



Hawthorn
RESOURCES

ABN 44 009 157 439

Hawthorn Resources Limited
("Company")

Share trading policy

Share trading policy

1. Introduction

1.1 The securities of the Company are listed on ASX.

2. Defined terms

In this policy:

Approving Officer means:

- (a) for a Designated Officer (except the chief executive officer) who is not a director, the chief executive officer;
- (b) for a director (except the chairperson of the board) and, if the chief executive officer is not a director, the chief executive officer, the chairperson of the board; and
- (c) for the chairperson of the board, the chairperson of the Audit Committee.

ASX means ASX Limited.

Blackout Period means each period of :

- (a) ten (10) business days immediately preceding the date of the release of the Company's December half year results to ASX *, and
- (b) ten (10) business days immediately preceding the date of the release of the Company's June full year results to ASX *.
 - Generally the Company releases the half year results in March and the annual results in September

Company Securities includes:

- (a) shares in the Company or a Group member,
- (b) options over the shares set out in paragraph (a),
- (c) any other financial products of the Group traded on ASX; and
- (d) any derivative or associated instruments the value of which is determined (in whole or in part) by any security listed in paragraph (a), (b) or (c).

Designated Officer means a director or person engaged in the management of the Group, whether as an employee or consultant.

Executive Trading Window means, subject to the requirements of paragraph 9.1

- (a) any period of time other than a Blackout Period; and
- (b) a period of two (2) consecutive business days immediately following release of a material announcement to the ASX, whether or not that period occurs during a Blackout Period.

Group means the Company and each of its controlled entities.

3. Insider trading

- 3.1 If a person has information about securities and the person knows, or ought reasonably to know, that the information is inside information, it is likely to be illegal for the person to:
- (a) deal in the securities;
 - (b) procure another person to deal in the securities; or
 - (c) give the information to another person who the person knows, or ought reasonably to know, is likely to:
 - (i) deal in the securities; or
 - (ii) procure someone else to deal in the securities.
- 3.2 Insider trading is a criminal offence. It is punishable by substantial fines or imprisonment or both. A company may also be liable if an employee or director engages in insider trading.
- 3.3 Insider trading may also attract civil penalties. A court may impose substantial pecuniary penalties for insider trading and order payment of compensation to persons who suffer loss or damage because of insider trading.

4. What is inside information?

- 4.1 Inside information is information that:
- (a) is not generally available; and
 - (b) if it were generally available, would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the relevant securities.
- 4.2 Information is generally available if it:
- (a) is readily observable;
 - (b) has been made known in a manner likely to bring it to the attention of persons who commonly invest in securities of the relevant type and a reasonable period for that information to be disseminated has elapsed since it was made known; or
 - (c) consists of deductions, conclusions or inferences made or drawn from information falling under paragraphs 4.2(a) or 4.2(b).

5. What is dealing in securities?

- 5.1 Dealing in securities includes:
- (a) applying for, acquiring or disposing of, securities;
 - (b) entering into an agreement to apply for, acquire or dispose of, securities; and
 - (c) granting, accepting, acquiring, disposing, exercising or discharging an option or other right or obligation to acquire or dispose of securities.

- 5.2 For the purpose of listing rule 12.12.3, some examples of trading that a listed entity may consider excluding from the operation of its trading policy are:
- (a) transfer of securities of the entity already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
 - (b) an investment in, or trading units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;
 - (c) where a restricted person is a trustee, trading in the securities of the entity by that trust provided the restricted 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 manager is independently of the restricted person;
 - (d) undertaking to accept, or the acceptance of, a takeover offer;
 - (e) trading under an offer or invitation made to all or most of the securities 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 the entitlements under a renounceable pro rate issue;
 - (f) a disposal of securities of the entity that is the result of a secured lender exercising their rights for example, under a margin lending arrangement. The trading policy should also set out the rules that are applicable to key management personnel with respect to entering into agreements that provide lenders with rights over their interests in the entity's securities;
 - (g) the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the options or right, or the conversion of the security, falls during a prohibited period and the entity has been in an exceptionally long prohibited period or the entity has had a number of consecutive prohibited periods and the restricted person could not reasonably have been expected to exercise it at a time when free to do so; and
 - (h) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in the trading policy and where:
 - (i) the restricted person did not enter into the plan or amend the plan during a prohibited period;
 - (ii) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when or whether to trade; and
 - (iii) the entity's trading policy does not allow the restricted person to cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a prohibited period other than in exceptional circumstances.

6. When employees may deal

Subject to paragraph 7 below, an employee (who is not a Designated Officer) may deal in Company Securities or the listed securities of another entity if he or she does **not** have information that he or she knows, or ought reasonably to know, is inside information in relation to Company Securities or the securities of the other entity.

7. When employees may not deal

An employee (who is not a Designated Officer) must not deal or procure another person to deal in Company Securities or the listed securities of another entity if he or she has information that he or she knows, or ought reasonably to know, is inside information in relation to Company Securities or the securities of the other entity.

8. When a Designated Officer may deal

8.1 Subject to paragraph 9, a Designated Officer may deal in Company Securities:

- (a) during the Executive Trading Windows provided he or she immediately notifies the Approving Officer of the dealing; or
- (b) outside the Executive Trading Windows provided he or she has complied with paragraph 10 prior to the dealing.

8.2 A Designated Officer may deal in the listed securities of another entity if he or she does **not** have information that he or she knows, or ought reasonably to know, is inside information in relation to those securities.

9. When a Designated Officer may not deal

9.1 A Designated Officer must not deal or procure another person to deal in Company Securities:

- (a) if he or she has information that he or she knows, or ought reasonably to know, is inside information in relation to Company Securities;
- (b) during a Blackout Period, unless it is during an Executive Trading Window; or
- (c) outside any Executive Trading Windows unless he or she has complied fully with paragraph 10 prior to the dealing.

9.2 A Designated Officer may not deal or procure another person to deal in the listed securities of another entity if he or she has information that he or she knows, or ought reasonably to know, is inside information in relation to those securities.

10. Clearance from the Approving Officer

- 10.1 Before dealing in Company Securities under paragraph 8.1(b), a Designated Officer must first inform the Approving Officer and obtain clearance of the dealing.
- 10.2 The Approving Officer must refuse to give clearance under paragraph 10.1 to the proposed dealing if:
 - (a) there is a matter about which there is inside information in relation to Company Securities (whether or not the Designated Officer knows about the matter) when the Designated Officer requests clearance or proposes to deal in Company Securities; or
 - (b) the Approving Officer has any other reason to believe that the proposed dealing breaches this policy or any other corporate governance standard of the Company.

11. Exceptional circumstances

- 11.1 The Approving Officer may give clearance for a Designated Officer to sell (but not buy) Company Securities in exceptional circumstances where the Designated Officer would otherwise not be able to do so under this policy. For example, if the Designated Officer has a pressing financial commitment that cannot otherwise be satisfied.
- 11.2 The Approving Officer must refuse to give clearance under the exception in paragraph 11.1 if there is a matter about which there is inside information in relation to Company Securities (whether or not the Designated Officer knows about the matter) when the Designated Officer requests clearance or proposes to deal in Company Securities.
- 11.3 The Approving Officer will decide if circumstances are exceptional.

12. Dealings by associates and investment managers

- 12.1 If a Designated Officer may not deal in the Company Securities, he or she must prohibit any dealing in the Company Securities by:
 - (a) any associates; or
 - (b) any investment manager on their behalf or on behalf of any associates.
- 12.2 For the purposes of paragraph 12.1, a Designated Officer must:
 - (a) inform any investment manager or associate of the periods during which the Designated Officer may and may not deal in Company Securities; and
 - (b) request any investment manager or associate to inform the Designated Officer immediately after they have dealt in Company Securities.
- 12.3 A Designated Officer does not have to comply with paragraphs 12.1 and 12.2 to the extent that to do so would breach their obligations of confidence to the Group.

13. Communicating inside information

13.1 If an employee (including a Designated Officer) has information that he or she knows, or ought reasonably to know, is inside information in relation to Company Securities or the listed securities of another entity, the employee must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably to know, that the other person would or would be likely to:

- (a) deal in Company Securities or those securities of the other entity; or
- (b) procure another person to deal in Company Securities or the securities of the other entity.

13.2 An employee must not inform colleagues (except the Approving Officer) about inside information or its details.

14. Speculative dealing

A Designated Officer may not deal in Company Securities on considerations of a short term nature.

15. Dealings to limit economic risk

Designated Officers are not permitted to enter into transactions (includes, but is not limited to, hedging arrangements, margin loans and / or share lending arrangements) in Company Securities (or any derivative thereof) which operate to limit the economic risk of holding any security in the Company or any vested or unvested entitlements to securities in the Company under any equity based remuneration schemes offered by the Company (or any member of the Group).

16. Breach of policy

A breach of this policy by an employee is serious and may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.

17. Distribution of policy

This policy must be distributed to all employees and Designated Officers.

18. Assistance and additional information

Employees who are unsure about any information they may have in their possession, and whether they can use that information for dealing in securities, should contact the Approving Officers.

19. Approved and adopted

This policy was approved and adopted by the board on 28 January 2011 with the Policy effective as of 1 January 2011.

Mourice Garbutt
Company Secretary
Hawthorn Resources Limited