

Share Trading Policy

General

Subject to the terms of this policy and to the additional restrictions on Key Management personnel hereunder, employees are permitted to deal in Pan Asia Metals Limited ('PAM') shares throughout the year.

Directors of PAM and its subsidiaries and other Key Management personnel nominated by the Chairman as persons to whom this policy applies (and who are notified accordingly) ("Key Personnel") are permitted to deal in PAM shares throughout the year except during the Trading Embargo periods identified in this policy.

More generally this policy provides information to all employees, directors, contractors and consultants ("Persons") as to the insider trading provisions of the Corporations Act. It sets out certain rules relating to the dealings by Persons in PAM Shares. Ultimately it is the responsibility of the Person to ensure that none of his or her dealings could constitute insider trading.

Dealing in PAM Shares includes:

1. subscribing for, purchasing or selling PAM Shares or entering into an agreement to do any of those things;
2. advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in PAM Shares; and
3. entering into agreements or transactions which operate to limit the economic risk of a person's holdings in PAM Shares.

Outline of Corporations Act requirements

1. A person is in possession of inside information in relation to PAM in circumstances where:
 - 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 PAM Shares; 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 the PAM Shares.
2. A reasonable person would be taken to expect information to have a material effect on the price or value of PAM Shares if the information would, or would be likely to, influence persons who commonly acquire securities in deciding whether or not to deal in PAM Shares in any way. It does not matter how the such person came to have the inside information.
3. If a person possesses inside information in relation to PAM, the person must not:
 - deal in PAM Shares in any way; nor
 - 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 PAM Shares in any way or procure a third person to deal in PAM Shares in any way.
4. A person may obtain inside information in relation to another company. For example, in the course of negotiating a transaction with PAM, another company might provide confidential information about itself. The prohibition on insider trading is not restricted to information affecting PAM Shares. Persons in possession of inside information must not deal in securities of those other companies.
5. A person who deals in PAM Shares while in possession of inside information or communicates that information in the circumstances described in paragraph 2(b) above will be liable to both civil and criminal penalties. The penalties are:
 - In the case of an individual:
 - > a criminal penalty of a fine of up to \$220,000 and/or imprisonment for 5 years; and
 - > a civil penalty of up to \$200,000;
 - in the case of a company:
 - > a criminal penalty of a fine of up to \$1.1 million; and
 - > a civil penalty of up to \$1 million; and
 - unlimited civil liability equivalent to the damages caused.

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Examples of inside information

Examples of information which may be considered to be inside information include the details relating to the items listed below:

1. prospective financial information;
2. unpublished announcements;
3. proposed changes in capital structure, including share issues, rights issues and the redemption of securities;
4. impending mergers, acquisitions, reconstructions or takeovers.
5. significant litigation and disputes;
6. significant changes in operations or proposed changes in the general character or nature of the business of PAM or its subsidiaries;
7. cashflow information;
8. management restructuring or Board changes;
9. an entity proposing to buy, or a security holder proposing to sell, a substantial number of PAM Shares;
10. industry issues that may have a material impact on PAM;
11. decisions on significant issues affecting PAM by regulatory bodies in Australia or other relevant jurisdictions;
12. allegations of any breach of the law or other regulatory requirements by PAM;
13. major or material purchases or sales of assets; and
14. proposed or new significant contracts.

Company policy on dealing with PAM Shares

Persons should note the following general principles:

1. Persons must comply with the insider trading provisions of the Corporations Act at all times.
2. Persons who possess inside information must not deal or procure dealing in PAM Shares.
3. Persons must avoid, and be seen to avoid, actual or potential conflict between their personal interest and the interests of PAM and other security holders in a manner which is in breach of the Corporations Act, ASX Listing Rules or other legal obligations.
4. Persons must not derive personal advantage from information which is not generally available and which has been obtained by reason of their connection with PAM in a manner which is in breach of the Corporations Act, ASX Listing Rules or other legal obligations.

Recommended times for trading

Subject to the Trading Embargo referred to in paragraph 6 of this Trading Policy, the recommended times (to avoid any suggestion of insider trading) for Key Personnel in dealing in PAM Shares are in the period after:

1. holding of PAM's Annual General Meeting or any other meeting of shareholders;
2. release by PAM of its half yearly results announcement to ASX;
3. release by PAM of its full year results announcement to ASX; or
4. release of a prospectus or other disclosure document offering securities in PAM; or
5. release by PAM of any quarterly report to ASX; or
6. release by PAM of any information 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 PAM Shares,

Provided that at such times PAM Key Personnel are not in possession of any inside information relating to PAM 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 PAM Shares.

Trading Embargo

In addition a trading embargo exists in respect of which Key Personnel must refrain from dealing in PAM Shares during the period being 4 weeks prior to the release of the interim and full year results company announcements and 2 weeks prior to the release of ASX quarterly reports.

Key Persons may request the Chairman in writing to grant special circumstances relief from the limitations referred to above

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after first presenting to the Chairman an opinion from an approved Australian legal practitioner, that the Key Person is not at that time in possession of any inside information relating to PAM 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 PAM 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 key person.

Chairman

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

Directors

Directors (other than the Chairman) must not deal in PAM 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.

Other Key Personnel

Persons other than those identified in Sections 7 and 8 above, must not deal in PAM Shares without the prior written notification to the Company Secretary before commencing the transaction.

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

Subject to the insider trading provisions of the Corporations Act, directors and employees of PAM may at any time:

1. subscribe for securities offered under a disclosure document (e.g. a prospectus);
2. acquire PAM'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;
3. acquire PAM Shares under a bonus issue made to all holders of shares of the same class;
4. acquire PAM Shares under a dividend reinvestment, that is available to all holders of securities of the same class;
5. acquire PAM Shares under a Company sponsored share plan where such shares are purchased by an independent Trustee and on an agreed period purchase basis.
6. acquire, or agree to acquire, options under a PAM share option plan; and
7. exercise options acquired under a PAM 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).

Notification by directors

A director is required to notify the Company Secretary if there is any change in the director's relevant interest in securities of PAM or a related body corporate of PAM.

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.

Consequences of breach

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