



MERMAID MARINE  
AUSTRALIA LTD

31 December 2010

The Listing Manager  
Australian Securities Exchange Ltd  
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Dear Sir/Madam

**RE: Mermaid Marine Australia Limited – Share Trading Policy**

Please find **attached** a copy of the Mermaid Marine Australia Limited Share Trading Policy which is lodged with the ASX in accordance with ASX Listing Rule 12.9 and which takes effect on 1 January 2011.

Yours faithfully

**MERMAID MARINE AUSTRALIA LIMITED**

**DYLAN ROBERTS**  
Company Secretary

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## **SHARE TRADING POLICY**

### **1. PURPOSE OF THIS POLICY**

The purpose of this Policy is to:

- provide a brief and high level summary of the law on insider trading;
- set out the restrictions on dealing in the Company's securities;
- assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Contravention of this policy will be regarded as a serious matter by the Company and may also give rise to criminal or civil actions.

### **2. APPLICATION**

**2.1** This Policy applies to:

- Designated Persons; and
- all other employees,

of the Company.

**2.2** Designated Persons means:

- the directors of the Company (including the Managing Director), and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Chief Financial Officer, Chief Operating Officer, Company Secretary and those persons who are members of the senior management team and the finance team who may be expected to have access to non-public price sensitive information on a regular basis; and
- any person who is notified in writing by the Board or the Company Secretary to be a Designated Person for the purposes of this Policy from time to time (e.g. persons involved in a special price sensitive project).

**2.3** This Policy applies to all securities which may be issued by the Company, such as shares and options.

**2.4** This policy extends to all securities owned or controlled by a person covered by the Policy, whether those securities are held in the name of that person, in a company, through a trust, by a family member, by a friend or in some other entity or arrangement. Persons covered by this policy must inform their brokers or financial advisers who have discretion to trade on their behalf that they are restricted from trading securities under this Policy.

### **3. POLICY STATEMENTS**

This Policy:

- prohibits insider trading in the Company's securities;



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- prohibits short-term or speculative dealing in the Company's securities;
- requires Designated Persons to obtain prior written approval before dealing in the Company's securities;
- prohibits Designated Persons from obtaining prior written approval to deal in the Company's securities during a Prohibited Period, in the absence of exceptional circumstances;
- prohibits Designated Persons participating in an equity-based executive incentive plan, from hedging the value of any unvested entitlement in the Company's securities; and
- requires Designated Persons to obtain prior written approval if they enter into a margin lending or other security arrangement affecting the Company's securities.

### **4. INSIDER TRADING PROHIBITION**

#### **4.1 Insider trading is a serious offence under the Corporations Act.**

If you have inside information you must not:

- deal in securities; or
- communicate the inside information to anyone else.

This prohibition is an overriding obligation and applies despite anything else in this Policy (including whether the dealing or communication of inside information occurs outside a Prohibited Period) and regardless of how you learned the inside information.

Insider trading is a criminal offence attracting significant fines and/or imprisonment. Alternatively, a civil penalty may be imposed for an individual. In both cases the offender may also be ordered to pay compensation to anyone who suffered loss as a result of the insider trading.

Definitions of "dealing in securities" and "inside information" are set out below. Communicating inside information includes passing it on to another person, such as a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust.

### **Dealing in securities**

#### **4.2 For the purposes of this Policy, dealing in securities includes:**

- trading in securities, for example:
  - subscribing for, buying or selling securities;
  - entering into a derivative in relation to securities;
  - using securities as a security or granting any encumbrance over securities;



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- engaging in any other transaction involving a beneficial interest in securities or a change in the beneficial ownership of securities; or
- entering into an agreement to do any of those things; and
- procuring, inciting, inducing or encouraging another person (such as a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust) to trade in securities.

### **Inside information**

**4.3** Under the Corporations Act, a person is prohibited from dealing in securities where:

- the person possesses information which 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 particular securities (**inside information**); and
- 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 those securities.

**4.4** Information has a material effect on the price or value of securities if, and only if, a reasonable person would expect that information to, or to be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell those securities.

**4.5** It does not matter how you come to have the inside information - for example whether you learn it in the course of carrying out your responsibilities, in passing in the corridor, in the lift or at a social occasion.

**4.6** The financial impact of the information is important, but strategic and other implications can be equally important in determining what amounts to inside information. The definition of "information" is broad enough to include rumours, matters of supposition, intentions of a person (including the intentions of the Company) and information which is not definite enough to warrant public disclosure.

### **Examples of inside information**

**4.7** The following list is illustrative only. Inside information about the Company could include:

- information relating to the Company's operations and/or financial results;
- a possible material sale or acquisition of assets by the Company;
- the successful tender for a material contract;
- the entry into or termination of a material contract;
- a possible change in the Company's capital structure;



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- entry into a major borrowing;
- an event which could have a material impact (either positively or negatively) on profits;
- any possible claim against the Company or other unexpected liability; and
- any information required to be disclosed to ASX under its continuous disclosure rules.

### **Securities of other companies**

- 4.8** The prohibition on insider trading is not restricted to information affecting the Company's securities. Accordingly, if you possess inside information in relation to securities of another company or entity you must not deal in those securities.

### **Participation in Employee Share Plans**

- 4.9** This Policy does not restrict participation in the Company's employee share and equity incentive plans but does apply in respect of any subsequent dealing in the Company's securities to which you become entitled under those plans.

### **Other obligations to the Company with respect to Information**

- 4.10** In addition to the insider trading and other restrictions in this Policy, you also owe a duty of confidentiality to the Company. You must not reveal any confidential information of the Company, use that information in any way which may injure or cause loss to the Company or use that information to gain an advantage for yourself or others.

- 4.11** Under the Corporations Act, a breach of these duties may result in:

- liability for a civil penalty;
- criminal liability if recklessness or dishonesty is involved; and/or
- liability to compensate the Company for any damage it suffers as a result of the disclosure.

## **5. ADDITIONAL TRADING RESTRICTIONS**

### **Dealings by employees who are not Designated Persons**

- 5.1** Subject to the rules of any applicable equity-based plan, if you are not a Designated Person:
- you can deal in the Company's securities at any time provided you do not have inside information and are not involved in short term or speculative dealing;
  - you should review this Policy and any information you do have prior to dealing; and



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- you are not required to notify the Company if you intend to deal in Company securities or after you have dealt in such securities.

### **Dealings by Designated Persons**

**5.2** If you are a Designated Person, you must:

- obtain the prior written approval from the Relevant Approver for any proposed dealing in the Company's securities; and
- not engage in the proposed dealing until the Relevant Approver has (subject to paragraph 5.11) given prior written approval in relation to that dealing.

**5.3** Any written approval will be valid for 7 days from the date it is given, meaning the relevant dealing can only occur during that period (subject to the other requirements of this Policy).

**5.4** You must immediately notify the Company Secretary of sufficient details of the outcome of any dealing to enable the Company to file the relevant notices in accordance with the ASX Listing Rules within 5 business days of the dealing.

**5.5** For the purposes of this Policy, Relevant Approver means:

- if the Designated Person is a director of the Company (other than the Chairman of the Board), the Chairman of the Board;
- if the Designated Person is the Chairman of the Board, the Chairman of the Audit & Risk Committee; and
- in all other cases, the Managing Director.

**5.6** Individuals remain responsible for their own investment decisions and their compliance with the law and this Policy. As noted above, the key point is ensuring that you are not in possession of any inside information at the point in time at which you deal in any securities.

**5.7** The trading restrictions contained in paragraphs 5.2 to 5.4 of this Policy do not limit any other obligations of Designated Persons prescribed by this Policy.

### **Dealings during Prohibited Periods**

**5.8** There are certain periods during the year, during which Designated Persons cannot deal in the Company's securities (other than in exceptional circumstances), given the heightened risk of actual or perceived insider trading. These periods are known as Prohibited Periods.

**5.9** The following periods are Prohibited Periods for the purposes of this Policy:

- any Closed Period; and



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- any additional periods determined by the Board in circumstances where the Company is considering matters which are subject to the exception in ASX Listing Rule 3.1A.
- 5.10** The following periods are each a Closed Period for the purposes of this Policy:
- the period between the end of the Company's financial year (30 June) and the announcement of the Company's full year results to the ASX;
  - the period between the end of the Company's half year (31 December) and the announcement of the Company's half year results to the ASX; and
  - any other period the Chairman of the Board may declare from time to time.
- 5.11** Where a proposed dealing will occur during a Prohibited Period, the Relevant Approver may only give the Designated Person prior written approval to deal in the Company's securities if:
- the Designated Person advises the Relevant Approver in writing of their request to deal in the Company's securities and the reasons for needing to do so during a Prohibited Period;
  - the Designated Person confirms in writing that they are not in possession of inside information; and
  - the Relevant Approver is satisfied that the Designated Person is in severe financial difficulty or there are other exceptional circumstances.
- 5.12** A person may be in severe financial difficulty if they have a pressing financial commitment that cannot be satisfied other than by selling the Company's securities. Severe financial difficulty would not normally include a liability to pay tax unless the person has no other means of satisfying the liability. A person's need to satisfy a tax liability arising from equity incentives connected with the Company would not normally be considered an exceptional circumstance.
- 5.13** Exceptional circumstances would exist if:
- the Designated Person was required by a court order, or there were court enforceable undertakings (eg in a bona fide family settlement) or some other overriding legal or regulatory requirement, to deal in the Company's securities; or
  - the Board, in its discretion, deems such circumstances to be exceptional.

### Dealings by connected persons

- 5.14** Designated Persons should follow the requirements set out in paragraphs 5.2 to 5.4 of this Policy if they are aware that their spouse, partner, child or other immediate family member, or trust or other entity controlled by the Designated Person (or an investment adviser on behalf of the Designated Person or any of the above persons or entities), intends to deal in the Company's securities.



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### **Exemptions from trading restrictions**

**5.15** The trading restrictions imposed on Designated Persons under this Policy (aside from the insider trading restrictions) do not apply in the following circumstances:

- trading results in no change in beneficial interest in the securities (such as transfers of securities of the Company already held into a superannuation fund or other saving scheme in which the Designated Person is a beneficiary);
- an investment in, or trading 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;
- where the Designated Person is a trustee, trading in the securities of the Company by that trust provided the Designated 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 Designated Person;
- undertakings to accept, or the acceptance of, a takeover offer;
- trading under an offer or invitation made to all or most of the Company's 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;
- a disposal of the Company's securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, subject to the Designated Person having received prior written clearance for the original financing arrangement as set out in paragraph 5.16 of this Policy; and
- trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with the procedures set out in this Policy and where:
  - the Designated Person did not enter into the plan or amend the plan during a Prohibited Period; and
  - the trading plan does not permit the Designated Person to exercise any influence or discretion over how, when or whether to trade.

A Designated Person must not cancel a trading plan unless clearance has first been given in accordance with paragraphs 5.2 to 5.4 of this Policy for its cancellation.



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### **Margin lending restrictions**

- 5.16** Designated Persons must obtain the prior written approval of the Relevant Approver in accordance with paragraphs 5.2 to 5.4 of this Policy if they intend to enter into a margin lending or other security arrangements affecting the Company's securities.

### **Short term or speculative dealing**

- 5.17** Speculating in short-term fluctuations in the Company's securities does not promote shareholder or market confidence in the integrity of the Company.
- 5.18** All employees must not engage, directly or indirectly, in short-term or speculative dealing in the Company's securities.

### **Hedging unvested entitlements**

- 5.19** Entitlements under the Company's equity based incentive plans are subject to the satisfaction of various time and/or performance hurdles to ensure alignment of employee rewards with Company objectives and performance. Transactions which "hedge" the value of entitlements could distort the proper functioning of these hurdles and reduce the intended alignment with shareholder interests.
- 5.20** Designated Persons participating in an equity-based executive incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in Company securities.
- 5.21** These requirements also apply to dealings in financial products issued by third parties in relation to the Company's securities which operate to limit the economic risk of a vested holding in the Company's securities.

## **6. DISCLOSURE TO ASX**

- 6.1** The ASX Listing Rules requires this Policy to be disclosed to ASX. Where the Company makes a material change to this Policy, the amended Policy must be provided to ASX within 5 business days of the material changes taking effect.
- 6.2** In addition, if a change to a notifiable interest of a Company's director occurs during a Closed Period, the Company must tell ASX (in its Appendix 3Y filing) that this is the case, whether prior written clearance for the relevant dealing was provided and the date of such clearance.

## **7. COMPLIANCE IS MANDATORY**

- 7.1** Strict compliance with this Policy is mandatory for all Company personnel covered by this Policy.

## **8. BREACH OF THIS POLICY**

- 8.1** Breaches of this Policy may damage the Company's reputation in the investment community and undermine confidence in the market for the Company's securities. Accordingly, breaches will be taken very seriously by the Company and will be subject to disciplinary action, including possible termination of a person's employment or appointment.



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**8.2** In addition, breaches of this Policy may also amount to a contravention of the Corporations Act which may result in criminal or civil liability.

### **9. REVIEW OF POLICY**

**9.1** This Policy will be reviewed regularly and at least annually and updated as required.