

Director and Employee Incentive Hedging Policy

INTRODUCTION

Policy

The Cygnus Gold Limited ("Cygnus" or "Company") director and employee incentive hedging policy imposes securities trading restrictions on a director or an employee of Cygnus and its related companies. Nothing in this policy detracts from the Cygnus Security Trading Policy as published on the Company's website in the corporate governance section.

For the purposes of the Policy, employees include directors and any persons who are employed by Cygnus or any of its related companies.

Incentive Hedging

What is Incentive Hedging?

The issue of options or performance rights to directors and employees is designed to align the incentives with the Company's performance over the longer term.

This alignment and exposure to risk also provides an opportunity to trade in financial markets to hedge a position against poor stock price performance of the Company. Several financial instruments have been developed which allow hedging of "at risk" components in compensation packages. Examples of such instruments include zero cost collars, equity swaps, and basket hedges.

OBJECTIVE

The issue of Company options or performance rights is designed to create incentives for directors and employees to work diligently and increase Company performance over the longer term, and therefore any incentive hedging potentially undermines these objectives in pay schemes and may significantly alter the directors or employees interest in the Company's performance. Employee incentive hedging has the potential to adversely affect Company performance.

POLICY

Directors and employees who have been issued Company options or performance rights are prohibited from hedging their incentive options or performance rights.

BREACH OF THE POLICY

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

QUERIES OR PROBLEMS

If you have any questions about this Policy or hold securities or futures contrary to this Policy and need to sell them or think you have Inside Information and don't know what to do, please contact the Company Secretary.