

Guide for Buying & Selling Shares in Melbourne IT Limited

Background

As part of the duty to avoid conflicts, the Corporations Law prohibits an officer (including a director) or employee of a company from making improper use of:

- his or her position with the company; or
- information acquired by virtue of that position; or
- to gain (directly or indirectly) an advantage for any person or to cause detriment to the company.

In addition, the Corporations Law prohibits a person from trading in securities of a company at a time when that person possesses certain information that is not generally available and which, if disclosed publicly, would be likely to materially affect the market price of the securities.

Directors and employees are encouraged to be long-term holders of the Company's shares. However, in light of the prohibitions in the Corporations Law, it is important that care is taken in the timing of any acquisition or sale of such shares.

These guidelines set out the Company's policy on the sale and purchase of shares in Melbourne IT by its directors and employees. The purpose of these guidelines 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 Law.

These guidelines include 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 shares 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 shares in the Company.

What is insider trading?

Prohibition

Insider trading is a criminal offence. It may also result in civil liability. 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 (i.e., information that is 'price sensitive'); and that person:
 - buys or sells securities in the company;
 - procures someone else to buy or sell securities in the company; or
 - 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 if:
- it consists of readily observable matter, or
- it 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 of bodies corporate of a kind whose price or value might be affected by the information, and since it was so made known, a reasonable period for it to be disseminated among such persons has elapsed.

Examples

To illustrate the prohibition described above, the following are possible examples of price sensitive information which, if made available to the market, may be likely to affect materially the price of the Company's shares:

- the likely grant (or loss) of a major domain names registration services contract;
- the Company considering a significant new joint venture or partnering arrangement which could result in a material increase in the Company's revenues or profits;
- the Company considering a major acquisition or a disposal of a line of business;
- a proposal to launch a significant new product or service;
- the Company's financial results materially exceeding (or falling short of) the market's expectations; or
- the threat of major litigation against the Company.

Dealing through third parties

A person does not need to be a director or employee of the Company to be guilty of insider trading in relation to securities in the Company. The prohibition extends to dealings by directors and employees through nominees, agents or other associates, such as family members, family trusts and family companies.

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.

Employee share schemes

The prohibition does not apply to subscriptions for shares by employees made under an employee share scheme. However, the prohibition will apply to the disposal of shares acquired under such a scheme. It could also apply to the exercise of employee options.

Guidelines for trading in the Company's securities

General rule

Directors and employees of the Company **must not buy or sell shares** in the Company when they possess price sensitive information which is not generally available to the market.

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 shares. For example, buying and selling the company's shares within a short period of time with the view of realising a profit or minimising a loss as opposed to holding the shares as a long term investment.

Safest times to deal in the Company's securities

Generally, directors and employees of the Company should be wary of dealing in the Company's shares or the shares of any other companies with which Melbourne IT is or may be involved.

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). Accordingly, directors and employees cannot assume that they are always free to trade for this reason.

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 period immediately before the release of the Company's half-yearly or yearly results or in the two weeks immediately before the Annual General Meeting when it is customary for the Chairman and CEO to provide further information about the Company's current performance.

Once price sensitive information which was not previously available to the market has been released to the market, it is safest to trade in the company's securities after a reasonable amount of time has passed in respect of the market announcement. What is a reasonable amount of time in the circumstances is a matter judgement, however, the question is whether enough time has passed for investors or shareholders to have obtained the information.

If in doubt, queries should be directed to the Chairman (in the case of directors) or Company Secretary (in the case of employees).

Disclosure policy

Any director or executive officer wishing to buy or sell the Company's shares 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 executive officer) of their intention to do so **before** buying or selling the shares or exercising options. This notification obligation operates at all times.

Directors and executive officers must not buy or sell the Company's shares or exercise options until approval has been given by the Chairman (in the case of directors) or the Company Secretary (in the case of an executive officer). It is important to stress, however, that **this approval does not absolve the person proposing to deal of their obligation to comply with the law.** It is a means of giving the director or executive officer greater comfort (for example, there may be something imminent which may be material but of which they are not yet aware and it may cause subsequent embarrassment were trading to have occurred shortly prior to such a development being announced). It is not a **sanction**.

This procedure should prevent potential embarrassment and adverse publicity concerning trading the Company's shares 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.

ASX notification by the Company

The ASX Listing Rules requires the Company to notify the ASX within 5 days of any dealing by a director in the Company's shares (either personally or through a third party) which results in a change in the relevant interests of the director in the Company's shares. A director should therefore contact the Company Secretary as soon as he deals in any of the Company's shares to enable the Company to comply with this requirement.