from time to time by the chief executive officer or managing Director (if any); and
- (7) any Associate of a person referred in paragraphs (1) (2) (3) (4) above, of the Company.

**Securities** means:

- (1) shares;
- (2) debentures;
- (3) legal or equitable interests in a security covered by paragraph (1) or paragraph (2) above;
- (4) options to acquire, by way of issue, a security covered paragraph (1) or paragraph (2) above; and
- (5) rights (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
  - (A) a security covered by paragraph (1) or paragraph (2) above; or
  - (B) an interest or right covered by paragraph 764A(1)(b) or paragraph 764A(1)(ba) of the Act.



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Subject to the above, the following table sets out the rules for Trading in Malabar Coal securities:

| <b>Never Allowed to Trade</b>   | <b>Allowed to Trade with Prior Permission (Trading Windows)</b>  | <b>Allowed to Trade but only with Prior Permission from a Clearance Officer</b>  |
|---|--|--|
| <p>A restricted person shall not trade in any Malabar Coal security:</p> <ul style="list-style-type: none"> <li>• If they are in possession of Price Sensitive Information, or</li> <li>• During any specific period designated by the board and advised to Directors or employees from time to time. During such periods, the Directors and employees that the restriction applies to will also extend to their associates.</li> </ul> | <p>Restricted persons may trade in Malabar Coal securities during the period of 20 business days following:</p> <ul style="list-style-type: none"> <li>• The announcement to the ASX of the half year results,</li> <li>• The announcement to the ASX of the full year results,</li> <li>• the annual general meeting,</li> </ul> <p>provided that they are personally satisfied that they are not in possession of Inside Information</p> | <p>Restricted persons may trade in Malabar Coal securities at times other than those specifically permitted by the policy provided that:</p> <ul style="list-style-type: none"> <li>• They are personally satisfied that they are not in possession of Inside Information</li> <li>• They seek and receive prior approval from a Clearance Officer</li> <li>• There are supporting reasons for the trade to be made</li> </ul> |

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