

FIFTH ELEMENT RESOURCES LIMITED
ACN 166 025 047

SHARE TRADING POLICY

1. General

- 1.1 Subject to the terms of this policy and to the additional restrictions on Company Persons hereunder, employees are permitted to deal in FIFTH ELEMENT RESOURCES LTD ("the Company") shares throughout the year.
- 1.2 Directors and employees of the Company and its subsidiaries ("Company Persons") are permitted to deal in the Company Shares throughout the year except during the Trading Embargo periods identified in this policy.
- 1.3 More generally this policy provides information to all Company Persons, contractors and consultants (together "Persons") as to the insider trading provisions of the Corporations Act. It sets out certain rules relating to the dealings by Persons in the Company Shares. Ultimately it is the responsibility of the Person to ensure that none of his or her dealings could constitute insider trading. Insider trading provisions also apply to agents, associates, and family members of a Person who deal in Company Shares while in possession of inside information.
- 1.4 Dealing in the Company Shares includes:
 - a) subscribing for, purchasing or selling the Company Shares or entering into an agreement to do any of those things;
 - b) advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in the Company Shares; and
 - c) entering into agreements or transactions which operate to limit the economic risk of a person's holdings in the Company Shares.

2. Outline of Corporations Act requirements

- 2.1 A person is in possession of inside information in relation to the Company in circumstances where:
 - a) the person possesses information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of the Company Shares; and
 - b) the person knows, or ought reasonably to know, that the information 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 the Company Shares.
- 2.2 A reasonable person would be taken to expect information to have a material effect on the price or value of the Company Shares if the information would, or would be likely to, influence persons who commonly acquire securities in deciding whether or not to deal in the Company Shares in any way. It does not matter how such person came to have the inside information.
- 2.3 If a person possesses inside information in relation to the Company, the person must not:
 - a) deal in the Company Shares in any way; nor
 - b) directly or indirectly communicate the information, or cause the information to be communicated, 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 Company Shares in any way or procure a third person to deal in the Company Shares in any way.
- 2.4 A person may obtain inside information in relation to another company. For example, in the course of negotiating a transaction with the Company, another company might provide confidential information about itself. The prohibition on insider trading is not restricted to information affecting the Company Shares. Persons in possession of inside information must not deal in securities of those other companies.

- 2.5 A person who deals in the Company Shares while in possession of inside information or communicates that information in the circumstances described in paragraph 2.2 above will be liable to both civil and criminal penalties. The penalties are:
- a) In the case of an individual:
 - i) a criminal penalty of a fine of up to \$220,000 and/or imprisonment for 5 years; and
 - ii) a civil penalty of up to \$200,000;
 - b) In the case of a company:
 - i) a criminal penalty of a fine of up to \$1.1 million; and
 - ii) a civil penalty of up to \$1 million; and
 - c) Unlimited civil liability equivalent to the damages caused.

3. Examples of inside information

- 3.1 Examples of information which may be considered to be inside information include the details relating to the items listed below:
- a) drilling results, mining exploration results or production figures.
 - b) prospective financial information;
 - c) unpublished announcements;
 - d) proposed changes in capital structure, including share issues, rights issues and the redemption of securities;
 - e) impending mergers, acquisitions, reconstructions or takeovers;
 - f) significant litigation and disputes;
 - g) significant changes in operations or proposed changes in the general character or nature of the business of the Company or its subsidiaries;
 - h) cashflow information;
 - i) management restructuring or Board changes;
 - j) an entity proposing to buy, or a security holder proposing to sell, a substantial number of the Company Shares;
 - k) industry issues that may have a material impact on the Company;
 - l) decisions on significant issues affecting the Company by regulatory bodies in Australia or other relevant jurisdictions;
 - m) allegations of any breach of the law or other regulatory requirements by the Company;
 - n) major or material purchases or sales of assets; and
 - o) proposed or new significant contracts.

4. Company policy on dealing with the Company Shares

- 4.1 Persons should note the following general principles:
- a) Persons must comply with the insider trading provisions of the Corporations Act at all times;
 - b) Persons who possess inside information must not deal or procure dealing in the Company Shares;
 - c) Persons must avoid, and be seen to avoid, actual or potential conflict between their personal interest and the interests of the Company and other security holders in a manner which is in breach of the Corporations Act, ASX Listing Rules or other legal obligations; and

- d) Persons must not derive personal advantage from information which is not generally available and which has been obtained by reason of their connection with the Company in a manner which is in breach of the Corporations Act, ASX Listing Rules or other legal obligations.

5. Trading Embargo

- 5.1 A trading embargo exists in respect of which Company Persons are restricted from dealing in the Company Shares during the period being 2 weeks prior to the release of the annual accounts and one day thereafter, 2 weeks prior to the release of the half-yearly accounts and one day thereafter, and 2 weeks prior to the release of ASX quarterly reports and one day thereafter.
- 5.2 A Company Person may request the Chairman in writing to grant special circumstances relief from the limitations referred to above after first presenting to the Chairman an opinion from an approved Australian legal practitioner, that the Company Person is not at that time in possession of any inside information relating to the Company or its shares 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 the Company Shares. Special circumstances relief may include but not be limited to severe financial hardship, necessity to exercise employee share options or Court Order. If the Chairman approves of special circumstances relief he will so advise the applicant for such relief in writing whereupon the trading embargo will be lifted in respect of such trade by such Company Person.

6. Other restrictions

- 6.1 A Company Person must not engage in short-term trading activities, hedging and margin loans at any time in relation to Company Shares.

7. Explanation for restrictions on trading of Company's shares

- 7.1 Because of the nature of the Company's activities as a mining exploration company, it is not appropriate for the Company to adopt a 'trading windows' approach to share trading as reportable events such as mineral discoveries or exploration results may occur unexpectedly or at very short notice at any time throughout the year.
- 7.2 The Company has therefore chosen to adopt a 'black out period' approach to share trading which is specifically designed to ensure that all reportable events in relation to its exploration activities are included in those periods within which Company Persons may not trade the securities of the Company.
- 7.3 These restrictions on trading are in addition to those listed in above and the Corporations Act requirements relating to insider trading.

8. Chairman

- 8.1 The Chairman must not deal in the Company Shares without the prior approval of the Executive Directors before commencing the transaction. The Chairman must notify the Executive Directors and the Company Secretary of the Chairman's intention to trade and must subsequently notify the Company Secretary of any trade that has occurred.

9. Directors

- 9.1 Directors (other than the Chairman) must not deal in the Company Shares without prior written notification to the Chairman before commencing the transaction. The person intending to trade must also notify the Company Secretary of the person's intention to trade and must subsequently notify the Company Secretary in writing, of any trade that has occurred.

10. Other Company Persons

- 10.1 Company Persons other than the Chairman and Directors, must not deal in the Company Shares without the prior written notification to the Company Secretary before commencing the transaction.

11. Exercise of options, participation in employee share option plans or share plans

- 11.1 Subject to the insider trading provisions of the Corporations Act, a Company Person may at any time:

- a) subscribe for securities offered under a disclosure document (e.g. a prospectus);
- b) acquire the Company's ordinary Shares by conversion of securities giving a right of conversion to ordinary Shares – but may not deal with any of the Shares received upon conversion other than in accordance with this policy and the insider trading provisions;
- c) acquire the Company Shares under a bonus issue made to all holders of Shares of the same class;
- d) acquire the Company Shares under a dividend reinvestment, that is available to all holders of securities of the same class;
- e) acquire the Company Shares under a Company sponsored share plan where such Shares are purchased by an independent Trustee and on an agreed period purchase basis;
- f) acquire, or agree to acquire, options under a the Company share option plan; and
- g) exercise options acquired under a the Company share option plan (but may not sell all or part of the shares received upon exercise of the options other than in accordance with these procedures).

12. Notification by directors

- 12.1 A director is required to notify the Company Secretary if there is any change in the director's relevant interest in securities of the Company or a related body corporate of the Company.
- 12.2 A director must notify the Company Secretary in writing of the requisite information for the Company Secretary to make the necessary notifications to ASIC and ASX of the change as required by the Corporations Act and the ASX Listing Rules. The director must provide the Company Secretary with the written notification as soon as possible after the change occurs and, in any event, to allow the Company Secretary to make the necessary notifications within 5 business days after the change occurs.

13. Consequences of breach

- 13.1 Breaches of this policy may damage the Company's reputation in the investment community and undermine confidence in the market for the Company Shares. Accordingly breaches will be taken seriously by the Company.