

UNION STAR METALS LIMITED
ABN 36 124 541 466

SECURITY TRADING POLICY

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The employees, directors and contractors (collectively "Associates") of Union Star Metals Limited ("USM") may have in their possession sensitive commercial information which could materially affect the value of USM securities. The Corporations Act 2001(CA) prohibits insider trading in relation to financial products including securities. The provisions are wide ranging and breaches are serious offences.

This document:

- (a) provides an outline of the insider trading and other relevant provisions of the Corporations Act;
- (b) sets out the rules relating to dealings by employees and directors in securities issued by USM;

This policy is designed to assist in preventing breaches of the insider trading provisions of the Corporations Act. Ultimately it is the responsibility of the employee and director to ensure that none of his or her dealings could constitute insider trading.

INSIDER TRADING PROHIBITION

The Nature of the Prohibition

Section 1043A (of Part 7.10, Division 3) of the Corporations Act makes it an offence for a person in possession of information that is not generally available but which, if generally available, might materially impact the price or value of a financial product to:

- (b) trade in (i.e. apply for, acquire or dispose of, or enter into an agreement to do any of these things); or
- (c) procure another person to trade in, financial products (collectively referred to as "deal in financial products").

It is also an offence to "tip" the information to another person with the knowledge that the person could deal in financial products. Accordingly the effect of this section cannot be avoided by simply getting another person to deal on your behalf.

How You Become Aware of the Information is Irrelevant

It is irrelevant how or in what capacity the person comes into possession of the information. This means that S 1043A will apply to any employee or director who acquires "inside information" in relation to USM securities, no matter in which capacity and is prohibited from dealing in those securities.

Information Which Might Affect Price Value

The prohibition referred to in this policy refers to unpublished information which, if generally available, might materially impact the price or value of USM securities.

What Does Information Include?

"Information" includes matters of supposition or speculation and matters relating to the intentions or likely intentions of a person.

What Information Might Materially Affect Price or Value?

This means information that a reasonable person would expect to have a material effect on the price or value of USM securities. A reasonable person would be taken to expect information to have a material effect on price or value if the information would be likely to influence persons who commonly invest in securities whether or not to do so.

Examples of this type of information which might affect the price or value of USM securities include:

- (a) proposed changes in capital structure, capital returns and buy backs;
- (b) information relating to USM's financial results;
- (c) a material acquisition, divestment or realisation of assets;
- (d) proposed dividends and share issues;
- (e) changes to the Board;
- (f) possible events which could have a material impact on profits(negatively or positively)e.g., loss of a major customer;
- (g) proposed changes in the nature of the business of USM;
- (h) notification to USM of a substantial shareholding; and
- (i) any information required to be announced to the market pursuant to Listing Rule 3.1.

What does "Unpublished" Mean?

"Unpublished" for this purpose means that the information is not generally available. Information is generally available if it consists of readily observable matter, or it has been disseminated in a manner likely to bring it to the attention of investors and a reasonable period has elapsed.

ASX publishes information to the market by releasing USM announcements through the Company Announcements Platform. All announcements by USM are available on <http://www.asx.com.au/asx/share-price-research/company/USM>.

1.1 DEALING IN SECURITIES ISSUED BY USM

1.1.1. No Dealing Permitted During a Non Trading Period

Subject to this policy, Associates are permitted to deal in USM securities throughout the year except during the periods identified below. In setting these times, the Board is cognisant that at this stage USM is not a trading entity but rather is in development mode. Accordingly the prescribed times for non trading are relevant to its current state and these will be amended at the appropriate time to reflect the Company's transition to a trading operation.

In summary the periods where trading is forbidden are at a minimum;

- (a) the commencement of the 5 days period preceding the announcement of:
 - (i) the annual results; and

- (ii) the half yearly results; and
- (iii) the quarterly cash flow statements released to the ASX in the form of Appendix 5B.
ending once the statement has been lodged on the ASX announcements platform,
- (b) the 4 day period either side of the announcement of, or undertaking of a capital raising,
- (c) the 3 day period either side of a board meeting,
- (d) and prior to the making of any materially sensitive information and ending once the statement has been lodged on the ASX announcements platform.

Each period above is referred to as a Non Trading Period. The period where dealing is permitted is called the Trading Period.

1.1.2. Notice of Non Trading Period

Notice of the commencement and closure of the Non Trading Period will be sent by email to Associate. Where an Associate does not have email access it is the manager's responsibility to inform the Associate.

1.1.3. Prohibition in Dealing While in Possession of Relevant Information

Dealing in USM securities is subject to the prohibition that an Associate must not deal in USM securities:

- (a) at any time when he or she is in possession of unpublished, information which, if generally available, might materially affect the price or value of those USM securities; and
- (b) on the day the public announcement is made in relation to that matter until the statement has been lodged on the ASX announcements platform.

1.1.4. Prohibition on Active Dealing

Dealing during a Trading Period is subject to the prohibition that an employee and director must not actively deal in USM securities with a view to deriving profit related income from that activity.

"Actively Deal" for this purpose means to deal in USM securities in a manner which involves frequent and regular trading activity.

1.1.5. Special Approval to Deal During the Non Trading Period

If there are exceptional circumstances, for example a pressing financial commitment, then approval may be given by:

- (c) the Managing Director or if absent, the Company Secretary, in their discretion to an employee to deal during the Non Trading Period;
- (d) the Chairman, in his discretion, to a director to deal during the Non Trading Period;
- (e) the Chairman, in his discretion to the Managing Director to deal during the Non Trading Period;
- (f) the Managing Director, in his discretion to the Chairman to deal during the Non Trading Period.

Any such approval must be obtained in advance. It cannot be given after the event.

The discretion will be applied taking into account the hardship of the employee or director and weighing this against any perceived detriment to USM's reputation.

1.1.6. Confirmation of Dealing that has Occurred

USM may require an employee to provide confirmation of dealing in USM securities by an employee or his/her associate(s).

1.1.7. Notice of Change to Trading Period or Non Trading Period

The Non Trading Period, as outlined in Rule 3.1, may be extended or shortened or another Non Trading Period may be introduced at any time by direction of the Managing Director or the Chairman. Notice of such changes will be specified to employees by email and to directors by email and/or facsimile. Changes to the Non Trading Period or Trading Period are effective immediately upon the giving of such notice. Where an employee does not have email access it is the manager's responsibility to inform the employee.

A dealing during any such change remains subject to Rules 3.3 and 3.4.

1.1.8. Director Requirement to Report to the market – Listing Rule 3.19A

In accordance with the Agreement between directors and USM, directors are required to provide details of all changes to their interest in USM securities registered in the name of the director or held on behalf of the director, directly or indirectly. The details must be provided as soon as reasonably possible after the date of the change and in any event no later than three business days after the change or another time frame agreed with Company Secretary which allows for compliance with the listing rule obligations.

4.2. PROHIBITION IN DEALING IN FINANCIAL PRODUCTS ISSUED OVER USM SECURITIES BY THIRD PARTIES

Employees and directors are not permitted to deal at any time in financial products such as warrants, futures or other financial products issued over USM markets or any other market. An exception may apply where USM securities form a component of a listed portfolio or index product.

Waiving Rules

If there are exceptional circumstances, the Managing Director or if absent, the Company Secretary, in their discretion may waive parts of this policy to allow for employees to deal. If there are exceptional circumstances, the Chairman in consultation with the Managing Director, in his discretion may waive parts of this policy to allow directors to deal.

This discretion will be applied, taking into account the hardship of the employee or director and weighing this against any perceived detriment to USM's reputation.

Where a waiver has been granted the details of the same must be recorded and reported to Directors at the next Board meeting.

4.3. RELATED PARTIES AND RELEVANT INTERESTS

The restrictions on dealings by an employee or director are equally applicable to any dealings:

- (a) by their spouses or de facto spouses;
- (b) by or on behalf of any dependant under 18 years of age; and
- (c) any other dealings in which, for the purposes of the Corporations Act, he or she is or is to be treated as interested. For example, if an employee or director is a trustee of a trust and is also a beneficiary of the trust, the employee or director must not trade in USM securities on behalf of the trust without reference to this policy.

It is the duty of the employee and director to seek to avoid any such dealing at any time when he or she is himself or herself prohibited from dealing.

4.4. EMPLOYMENT AND MONITORING OF COMPLIANCE

To promote understanding of the insider trading prohibition, related Corporations Act provisions and USM policy, a copy of this document will be distributed to all employees and directors (present and future). All new employees and directors will receive a copy of this document with their employment or appointment letter.

CONCLUSION

Compliance with the rules set out in this document is mandatory. Infringement of the insider trading provisions can attract a substantial monetary penalty, imprisonment or both. Failure to comply with this policy could have a damaging impact on perception of USM within the investment community.

Any Associate who does not comply with the Dealing Rules set out in this document will be considered to have engaged in serious misconduct which may result in the termination of their engagement by USM.

This policy is reviewed annually.