



ETHAN MINERALS

Limited

ACN 124 354 329

Suite 24, 443 Albany Highway
Victoria Park WA 6100 Australia

PO Box 596
Victoria Park WA 6979 Australia

T: +61 8 9472 5502

F: +61 8 9362 2805

www.ethanminerals.com.au

16 December 2010

ETHAN MINERALS SHARE TRADING POLICY

Please find attached the Company's share trading policy.

K G France
Company Secretary

ETHAN MINERALS LTD

BUYING AND SELLING GROUP SECURITIES

1. BACKGROUND

Although Directors and employees are encouraged to become shareholders of our businesses, there are severe penalties for dealing on the basis of inside information.

2. AIM

- Effects proper business controls
- Meets legal requirements

3. DEFINITIONS

3.1 *Who is covered by this Policy?*

All employees (including key management personnel) and Directors of Group companies and their close associates, described in this policy as restricted persons, and all Group companies.

3.2 *What is a Close Associate?*

For the purposes of this policy, a close associate is:

- any company in which you have a substantial shareholding;
- any private trust of which you are a beneficiary; and
- any person or company with whom you have an arrangement which would entitle you to control, or influence substantially, the exercise of any voting power of shares in any of the relevant companies.

3.3 *Who is a Family Member?*

For the purposes of this policy a family member is your spouse or de facto spouse, each of your parents, parents-in-law (including parents of a de facto spouse) your children, step children (including children of a de facto spouse) and the spouse or de facto spouse of any of those people.

3.4 *What are Securities?*

For the purposes of this policy, securities are any listed or unlisted class of share, right, share option, or warrant.

3.4 *What is a Group Company?*

For the purposes of this policy, the Group companies are:

- Ethan Minerals LTD
- Allegra Mining Zambia Limited
- PT Ethan Mining Celebes

and any other Company which becomes part of the Group as a result of a takeover offer or other form of acquisition by a Group company.

For the purposes of this policy, the non Group companies are:

- Any company in which a Group company has or may be contemplating a joint venture with.

3.6 *What is Dealing in Securities?*

For the purposes of this policy, dealing includes:

- the buying or selling of, or subscribing for, any securities;
- the exercise of listed or unlisted options (including employee incentive plan options);
- trading in financial products issued or created over the company's securities by third parties, or trading in associated products; and
- entering into transactions in associated products which operate to limit the economic risk of security holdings over unvested entitlements,

whether on your own account or on behalf of another person.

The issue of any shares, rights to shares, options, rights to options or any other interest to staff under the share and option incentive plan or any dividend investment scheme offered by a Group company is not considered to be dealing in securities under this policy. However, the subsequent sale of any such shares and options or the exercising of these options does constitute such a transaction and must comply with this policy.

3.7 *What is Inside Information?*

For the purposes of this policy, inside information means information concerning the company's financial position, strategy or operations and any other information which a reasonable person might consider, if it were made public, would be likely to have a material impact on a decision to buy or sell the company's securities. It is inappropriate to procure others to trade if you are precluded from trading and confidentiality should be enforced with external advisors.

3.8 *What is the Window Period?*

The window period is the one month period following the release to the Australian Securities Exchange of a quarterly report, half yearly or full year financial results or annual report or the Annual General Meeting for the relevant Group company in which a transaction may be contemplated. From time to time the Managing Director and Chairman may determine that circumstances are such as to justify another period as an additional window period. You will be officially notified if such a determination is made.

3.8 *What is the Closed Period?*

The closed period is any period outside of Window Periods.

4. POLICY

4.1 *Group Companies*

You and your close associates should not deal in securities in Group companies other than in a window period, or, enter into a transaction or arrangement which operates to limit the economic risk of your security holdings in the company.

At no time (including the one month period referred to above) may you deal in securities in Group companies when you are in possession of inside information.

In addition, when in possession of inside information, it is not permissible to:

- communicate the information to any other person; or
- encourage or induce any other person to deal in those securities.

4.2 *Non-Group Companies*

You and your associates should not deal in securities in a non-Group company which you are aware is the subject of an unannounced significant commercial transaction with a Group company or for which you have inside information.

4.3 *Trading by a Family Member*

Trading by a family member in Group securities in our industry sector securities generally is to be discouraged, except during a Group window period or its equivalent in relation to another company.

Arising out of the cyclical nature of the industry there is a serious risk that successful trading in sector stocks by a family member will be misconstrued as having been facilitated by information passed on by you. This has the potential to cause you and the Group enormous embarrassment.

Trading by a family member in Group securities or advising on the relative advantages of those securities as against other mining stocks can cause damage to the reputation of the Group and may give rise to severe penalties.

You should inform your family members of this policy and should endeavour to ensure that your family members follow this policy and comply with it.

5. EXCLUSIONS FROM POLICY

Generally where trading results in no change in beneficial interest in the Ethan's securities, where trading occurs via investments in a scheme or other arrangement where the investment decisions are exercised by a third party, where the restricted person has no control or influence with respect to trading decisions, or where trading occurs under an offer to all or most of the security holders of Ethan.

5.1 *Transfers of securities already beneficially owned*

Example : transfer of securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary.

5.2 *Third party*

An investment in, or trading in units of, a fund or other scheme (other than a scheme only

investing in the securities of the Ethan) where the assets of the fund or other scheme are invested at the discretion of a third party.

5.3 *Trustees*

Where a restricted person is a trustee, trading in the securities of Ethan 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 investment managers independently of the restricted person.

5.4 *Takeovers*

Undertakings to accept, or acceptance of, a takeover offer.

5.5 *Trading available to all shareholders*

Trading under an offer or invitation made to all or most of the security 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 entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue.

5.6 *Secured Lenders*

The disposal of securities of Ethan that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement.

5.7 *Exercising options*

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 option or right, or the conversion of the security, falls outside a window period.

6. **EXCEPTIONAL CIRCUMSTANCES**

Ethan securities may be traded by a restricted person outside a window period due to exceptional circumstances if:

- The circumstances relate to severe financial hardship or other exceptional personal circumstances and the proposed sale or disposal is the only reasonable course of action to overcome these circumstances.
- The proposed transfer is required to give effect to a court order, court enforceable undertaking or other legal or regulatory requirement.
- The person doesn't have inside information.
- Prior permission is given as follows:
 1. In the case of directors, by the Chairman;
 2. In the case of the Chairman, the Audit Committee Chairman; or
 3. In the case of all other restricted persons, the Managing Director.

7. PROCEDURE

7.1 *What must you do if you wish to deal inside the Window Period?*

You can deal in securities in any Group company during the one month window period unless you hold inside information. Once you have completed the transaction you must report the details utilising the Notification of Change in Shareholdings Group Securities form to the Company Secretary who maintains a register of those transactions on behalf of the Audit and Compliance Committee. A copy of the appropriate form is attached (Attachment 1). A completed form must be forwarded to the Company Secretary within one week after the transaction.

A Director must forward the completed form immediately to the Company Secretary.

7.2 *Because of continuous disclosure why can't I deal at any time or within a period after any disclosure?*

This policy has been reviewed in the light of continuous disclosure. It has been decided for a number of reasons (including policy supervision and the existence of significant exceptions to continuous disclosure requirements) not to permit dealing outside the defined window periods.

7.3 *What must you do if you have a special need to deal outside the window period, or if you believe you may hold inside information?*

You should contact the relevant officer prior to entering into the transaction so that they can determine whether the dealing would be prohibited under the Corporations Act. Permission granted by them is valid for a period of one week. After the expiration of the one week period permission must be re-sought from them.

Upon completing the transaction, you must report the details to the Company Secretary to record, together with the reason for the dealing, in the register. The Notification of Change in Shareholdings - Group Securities Form must be forwarded to the Company Secretary within one week of the transaction.

A director must forward the completed form immediately to the Company Secretary.

7.4 *What do I do if a family member or close associate places me in a compromising position?*

If you feel you are being compromised by the share trading actions of a family member or a close associate, or should a family member or close associate indicate unwillingness or inability to comply with a request to comply with the policy, you should advise and discuss the matter with the Company Secretary.

1 ATTACHMENT 1

Notification of Change in Shareholdings in Group Securities

NB: This form should be completed at the time of any security transaction activity and forwarded to:

Company Secretary
kim@ethanminerals.com.au
PO Box 596, Victoria Park, WA 6979

within one week of the transaction.

I hereby notify the Company of a change in my shareholding *(or that of a close associate)*, in the Company or related corporation, as detailed below:

Name of shareholder: _____

Relationship: Self / Spouse / Other *(delete as applicable)*

Site Location: _____

Contact Telephone Number: _____
(business hours)

Home address: _____

Companies⁽¹⁾: _____

Type of transaction: Buy/sell/exercise/subscribe for Share/Right/ Options/Warrant
(delete as applicable)

Date of transaction: _____

Mode eg on market (Directors only) _____

Number of securities: _____

Value (Directors only)

Name: _____ Signature: _____

Date: _____

- (1) Any Group listed company or other company which becomes part of the Group as a result of a takeover offer or other form of acquisition by a Group company.