



POLICY

Trading in Shares and other Securities

1. Purpose

The purpose of this policy is to provide procedures governing trading in shares and other securities in PanAust Limited (“the Company”) by its Directors, employees, consultants and contractors.

This policy also provides an overview of the relevant law so that you can obtain an understanding of the meaning and legal consequences of “insider trading”.

The Company encourages Directors, employees, consultants and contractors to be long term shareholders in the Company. By following this policy, you will assist in protecting yourself and the Company against allegations of “insider trading”.

All references in this policy to “securities” include:

- shares in the Company;
- rights in relation to shares in the Company;
- options to subscribe for unissued shares in the Company;
- any other financial products in the Company, including debt securities, financial products issued or created over its securities by third parties; and
- associated products which operate to limit the economic risk of a holding in the Company.

2. What is “Insider Trading”?

Insider trading is a criminal offence. It is important that you understand what it means.

The following is a brief summary of the law relating to “insider trading”. It is not intended to be an exhaustive summary.

(a) A person who possesses information that the person knows, or ought reasonably to know, 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 shares in a company, must not:

- subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- procure another person to do any of those things.

Such information is referred to in this policy as “price sensitive information”.

(b) A person in possession of price sensitive information must not communicate or cause the information to be communicated to another person who the first person knows or reasonably ought to know would be likely to:

- subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any such securities; or
- procure another person to do any of those things.

(c) A person cannot avoid the operation of the insider trading rules by using a family company or another business vehicle such as a partnership. The knowledge of a person as an officer of such a company or as a partner in such a partnership is deemed to be held by that company or partnership.

(d) The terms “sell” and “purchase” have a wide meaning and include the granting or assignment of options to sell or purchase securities.

3. Policy

Directors, employees, consultants and contractors must not buy or sell shares or other securities in PanAust when they are in possession of price sensitive information which is not generally available to the market.

In addition, you must not buy or sell shares or other securities in companies with which PanAust has dealings, if you are in possession of price sensitive information which is not generally available to the market.

Examples of price sensitive information may include:

- PanAust considering an acquisition of an interest in a major project or other company;
- threatened litigation of a material nature by or against PanAust;
- PanAust’s financial results materially exceeding or falling short of the market’s expectations; and

- material exploration results or material resource or reserve information.

Directors and “Designated Employees” (defined below) may only buy or sell shares or other securities in PanAust if they comply with the procedures contained in section 4 of this policy.

Any employee, consultant or contractor who breaches this policy is liable to have their services terminated. A breach by a Director of this policy will be investigated at the highest levels of the Company and is liable to result in action being taken to remove the Director.

If you are in any doubt at all as to whether an intended dealing in the securities of the Company (or another company with which PanAust has dealings) may be in breach of the insider trading rules, you must consult with the Company Secretary (who will consult the Managing Director on your behalf as necessary) before entering into the dealing in those securities.

When consulting with the Company Secretary you will be required to disclose:

- details of the intended dealing;
- details of any information of which you are aware in relation to the Company’s activities which have not yet been communicated to senior management (general manager or above); and
- any other information about the Company which you have and which you are aware has not been disclosed to the ASX.

After the dealing, you will be required to advise the details of the trade to the Company within two business days.

This policy does not prevent the deemed or other exercise of rights issued to you under the Company’s Share Rights Plan. The policy also does not prevent the grant or exercise of options issued to you under the Company’s Executives’ Option Plan. This is because the law recognises such dealings as being an exception to the “insider trading” rules. However, this policy does apply to any subsequent dealings in shares issued upon the exercise of those share rights or options.

4. Dealing by Directors and Designated Employees

The Directors and certain employees (referred to as “Designated Employees”) are in a special position which provides them with access to confidential and sensitive information relating to the Company. The Company considers it appropriate to provide for additional procedures to govern any dealing in securities by such persons.

For the purposes of this section, “Designated Employees” are those who are Level 3B Managers or higher or who because of their office or employment (including, for example, geologists) have involvement in a particular transaction or have access to inside information. The Company Secretary will maintain a register of “Designated Employees”.

If you are in any doubt as to your status as a “Designated Employee”, you should contact the Company Secretary.

Prior to any proposed dealing:

- a Designated Employee must first seek the written consent of the Managing Director or the Company Secretary (who must consult with the Managing Director);
- a Director must first seek the written consent of the Chairman (who must consult with the Managing Director); and
- the Chairman must seek the written consent of the chairman of the Audit Committee (who must consult with the Managing Director).

These procedures also apply to dealings by spouses or dependants of Directors and Designated Employees.

Except in cases of financial hardship, consent will only be given for a dealing which falls within one of the permitted trading windows detailed in section 6.

When consulting with the Chairman, the Managing Director or the Company Secretary you will be required to disclose:

- details of the intended dealing;
- details of any information of which you are aware in relation to the Company’s activities which have not yet been communicated to senior management (general manager or above); and
- any other information about the Company which you have and which you are aware has not been disclosed to ASX.

After the dealing, you are required to advise the details of the trade to the Company within two business days.

5. Notification of Interests of Directors

Directors of the Company must also be aware of their obligations under section 205G of the Corporations Act 2001 to notify the ASX of relevant interests in securities in the Company and contracts that confer a right to call for shares in the Company within 14 days of the notifiable interest arising. Any change in such interests must also be notified within the 14 day period.

The obligation under section 205G of the Corporations Act 2001 must be considered in conjunction with Listing Rule 3.19B. This requires the Company to make necessary arrangements with each of the Directors to ensure that the necessary information is provided to the ASX within 5 business days of:

- the date of appointment of the Director;

- the date of any change in the Director's interest; and
- the date the director ceases to be a Director.

It should be noted that the requirements of section 205G extend to the dealing in securities by companies and other business structures in which the Director has a relevant interest. A relevant interest is an interest through which the director has the power to exercise or controls the exercise of the voting rights attaching to securities or has the power to dispose or control the disposal of securities.

In certain circumstances, a Director may be taken to have a relevant interest in securities held by the Director's spouse or other close family member. Given the importance of disclosure and the objective of the Company to be totally transparent and open with its shareholders, the Company requires each director to disclose any dealings by spouses or dependants of the Director.

In order to meet its obligations under the Listing Rules, the Company has in place the following policy:

- upon becoming a Director, the Director must enter into an agreement with the Company agreeing to provide all of the necessary information relating to their trading in securities so as to enable the Company to file the relevant appendix with the ASX within 5 business days of any dealing; and
- the Company has arrangements in place with its share registry to provide for alerts to the Company in the event of any changes in the registered interests of the director.

A Director is also required to disclose to the Company any financing arrangements in the nature of margin loans which the Director has in place over securities in the Company. In particular, the Director is obliged to disclose:

- the number of securities subject to any such arrangements;
- the trigger point for any mandatory sale; and
- all other details which may be relevant to the Company's assessment of what it is required to do in order to discharge its continuous disclosure obligations.

The Company's policy has been developed to ensure compliance with the Listing Rules and to assist the Directors to comply with their obligations under the Corporations Act.

6. Permitted Trading Windows

Under the principles of continuous disclosure, public listed companies are required to disclose price sensitive information on an on-going basis. Therefore, it is not relevant to refer to specific "window" periods when it is safe to trade. **If you are in possession of price sensitive information which has not been disclosed to the market, you cannot trade. It does not matter when you propose to trade.**

For the reasons discussed in section 4, Directors and Designated Employees are subject to additional regulation. In order to avoid any adverse inference being drawn of improper dealing, they may not trade in the Company's shares or other securities during the period commencing two weeks immediately preceding and ending two days immediately following:

- the release of the Company's quarterly report to the ASX;
- the release of the Company's half year results;
- the release of the Company's full year results; and
- the Annual General Meeting,

when it is customary for up to date information about the Company's activities and performance to be provided.

Whilst trading in these periods is only prohibited for Directors and Designated Employees, the prohibitions should also act as a guide to other employees, consultants and contractors as to when it is appropriate to trade in order to avoid any adverse inference of improper dealing.

7. Availability of this Policy

This policy will be made publicly available on the Company's website.

This Securities Trading Policy was approved by the Board of PanAust Limited on 27 August 2008.
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