

ANOORAQ RESOURCES CORPORATION.
(the “Company”)

Corporate Governance Policies and Procedures Manual (the “Manual”)

Adopted effective June 17, 2005

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A. Corporate Governance Overview and Guidelines

The Board of Directors of the Company has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company and its shareholders. The Guidelines are to be applied in a manner consistent with applicable laws and the Company’s incorporating documents.

The Guidelines provide a framework for the conduct of the Board’s business. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with the duties and responsibilities owed to the Company and its shareholders. These guidelines have been prepared with the intention that they comply with corporate governance rules established and proposed by the TSX Group, Canadian securities regulators and the rules mandated by AMEX and the SEC.

1. Definitions

AMEX means American Stock Exchange.

Blackout Period is the time frame when Insiders and Employees and those in a special relationship cannot trade in Company Securities because of their actual or deemed knowledge of Undisclosed Material Information.

Board means Board of Directors of the Company.

CEO means the Chief Executive Officer of the Company.

CFO means the Chief Financial Officer of the Company.

Company Securities include common shares, stock options, and warrants (whether listed or not) of the Company.

Employees means persons directly employed by the Company or by HDI and includes the substantially full-time, in house, consultants of either company.

Executive officer is used herein for purposes of verbatim reproduction of the rules of the SEC and AMEX and generally means Senior Officer, but in the event of any doubt as to whether a person is a Senior Officer qualifies as an executive officer as contemplated by such U.S. rules, U.S. legal counsel should be consulted.

HDI means Hunter Dickinson Inc. a company which provides management services to the Company.

Insiders is deemed to have the meaning defined in the *Securities Act* (British Columbia) but generally means for purposes hereof, the Directors and all Senior Officers of the Company and its subsidiaries and any person that holds 10% or more of the Company’s securities.

Material Fact means, where used in relation to securities issued or proposed to be issued, a fact that significantly affects, or could reasonably be expected to significantly affect, the market price or value of those securities

Material Change means, if used in relation to the affairs of the Company, a change in the business, operations, assets or ownership of the Company that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the Company, and includes a decision to implement that change made by (a) senior management of the Company who believe that confirmation of the decision by the directors is probable, or (b) the directors of the Company.

Material Information is any information a reasonable investor would consider important in making an investment decision, and means generally Material Changes and Material Facts. Some examples include exploration results, earnings information, mergers, contracts for developments, negotiations concerning contracts or projects, possible dispositions or acquisitions of significant assets or businesses, important corporate developments, financings, important personnel changes, and litigation.

Undisclosed Material Information is Material Information for which no Public Disclosure has yet been made. At any time when Material Information has not yet been released to the public, the Company is under a duty to take precautions to keep the information completely confidential.

Public Disclosure means fulfilment of the Company's obligation to disclose Material Information. Announcements of Material Information are not deemed to have been properly disseminated or made "public" until a reasonable period (generally at least several hours) after they have been released to the exchanges, appropriate securities commissions and distributed electronically through the media and newswire services, so as to be reasonably accessible to the investing public.

Special Relationship - A person is in a special relationship with the Company if the person is

- (a) is an Insider, affiliate or associate of
 - (i) the Company,
 - (ii) a person that is proposing to make a take over bid for the securities of the Company, or
 - (iii) a person that is proposing
 - (A) to become a party to a reorganization, amalgamation, merger, arrangement or similar business combination with the Company, or
 - (B) to acquire a substantial portion of the property of the Company;

- (b) is engaging in or is proposing to engage in any business or professional activity with or on behalf of the Company or with or on behalf of a person described in paragraph (a)(ii) or (iii);
- (c) is a director, officer or Employee of the Company or of a person described in paragraph (a)(ii) or (iii) or (b);
- (d) knows of a Material Fact or of a Material Change with respect to the Company, having acquired the knowledge while in a relationship described in paragraph (a), (b) or (c) with the Company; or
- (e) knows of a Material Fact or of a Material Change with respect to the Company, having acquired the knowledge from another person at a time when
 - (i) that other person was in a special relationship with the Company, whether under this paragraph or any of the paragraphs (a) to (d) and
 - (ii) the person that acquired knowledge of the Material Fact or Material Change from that other person knew or reasonably ought to have known of the special relationship referred to in subparagraph (i).

SEC means the U.S. Securities Exchange Commission.

Senior Officer means the CEO, CFO, Chairman, the President (if not the CEO), any Vice-President, the Secretary, any individual who performs these functions and generally the five highest paid Employees of the Company.

Trading in Company Securities includes acquiring options or warrants to acquire Company Securities, purchasing or selling Company Securities, the sale of Company Securities arising from exercising outstanding warrants or stock options, in each case whether directly or indirectly. [Trading does not include exercising options or warrants or other rights or convertibles in accordance with their terms. – TO DISCUSS]

A **Trading Plan** is a written programme entered into by an Insider with a broker, under S.161(b) of the Rules to the *Securities Act*, which Plan may allow the Insider to trade during a Blackout Period as a consequence of a previously filed specified periodic sale of shares under the director of a broker who is not in a special relationship.

2. **Director Responsibilities**

(a) **Oversee Management of the Company.** The principal responsibilities of the directors are to oversee the management of the Company and, in so doing, serve the best interests of the Company as a separate entity on behalf of its shareholders. These responsibilities require that the directors are attending to the following:

- reviewing and approving on a regular basis and as well as the need arises, fundamental operating, financial, and other strategic corporate plans which take into account, among other things, the opportunities and risks of the business;

- evaluating the performance of the Company, including the use of corporate resources to ensure they are used optimally and only for appropriate business purposes;
- evaluating the performance of, and overseeing the progress and development of, senior executives and taking appropriate action, such as promotion, change in responsibility and termination;
- evaluating the Company's compensation programs;
- implementing senior executive succession plans;
- establishing a corporate environment that promotes timely and effective disclosure (including appropriate controls, procedures and incentives), fiscal accountability, high ethical standards and compliance with all applicable laws and industry and community standards;
- ensuring systems are in place to identify and manage the risks faced by the Company;
- complying with disclosure requirements and establishing the communications policies of the Company;
- reviewing and deciding upon material transactions and commitments;
- developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;
- providing assistance to the Company's senior executives, including guidance on those matters that require Board involvement; and
- evaluating the overall effectiveness of the Board and its committees.

(b) **Exercise Business Judgment.** In discharging their fiduciary duties of care, loyalty and candor, directors are expected to exercise their business judgment to act in what they reasonably and honestly believe to be the best interests of the Company and its shareholders free from personal interests. In discharging their duties, when appropriate the directors should rely on the Company's senior executives and its outside advisors, auditors and legal counsel but also to consider second opinions where circumstances warrant.

(c) **Understand the Company and its Business.** Directors are expected to become and remain informed about the Company and its business, properties, risks and prospects.

(d) **Establish Effective Systems.** Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company. Directors should also ensure that periodic

reviews are undertaken of the integrity of the Company's internal controls and management information systems.

(e) **Protect Confidentiality and Proprietary Information.** Directors are responsible for protecting the Company's confidential and proprietary information and insuring that it is not disclosed to outside parties not authorized by the Board until it is generally disclosed. Likewise, all discussions and proceedings of the Board of Directors must be treated as strictly confidential and privileged to preserve open discussions between directors and to protect the confidentiality of Board discussions.

(f) **Board, Committee and Shareholder Meetings.** Directors are responsible for convening and attending Board meetings, meetings of committees on which they serve and normally the annual meeting of shareholders. They must devote the time needed, and meet as frequently as necessary, to properly discharge their responsibilities.

(g) **Indemnification.** The directors are entitled to Company-provided indemnification through corporate articles and by-laws, corporate statutes and where the directors so resolve and can obtain it, directors' and officers' liability insurance.

3. **Director Qualification Standards**

(a) **Independence.** Except as may otherwise be permitted by applicable rules, the Board will ensure it has at all times at least the minimum number of the members of the Board who are independent directors as required by law. To be considered independent: (i) a director must be independent as determined in accordance with all applicable laws and the rules and regulations of each stock exchange on which the Company's shares are traded (see D-1 hereto); and (ii) in the Board's judgment, the director must not otherwise have, directly or indirectly, a financial, legal or other relationship with the Company that would reasonably interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The determination of whether a material relationship exists will be made by the other members of the Board of Directors who are independent.

(b) **Size and Skills of Board.** The Board currently has 11 members of which ◆ are independent. The Board believes this is an appropriate size given the Company's present circumstances, but a smaller or larger Board may be appropriate at any given time depending on circumstances and changes in the Company's business. The Board will also consider the competencies and skills that the board, as a whole, should possess and the competencies and skills of each director.

(c) **Other Directorships.** The Board does not believe that its members should be prohibited or even discouraged from serving on boards of other organizations, and the Board does not propose any specific policies limiting such activities providing they do not reduce a director's effectiveness for the Company. However, the Nominating and Governance Committee should take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and in making its recommendations. Service on boards or committees of other organizations is conditional on compliance with the Company's conflict of interest policies.

(d) **Tenure.** The Board does not believe it should establish director term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, significant insight into the Company and its operations and an institutional memory that benefits the Board as well as management. As an alternative to term limits, the Nominating and Governance Committee will review each director's continuation on the Board annually. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Company to replace directors where, upon recommendation of the Nominating and Governance Committee, the Board makes a determination in that regard.

(e) **Separation of the Offices of Chairman and CEO.** The Board will select a chairman of the Board in a manner and upon the criteria that the Board deems appropriate at the time of selection. The Board believes the Chairman of the Board should be independent from management of the Company and, therefore, the offices of Chairman and CEO will be separate.

(f) **Selection of New Director Candidates.** Except where the Company is legally required by contract, law or otherwise to provide third parties with the right to nominate directors, the Nominating and Governance Committee will be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommending to the Board the persons to be nominated for election as directors at any meeting of shareholders and (iii) recommend to the Board persons to be elected by the Board to fill any vacancies on the Board and review and make recommendations about the Company's Governance Policies and committee charters on a periodic basis. The Nominating and Governance Committee's recommendations will be discussed by the plenary board but the recommendations are not binding upon it.

(g) **Extending the Invitation to a New Director Candidate to Join the Board.** An invitation to join the Board will be extended by the Chairman of the Board when authorized by the Board.

4. **Board Meetings**

(a) **Selection of Agenda Items.** The Chairman of the Board shall propose an agenda for each Board meeting. Each Board member is free to require the inclusion of other agenda items and is generally free to raise at any Board meeting subjects that are not on the agenda for that meeting although voting on matters so raised may be deferred to another meeting to permit proper preparation for a vote on an unscheduled matter (emergencies excepted).

(b) **Frequency and Length of Meetings.** The Chairman of the Board, in consultation with the members of the Board, will normally determine the frequency and length of Board meetings, however, the ultimate power in this regard rests with the plenary Board. Special meetings may be called from time to time as required to address the needs of the Company's business.

(c) **Advance Distribution of Materials.** Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will normally be distributed in writing to the directors reasonably before the meeting (with a goal of 7 days) and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of a very time-sensitive nature and that the distribution of materials on these matters before the meeting may not be practicable.

5. **Board Committees**

(a) **Key Committees.** The Board will at all times have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each such committee will have a charter that has been approved by the Board and will form part of this Manual. The Board may, from time to time, establish or maintain additional committees or subcommittees as it deems necessary.

(b) **Assignment of Committee Members.** The Nominating and Governance Committee will be responsible for recommending to the Board the persons to be appointed to each committee of the Board. All members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee must be "independent directors" in accordance with the independent director requirements described in D-1 of this Manual.

(c) **Committee Charters.** In accordance with the applicable rules, the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee will set forth the purposes, goals and responsibilities of the committees. No committee will have fewer than three members although a quorum shall be a majority of members. The Board will, from time to time as it deems appropriate, review and reassess the adequacy of each charter, at least annually, and make appropriate changes. Each charter must address those matters required by applicable laws and the rules and regulations of the TSX Group and AMEX.

(d) **Selection of Agenda Items.** Each committee will appoint a chairman and, in consultation with the committee members, will develop the committee's agenda.

(e) **Frequency of Committee Meetings.** The chairman of each committee, in consultation with the committee members, will determine the frequency of the committee meetings consistent with any requirements set forth in the committee's charter. Special meetings may be called by any member from time to time as required to address the needs of the Company's business and fulfill the responsibilities of the committees.

6. **Director's Access to Management and Independent Advisors**

(a) **Access to Officers and Employees.** All directors have at all reasonable times and on reasonable notice, full and free access to officers and Employees of the Company. Any meetings or contacts that a director wishes to initiate should normally be arranged through the CEO or the CFO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. The directors

will, to the extent appropriate and in accordance with the Company's codes of ethics and business conduct, copy or inform the CEO on any communication between a director and an officer or Employee of the Company.

(b) **Access to Independent Advisors.** The Board and each committee shall have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such committee, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance but subject to notice to the other Board members. Such independent advisors may be the regular advisors to the Company. The Board or any such committee is empowered, without further action by the Company, to cause the Company to pay the appropriate compensation of such advisors as established by the Board or any such committee.

7. **Director Compensation**

(a) **Role of Board and Compensation Committee.** The form and amount of director compensation will be recommended by the Compensation Committee and approved by the Board in accordance with the general principles set forth herein and in the Compensation Committee Charter. The Compensation Committee will also conduct an annual review of the compensation of the Company's directors and make recommendations to the Board.

(b) **Form of Compensation.** The Board believes that directors should be provided with incentives to focus on long-term shareholder value. The Board believes that including equity options as part of director compensation helps align the interest of directors with those of the Company's shareholders.

(c) **Amount of Compensation.** The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors competitively relative to comparable companies. The Company's management will, from time to time, present a report to the Compensation Committee comparing the Company's director compensation with that of comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairmen and members of the committees to receive additional compensation for their additional duties in these positions.

(d) **Director Stock Ownership.** The Board believes that each director should acquire and hold shares of Company stock in an amount that is meaningful to shareholders and appropriate to each such director. Therefore, the Board, in consultation with each director, will establish a target for stock ownership by each director and a time period during which this target is to be met.

(e) **Employee Directors.** Directors who are also Employees of the Company may receive additional compensation for Board or committee service if they are not already compensated at full industry rates in their capacities as Employees.

8. Director Orientation and Continuing Education

(a) **Director Orientation.** The Board and the Company's senior management will conduct orientation programs for new directors. The orientation programs will include presentations by management to familiarize new directors with the Company's projects, strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation program will include a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities.

(b) **Continuing Education.** To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Company will provide the directors with suggestions to undertake continuing director education, the cost of which will be borne by the Company.

9. Management Evaluation and Succession and Executive Compensation

(a) **Selection of CEO.** The Board selects the Company's CEO in the manner that it determines to be in the best interests of the Company. The Board, together with the CEO, will develop a clear position description for the CEO. The board will also develop the corporate goals and objectives that the CEO is responsible for meeting.

(b) **Evaluation of Senior Executives.** The Compensation Committee will be responsible for overseeing the evaluation of the CEO. The Compensation Committee will determine the nature and frequency of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the performance of the CEO, to be discussed with the Board. The Board will review the assessment to ensure that the CEO is providing the best leadership for the Company over the long- and short-term. The Compensation Committee will also discuss with the Board the recommendations of the CEO with regards to the compensation of the other senior executives.

(c) **Succession of Senior Executives.** The Compensation Committee will be responsible for overseeing an annual evaluation of executive management succession planning.

(d) **Expectations of Management.** The Board will establish, and review on an annual basis, its expectations for senior management generally.

(e) **Executive Compensation.** Compensation of the CEO must be determined, or recommended to the Board for determination, by the Compensation Committee. The CEO must not be present during voting or deliberations. Compensation for all other officers must be determined, or recommended to the Board for determination, by the Compensation Committee.

10. Code of Ethics

The Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, will adopt and maintain a Code of Ethics which will apply to each of the Company's senior officers. The Code of Ethics will meet the definition of a "code of ethics" under Item 16.B of SEC Form 20-F, as amended, and other applicable laws and regulations.

11. Annual Performance Evaluation of the Board

The Nominating and Governance Committee will oversee an annual self-evaluation of the Board to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee will determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Board's performance. The evaluation will include an assessment of the contributions of each director. This evaluation will be discussed by the Board.

12. Board Interaction with Shareholders, Institutional Investors, the Press, Customers, etc.

The Board believes that the CEO and his or her designees should normally speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that Board members would do so with the knowledge of and, absent unusual circumstances or as contemplated by the committee charters, only at the request of the Company's senior executives.

The Board will give appropriate attention to written communications that are submitted by shareholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by the committee charters, the Chairman of the Board monitoring communications from shareholders and other interested parties, and will provide copies or summaries of such communications to the other directors as he or she considers appropriate.

13. Periodic Review of the Corporate Governance Guidelines

The Board will, from time to time, with or without recommendations of the Nominating and Governance Committee, review and reassess the adequacy of these Guidelines and recommend any proposed changes for approval.

B-1

CORPORATE INFORMATION AND TRADING POLICY

1. Introduction

The Company and its Insiders and Employees must satisfy legal and ethical obligations for proper control over disclosure of corporate information and the trading of its securities by Insiders and Employees while in possession of that information. The Company's shareholders, its reputation for integrity, the market generally and securities regulators all require that the Company and its Insiders and Employees provide appropriate disclosure of material information within the requirements of the law, and to ensure that Insiders and Employees and others who maybe in a special relationship do not inappropriately benefit from having undisclosed material information.

The wrongful use of material, undisclosed information prior to such information being disseminated may, under securities laws in Canada and the United States, make both the Company and the individual involved liable for criminal and/or civil penalties and damage awards.

2. Scope

This policy applies to all Insiders and Employees of the Company and its subsidiaries and affiliates.

It relates to treatment of confidential information as it develops and to disclosures in documents submitted to securities regulators, and written and oral statements made including those in the Company's annual and quarterly reports, news releases, letters to shareholders, media articles, presentations by senior management, and information contained on the Company's website and other electronic communications. It includes oral statements made in meetings and telephone conversations with reporters, analysts, investors and others, interviews with the media, as well as speeches, press conferences and conference calls.

3. Public Disclosure of Material Information

Disclosure of Information

Corporate Spokesperson(s) are exclusively responsible for the Public Disclosure of Material Information in the manner and time required under applicable Canadian and US corporate and securities legislation, and in accordance with this policy. The Corporate Spokesperson will sign authorize by signing the signature of all press releases, material change reports, Form 6K filings and like disclosures.

Shareholders are entitled to certain periodic information as set out in the relevant corporate and securities legislation. This and all other Undisclosed Material Information should be released to shareholders only when it is publicly released and after the appropriate procedures are complied with – as set out in this Policy. This is for both the Company and the shareholders' protection.

Substantial security holders and analysts in particular MUST NOT receive “preferential” treatment in the matter of information disclosure – receipt of Undisclosed Material Information would restrict their ability to trade, and may make them liable for civil penalties if they do trade.

Enquiries

All requests for legally disclosable information will be considered in an equitable and timely manner by the Corporate Spokesperson(s), and upon approval will be disseminated in an equitable, timely manner only by a Corporate Spokesperson(s). Requests from individuals or small investors must be responded to in the same manner as a request from a large investor, analyst or the media.

All inquiries, including inquiries from the press, securities analysts and the general public, must be referred to the designated Corporate Spokesperson(s), unless that person is not available within an appropriate time. In such case, the inquiry should be referred to the CEO, Chairman, CFO or a director. In this way, the Company will be able to monitor those members of the media and financial community who follow the Company and issue public reports. The Company will also be able to identify those issues or matters which are important to the financial press and investment community at any given time.

If the Company is invited to review draft analyst reports or models, the relevant Corporate Spokesperson should review the report ONLY for factual information and limit his/her comment to discussion or correction of facts. Analyst reports are considered proprietary products of the analyst’s firm, and as such, the Company will only distribute analyst reports to any persons outside the Company if the Corporate Spokesperson so directs and the analyst consents.

Control of Confidential Information

Confidential information, including Undisclosed Material Information generated from Insiders and Employees and outside consultants and contractors, and other information gained through confidential discussions with third parties, must be safeguarded by all Insiders and Employees (which is the Company’s responsibility and by persons in a special relationship (which is primarily their own responsibility). Appropriate office procedures must be followed, including care when handling confidential correspondence, assay results, reports, documents, memos and facsimiles. Each member of management must have a plan for control of confidential information which is handled by that person and by Insiders and Employees and outsiders who deal with him/her. All documents should be disposed for shredding, not placed in rubbish bins. Third party data should be so marked, all confidentiality obligations noted on the relevant document or file, and such obligations adhered to.

Visitors to the offices or work sites of the Company are not to be left unattended at any time, except in designated “safe” locations e.g. reception area and the boardroom.

Discussion of Material Information

Discussions by Company Personnel concerning Undisclosed Material Information should be confined to other Company Personnel only, and to as few Company Personnel as required on a strictly “need to know” basis, and should never occur in public places.

No Company Personnel may participate in internet “chat rooms” or “bulletin boards” that relate directly or indirectly to the Company, the Company’s business, any industry participant (for example joint venture participants, suppliers, contractors), or similar entities.

Stock Exchange Obligations

Company Personnel must not comment, whether positively or negatively, on rumours but they should be reported to the Corporate Spokesperson. If a stock exchange requests the Company to make a definitive statement in response to rumours which may or may not be causing significant volatility in the stock, the Corporate Spokesperson will consider the matter (in consultation with legal counsel) and decide whether to make a policy exception.

If any Company Personnel makes any disclosure of Undisclosed Material Information (inadvertently or otherwise), the Company Personnel responsible for the disclosure or any other Company Personnel learning of it must contact the Corporate Spokesperson as soon as possible, and the Corporate Spokesperson will consider the Company’s responsibilities under applicable law.

Where a Material Change occurs in the affairs of the Company, the Corporate Spokesperson will decide (in consultation with the Board and legal counsel if necessary) when Public Disclosure is required or advisable, and, when determined, a news release will be promptly issued by a Corporate Spokesperson and delivered to the securities regulators, Stock Exchanges and the media.

Financial Disclosure Procedure

The CEO and CFO shall review all proposed financial disclosures and recommend a final form of release to the Audit Committee for review and approval. Upon approval, the release will be provided to the Board where required and upon the Board’s approval shall disseminated as set out below by the Corporate Spokesperson.

The Corporate Spokesperson shall prepare, or review, all proposed general disclosures and shall recommend a final form of release to the Board for approval. If no comments are received back within the period requested by the Corporate Spokesperson (normally at least one full business day except in urgent circumstances), the proposed disclosure being circulated by email or fax, the release will be disseminated in a timely manner through the usual services. Dissemination will be only be done by the Corporate Spokesperson, in accordance with regulatory compliance requirements.

4. Trading by Company Personnel

Unless a Blackout Period is in place (see below), Company Personnel may Trade at any time subject to such persons not having any Undisclosed Material Information not known to the Corporate Spokesperson and subject to securities laws generally. All Company Personnel must adhere to the same trading periods and procedures as Insiders.

Any Company Personnel with knowledge of Undisclosed Material Information must notify the CEO if that person has any reason to believe the CEO is unaware of such information. The CEO

(or another Corporate Spokesperson, if the CEO is unavailable) will decide whether to institute a Blackout Period. A Blackout Period will thereafter be deemed to exist until four hours after the Public Disclosure of the relevant Material Information, and shall apply to all Company Personnel.

While in the possession of Undisclosed Material Information, unless otherwise permitted pursuant to a Trading Plan, Company Personnel must not Trade in Company Securities nor in any securities of companies that have a significant legal or financial relationship, direct or indirect, with the Company (generally joint venture partners) in connection with Undisclosed Material Information.

5. Black Out Periods

Black Out Periods will be determined by the Corporate Spokesperson based on his awareness of the actual or possible existence of Undisclosed Material Information. Instigation of a Black Out Period(s) will be communicated to all Company Personnel by email and any other necessary means and the fact of the existence of a Black Out Period shall be kept confidential by Insiders and Employees.

6. Disclosure of Insiders' Trading

Insiders are required to disclose their trading on SEDI (the online Canadian insider reporting system), within 10 days after the trade. This is the Insider's obligation, not the Company's, but any Insider may ask the CFO for assistance in understanding his/her obligations.

7. Violations

If any Company Personnel disclose Undisclosed Material Information to any person other than other Company Personnel, and the person receiving that disclosure directly or indirectly Trades on that information, the Company Personnel providing the information and those persons who receive the information may both be criminally and civilly liable for trading on the Undisclosed Material Information, even if the Company Personnel were unaware of the subsequent trading by the recipients of the information such recipients are not employed or associated in any way with the Company.

As well, any person with power to influence or control the direction or management, policies or activities of another person, which may include directors and individuals in a supervisory position over that other person, who were aware that a violation was likely to occur and failed to take appropriate steps to prevent such an act from occurring may have some liability. Securities legislation imposes severe penalties, including criminal fines, imprisonment and/or civil penalties calculated on the profit gained or loss avoided.

Any violation of this Policy may also require that the Company to take appropriate disciplinary actions, up to and including termination of employment, or a determination not to re-nominate a person as a Director. Reporting of any improper Insider trading to enforcement authorities may also be required of the Company where the individual does not resolve the matter directly.

B-2

**CODE OF ETHICS
(SENIOR OFFICERS)**

1. Scope

This Code of Ethics applies to all Senior Officers or persons performing similar functions, and such other personnel as are designated from time to time by the Board of Directors of the Company.

2. Purpose

The purpose of this Code of Ethics is to deter wrongdoing and promote:

- **Honest and Ethical Conduct.** All Senior Officers shall perform their duties in an honest and ethical manner. They shall handle all actual or apparent conflicts of interest between personal and professional relationships in an ethical manner. If a Senior Officer becomes aware of a conflict of interest, of any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest, or has a question as to a potential conflict of interest, the Senior Officer must consult with the Chairman of the Audit Committee. If a Senior Officer becomes involved in a situation that gives rise to an actual conflict of interest, the Senior Officer must inform the Chairman of the Audit Committee of such conflict.
- **Full, Fair, Accurate, Timely and Understandable Disclosure.** Senior Officers shall provide, or cause to be provided, full fair, accurate, timely and understandable disclosure in reports and documents that the Company files with or submits to securities regulatory authorities, including the SEC, and in news releases and other public communications made by the Company.
- **Compliance with Governmental Laws, Rules and Regulations.** Each Senior Officer shall comply with applicable governmental laws, rules and regulations.

3. Publication of the Code of Ethics

The Company will disclose this Code of Ethics as required by applicable laws and regulations.

4. Changes or Waivers in the Code of Ethics

Any change in or waiver of any provision of this Code of Ethics shall require approval of the Nominating and Governance Committee and shall be publicly disclosed in the time period and manner as required by law or regulation.

5. Internal Reporting of Violations

Employees of the Company, including each of the Senior Officers, and each of the Directors of the Company, shall bring any instance, occurrence or practice that they, in good faith, believe is inconsistent with or in violation of this Code of Ethics to the attention of the Company's Audit Committee.

Each Employee of the Company, and each Senior Officer and Director, should use common sense and good judgment and act in good faith. Employees who become aware of a suspected violation, should not attempt to investigate it or resolve it on their own. Prompt disclosure to the appropriate parties is vital to ensuring a thorough and timely investigation and resolution. A violation of this Code of Ethics is a serious matter and could have certain legal implications. Reports of suspected violations should always be made in good faith.

When an alleged violation of the Code of Ethics for Senior Officers is reported, the Company shall take prompt and appropriate action in accordance with the law and regulations and otherwise consistent with good business practice. All actions or investigations in respect to a violation shall be documented, as appropriate.

No person who in good faith reports a violation, or suspected violation of this Code of Ethics, shall be retaliated against. Persons who retaliate against a person who in good faith reports a violation or a suspected violation of this Code of Ethics may be subject to civil, criminal and administrative penalties, as well as disciplinary action, up to and including termination of employment.

6. Consequences for Non-Compliance with the Code of Ethics

The Audit Committee shall be responsible for determining and implementing the appropriate disciplinary action for any violation of this Code of Ethics. Any violation of applicable law or any derivation from the standards embodied in this Code of Ethics may result in disciplinary action up to and including termination of employment.

7. Certification

The Senior Officers shall acknowledge and certify to the foregoing annually, in a form and manner acceptable to the Company, and file a copy of such certification with the Audit Committee.

B-3

**ETHICS AND BUSINESS CONDUCT POLICY
FOR DIRECTORS, OFFICERS AND EMPLOYEES**

The Board of Directors of the Company has adopted the following Ethics and Business Conduct Policy (the “Policy”) for all Directors, Senior Officers and Employees of the Company and all of its subsidiaries.

Several of the provisions of the Policy are to be reflected in employment agreements to be all signed by Employees of the Company (and in future, generally prior to joining the Company).

While there cannot be a specific rule for every situation or may encounter in a workday, the Board has adopted this Policy to provide certain principles for the business conduct of the Company’s Directors, Senior Officers and Employees. In addition to this Policy, all personnel are expected to be familiar with and comply with the Company’s other policies and procedures, as well as adhere to the highest ethical standards in all your business dealings.

A violation of the law, employment agreement or this Policy is a serious matter. A Director, Senior Officer or Employee that violates a law, government regulation or this Policy will face appropriate disciplinary action, which may include demotion or immediate termination of employment for cause.

The provisions of this Policy may be amended or waived only by the Company’s Board of Directors.

1. Criteria for Ethical Decision Making

Before embarking on any course of action, you need to ask yourself these questions:

- Is the life, health or safety of anyone, or the environment endangered by the action?
- Is it legal?
- Does it feel fair and honest?
- Does it compromise anyone’s trust or integrity?
- Could I justify it to the public?

You are required to promptly discuss any questions or concerns you may have about this Policy or the correctness of any past, present or anticipated conduct with the CEO or CFO. As described in the Corporate Watch Policy your concern will be treated in confidence and there will be no reprisal or adverse affect on you for bringing a matter forward.

2. Ethical Business Practices

Each Employee is to be accountable to adhere to and advocate high standards of honest and ethical conduct as outlined in this Policy.

3. Fair Dealings

Deal fairly and honestly with the Company's joint venture partners, suppliers, professional advisors, competitors, other Employees, and anyone else with whom you have contact in the course of performing your job. You should not take any advantage of anyone through actions such as manipulation, concealment, misappropriation or abuse of confidential information, falsification, misrepresentation of material facts or any other unfair dealing practice.

The Company requires that all contracts, agreements and other documents correctly set forth the terms of the underlying business arrangement and that any such documents are reviewed and approved through established Company policy and procedures.

4. Corporate Opportunities and Duty of Loyalty

You have a duty of loyalty to the Company, which includes a duty to advance the Company's legitimate interests when the opportunity to do so arises. Accordingly, you may not use your position or the Company's name, property, information or good will for personal gain or for the gain of others. You are further prohibited from taking advantage of an opportunity that is discovered through the use of any corporate property, information, contacts or your position with the Company. All such opportunities actual or perceived, should be reported to your immediate supervisor.

5. Conflicts of Interest

A conflict of interest arises when your private interests interfere, or appear to interfere, in any way, with the best interests of the Company. You must take care to ensure that you identify and avoid any situation of actual or apparent conflict of interest.

Some conflicts are clear-cut; others are less obvious. For that reason, you must fully disclose to your supervisor or other member of the executive team all circumstances that could be construed or perceived as a conflict of interest. Full disclosure enables the Company to resolve unclear situations and create an opportunity to dispose of or ethically handle conflicts of interest before any difficulty can arise. To the extent a conflict of interest cannot be avoided in a reasonable fashion then appropriate procedures must be put in place to minimize the involvement of any conflicted individuals in the relationship or interaction, giving rise to the conflict. Failure to make required disclosures or resolve conflicts of interest satisfactorily can result in discipline up to and including termination of employment.

The Employment Agreement prohibits an Employee's employment or engagement in any capacity in any other business without the prior permission of the Company. This provision is not applicable to Employees who are also Directors, who shall resolve any such matters directly with the Board. This provision broadly addresses potential conflicts of interest. Specific examples include, but are not limited to:

- Acting as an Employee, director or officer of or a consultant to, a competitor or potential competitor of the Company, regardless of the nature of the employment or consulting relationship except where the CEO has first considered and approved relationships or activity such;
- Holding a substantial financial interest in a business which is a joint venture partner, optionor or optionee, competitor or supplier of the Company or which otherwise does business with the Company;
- The purchase of merchandise or services for the Company from, or placement of other business with, a company directly or beneficially owned or controlled by an Employee, director or officer of the Company, his or her spouse, relative, in-law or co-habitant;
- Serving as proprietor, general partner, officer or director of any business (except charitable organizations or family businesses that in no way compete with the Company or do business with the Company) without first obtaining written consent of the CEO of the Company.

6. Accepting or Giving Gifts

You must avoid activities or relationships that conflict with the Company's interests or adversely affect the Company's reputations. The types of activities and relationships you must avoid include, but are not limited to:

- Accepting or soliciting a gift, favor, or service that is intended to, or might appear to, influence the Employee's decision-making or professional conduct.
- Giving or offering to give any gift, gratuity, favor, entertainment, reward, or any other thing of value that might influence or appear to influence the judgment or conduct of the recipient in the performance of his or her job. This includes transactions with government personnel, customers and suppliers.

You may give or receive unsolicited gifts or entertainment only in cases where the gifts or entertainment are of nominal value, are customary to the industry, will not violate any laws and will not influence nor appear to influence the recipient's judgment or conduct at his or her employer's business.

7. Dishonesty

Any act of dishonesty or falsification in connection with the performance of your duties for the Company will be most severely dealt with. The Company, as a policy, reports any suspicion of fraud or theft to the applicable law enforcement agency.

8. Compliance with Laws, Regulations and Rules

You will at all times obey and comply with all federal, provincial, state and local laws, regulations and ordinances of the countries in which we operate, including:

- Health and safety laws concerning the workplace;
- Civil rights laws concerning harassment and job discrimination;
- Employment laws concerning payment of minimum wage, overtime requirements, child labor and general working conditions;
- Immigration related laws concerning the hiring of legally documented workers
- Laws concerning corrupt practices
- Laws concerning the proper maintenance of books, records and internal controls
- Laws, regulations, and accepted industry practices concerning drug development and commercialization
- Laws prohibiting illegal payments, gifts, bribes or kickbacks to governmental officials, political parties or others
- Privacy laws
- Environmental laws
- Laws prohibiting misappropriation, unauthorized use, reproduction or distribution of any third party's trade secrets, copyrighted information or confidential proprietary information
- Antitrust and other laws prohibiting unfair competition or restraint of trade
- All other applicable laws

You will not commit or condone an unethical or illegal act nor instruct or assist another Employee, consultant, contractor, supplier or representative of the Company to do so. You will not authorize or permit any consultant, contractor, distributor or representative of the Company to have authority to enter into, incur, make, change, enlarge or modify any contract, liability or agreement, obligation, representations, guarantee, warranty or commitment on behalf of the Company or its affiliated companies unless expressly approved by duly authorized management of the Company in the performance of the services.

You are expected to be sufficiently familiar with any laws that apply to our work, to recognize potential breaches and to know when to seek legal advice. If in doubt, you should discuss the matter with a member of the executive team.

9. Accounting and Recordkeeping

Many Employees of the Company, not just accountants and controllers, participate in the financial control and reporting processes of the Company. If you have ANY responsibility for any aspect of the Company's financial activities (including, but not limited to, processing of cash

receipts or processing or approval of payments; creation, processing or approval of invoices and credit memos; payroll and benefits decisions; approval of expense reports and any and all other transactions; or the estimation of reserves or other claims or the amount of any accrual of deferral; or the recording of any of the foregoing in the Company's ledgers) and/or the preparation of the Company's financial statements or other reports, you must ensure your involvement complies with complete and accurate procedures as per established Company practice.

You shall not circumvent the Company's established systems of internal management and accounting controls, maintain funds or assets for any improper purposes or make false or misleading statements in any Company documents, reports or records. No undisclosed or unrecorded accounts may be established using the Company's funds or other assets. All accounting records and the financial reports produced from those records must be kept and presented in accordance with applicable law, must accurately and fairly reflect in reasonable detail the Company's assets, liabilities, revenue and expenses, and must be in accordance with generally accepted accounting principles.

Transactions must be supported by accurate and reasonably detailed documentation and recorded in the proper account. Best efforts are to be made to record transactions in the proper accounting time period. To the extent that estimates are necessary, they must be based on your good faith judgment and be supported by appropriate documentation. No payment or the related accounting entry may be approved or made with the intention or understanding that any part of the payment will be used for any purpose other than that described by the document supporting the entry or payment.

If you receive inquiries from the Company's independent accountants or legal counsel, you must respond promptly, fully and accurately.

10. Use of Company Property

You are entrusted with the care, management and cost-effective use of the Company's property and you will not to make use of these resources for your own personal benefit or purposes or for the personal benefit of anyone else. Occasional personal use of the internet and personal email will normally be permitted unless the privilege is deemed abusive by your supervisor.

You will ensure that all Company property assigned to you is maintained in good condition and you should be able to account for such equipment. Any dispositions of Company property should be for the benefit of the Company and not for personal benefit.

Access to the Company's computer systems is restricted where computer systems are defined as any combination of hardware, programs, applications, peripheral devices, personnel and/or associated documentation.

Passwords are to be kept confidential and use of the computer systems is limited to authorized business purposes with the exception of nominal personal use of email and voicemail which does not interfere or conflict with business use. You will return all documents and property in your possession upon termination of your employment for any reason. You will continue to be bound to your obligations and confidentiality to the maximum extent required by law.

11. Proprietary and Confidential Information, Intellectual Property and Inventions/Discoveries

We want our Employees to be well informed about our business, our plans for the future, and the successes and challenges we have along the way. In return for this openness, the Company places trust in its Employees to maintain, without need for court orders or other legal requirement, the confidentiality of our proprietary information and those aspects of our business that we have not yet shared with shareholders and the general public.

You are to take all reasonable measures to protect the confidentiality of non-public information about the Company obtained or created in connection with your activities and to prevent the unauthorized disclosure of such information unless required by applicable law or regulation of legal or regulatory process. You must use proprietary information only for the Company's legitimate business purposes, and not for your personal benefit or the personal benefit of anyone else.

To provide the Company with reasonable protection against disclosure of property and project opportunities and similar confidential information, all Employees are required to sign an employment agreement prior to their start with the Company that includes clauses addressing Confidential Information. These clauses state in part that the Company retains exclusive ownership of all project information and opportunities arising out of employment or consulting relationship and any information pertaining to the exploration plans of the Company.

Proprietary and confidential information is any information about the Company that has not been disclosed to the public and includes, without limitation:

- The Company's ideas, discoveries, projects, data, contact information and production processes
- Information concerning actual or projected expenditures, corporate transactions, earnings or operating results or business transactions
- Investor lists, relationship with consultants, contracts, business plans and strategies
- Personnel information

It is each Employee's responsibility to know what is confidential or proprietary and ensure that they use it only in the performance of duties with the Company. If unsure, consider the information to be confidential until you obtain clarification.

12. Reporting and Compliance Procedures

Every Employee, Officer and Director has the responsibility to ask questions, seek guidance, report suspected violation and express concern regarding compliance with this Policy, including but not limited to questionable accounting, internal accounting control or auditing matters.

Any Employee, Senior Officer or Director who knows or believes that any other Employee or representative of the Company has engaged or is engaging in Company-related conduct that violates applicable law or this Policy has the responsibility to report such information.

You should first talk to any member of the executive team or the CEO or CFO.

If you are not comfortable reporting to the above, it is not feasible, or such reporting has resulted in unsatisfactory results, you are to report such suspected violations to an independent member of the Board's Audit Committee as set out below.

Failure to comply with the standards outlined in this Policy will result in disciplinary action including, but not limited to, reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, discharge and restitution. Certain violations of this Policy may require the Company to refer the matter to the appropriate governmental or regulatory authorities for investigation or persecution. Moreover, any supervisor who directs or approves of any conduct in violation of this Policy, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including discharge.

13. Administration and Distribution

The Company's Board of Directors and Nominating and Governance Committee have established the standards of business conduct contained in this Policy and oversees compliance with this Policy.

This Policy shall be distributed to each new Employee, Senior Officer and Director of the Company upon commencement of his or her employment or other relationship with the Company. It will also be made available via the Company's Intranet site.

Strict adherence to this Policy is vital. All managers are responsible for ensuring that Employees are aware of and understand the provisions of the Policy. For clarification or guidance on any point in the Ethics and Business Conduct Policy, please consult the CEO or CFO.

B-4

CORPORATE WATCH AND WHISTLEBLOWER PROTECTION

1. Philosophy

This policy sets out the guidelines every Employee should follow if he or she is aware of or honestly believes of the existence of conduct which constitutes a violation of an internal policy, law, or regulation and therefore should be brought to the attention of the Company's Senior Officers.

The Company expects all Employees to adhere to internal policies and guidelines as well as all laws and regulations that apply to the Company's business. When an act of the Company or a the Company Employee violates a policy, law or regulation, the Company's Senior Officers needs to be informed in a timely manner so that issues may be investigated and dealt with as quickly as possible. Delays in bringing the information to the attention of senior management may cause damage, complications, and irreversible consequences for the Company. Following the steps outlined below and ensuring that the information disclosed is accurate and reliable will allow the Company to address the issues and ensure that timely remedial action is taken.

2. When to make a report

You should make a report under this policy if you are aware of information which you reasonably believe demonstrates on the part of any person, whether in the Company or someone dealing with it:

- A violation of any internal policy or code of practice,
- A contravention of any law, rule or regulation,
- Corruption, illegality, mismanagement or fraud, or
- A danger to the public or danger to worker health and safety

The report should be made to your immediate superior (unless your concern relates to that person and if so, then to that person's superior). That person shall be obligated to pass the information to the CEO or CFO. Although Employees also may choose to bring such concerns to an outside regulatory authority, the Company is committed to taking internal action in response to Employee concerns, and would appreciate the opportunity to do so, if appropriate. the Company welcomes the courage and honesty of an Employee who voices concern over a particular course of action that he or she genuinely believes to be unlawful or harmful. Any attempts to intimidate, threaten or retaliation or harassment based upon a report made by an Employee pursuant to this Policy is strictly prohibited and will result in disciplinary action up to and including termination.

Groundless or unwarranted complaints or disclosures of a harassing nature – with an ulterior motive or vindictive intent – will not be tolerated. Appropriate disciplinary measures will be taken if allegations are initiated for malicious reasons or in bad faith.

3. Procedure

If you believe wrongdoing or serious misconduct has taken place or may take place, follow these procedures: Employees are encouraged to exhaust all internal remedies before taking concerns outside the organization, unless circumstances make immediate outside assistance, such as from the police or fire department, necessary. All complaints and disclosures are confidential whenever possible.

If you believe that a wrongdoing has occurred or is ongoing,

- Approach your supervisor to discuss the matter, or
- Make a report via e-mail by sending a message to the CEO or CFO or in very unusual circumstances, a Board member.

The Company will promptly commence an internal investigation into the matter in a thorough and fair manner. The identity of a person reporting a possible violation is treated as confidential to the extent possible, and only revealed on a need-to-know basis or as required by law or court order.

If unlawful conduct is discovered from the investigation, immediate steps to achieve compliance with the applicable law, regulation or policy will be taken.

If an Employee receives an inquiry from a governmental authority concerning suspected unlawful conduct, the Employee should immediately direct the inquiry to the CEO. In such circumstances, Employees should take measures to preserve documents and other items relevant to the investigation. To conceal an offence or to alter or destroy evidence violates the Company's commitment of conducting its business in a legal, ethical and credible manner and is strictly prohibited.

4. Follow-up and outcomes

The Company is committed to complying with all applicable laws, regulations and policies. Such compliance is only possible if all Employees ensure that they follow all applicable laws, Company policies and guidelines and ask the CEO to seek advice when in doubt from the Company's outside counsel. Employees who violate the law or the Company's compliance policies or knowingly fail to report a violation of law or compliance policy may be subject to disciplinary action. The nature and extent of the action will be determined on a case-by-case basis. In reviewing the situation, the following is a partial list of considerations:

- The nature and severity of the offence
- Whether the persons involved acted reasonably
- The efforts by the persons involved to obtain guidance before the offence occurred
- Whether the persons involved reported themselves

Any attempt to intimidate, threaten or retaliate against anyone who reports suspected harmful or unlawful conduct is also in violation of this policy, and disciplinary action may result.

Employees are encouraged to report their own wrongdoing or possible wrongdoing. This action will be taken into account when assessing the appropriate discipline, if any. **The Company will also recognize situations where an Employee has made an honest mistake while acting reasonably and in such situations, consider whether corrective action can be reduced or eliminated.**

A violation of this policy may carry severe consequences both for the Company and the individuals involved. Compliance with this policy is a condition of office or employment with the Company. A violation of this policy may be grounds for discipline, up to and including immediate dismissal.

B-5

POLICY TO PREVENT THE CORRUPTION OF FOREIGN PUBLIC OFFICIALS

1. Introduction

The Company has an ethical conduct policy whereby the Company will observe all applicable laws. On February 15, 1999 the *Corruption of Foreign Public Officials Act* (the “Corruption Act”) came into force in Canada. The Corruption Act makes it an offence to bribe foreign public officials in the course of business. The Corruption Act fulfils Canada’s obligations under the Organization for Economic Cooperation and Development (the “OECD Convention”). The Company will design a Corruption Act compliance program based on the American experience with the *Foreign Corrupt Practices Act* (“FCPA”) compliance program model from the United States.

2. The Corruption of Foreign Public Officials Act

With the coming into force of the Corruption Act, three new offences have been created: the bribing of a foreign public official; laundering property and proceeds; and possession of property and proceeds. The Corruption Act also covers conspiracy or an attempt to commit the offences, aiding and abetting and counselling others to commit the offences. The Corruption Act closely follows the OECD Convention language. In order to be in sync with similar legislation of other OECD countries, concepts and language have also been adopted from the American FCPA. Many Canadian companies with American operations and affiliates of American companies already come under the jurisdiction of the FCPA. Under the Rules of the Securities and Exchange Commission, Canadian companies that are considered to be “issuers” under that Act are subject to the provisions of the FCPA. Therefore, Canadians could potentially be charged twice for the same offence: once under the Corruption Act and once under the FCPA. Canadian companies could potentially be subject to a third set of rules, that of the laws of the host country in which the bribe takes place, to the extent they exist. Many countries have laws concerning the corruption and bribery of government officials, but oftentimes these laws are applied arbitrarily or inconsistently. In some cases, local laws may be inconsistent with Canadian or U.S. law and a company may not find relief under the Corruption Act (that is, defences to a charge in Canada may not withstand prosecution in a third country or in the host country).

A. Offences

There are three new offences created under the Corruption Act. These offences qualify as indictable offences and no limitation period applies.

1. Offence of Bribery

This offence is the focal point of the Corruption Act. There is no mental element (*mens rea*) expressly set out in the offence since it is intended that the offence will be interpreted in accordance with common law principles of criminal culpability. The courts will be expected to read in the *mens rea* of intention and knowledge. The offence under section 3(1) reads:

“Every person commits an offence who, in order to obtain or retain an advantage in the course of business, directly or indirectly gives, offers or agrees to give or offer a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official

- (a) as consideration for an act or omission by the official in connection with the performance of the official’s duties or functions; or
- (b) to induce the official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions.”

There are a few things about this offence that are worth mentioning. First, this offence applies to every person, whether Canadian or not, and also includes corporations as long as the offence occurs in whole or in part in Canada. In order for the Courts to pursue a charge against someone, most of the illegal activity would have to occur in Canada.

Second, it is the intention of the Corruption Act to prohibit payments made to obtain or retain business or other improper advantage. The Corruption Act thus makes it an offence to bribe a foreign public official when the transaction is for profit.

Third, an offence under the Corruption Act does not have to involve the physical crossing of national borders.

Fourth, the Corruption Act also makes it an offence to give bribes directly or through third parties or agents, including family members and political party affiliates. This represents a problem: will the person making the payment know the payment will be used to bribe? After all, the world revolves around the payment of fees and commissions.

Fifth, in order to fulfil its obligations under the OECD Convention, Canada made it a criminal offence under the Corruption Act to bribe a foreign public official “in order that the official act or refrain from acting in relation to the performance of official duties” and “includes any use of the public official’s position whether or not within the official’s authorized competence”.

2. *Offence of Possession*

Section 4(1) of the Corruption Act makes it an offence to possess property or proceeds obtained from the bribery of a foreign public official. The section reads as follows:

“Every person commits an offence who possesses any property or any proceeds of any property knowing that all or any part of the property or of those proceeds was obtained or derived directly or indirectly as a result of

- (a) the commission of an offence under section 3 or 5; or
- (b) an act or omission anywhere that if it occurred in Canada would have constituted an offence under section 3 or 5.”

With the exception of the “knowing” part, this offence looks like a fencing provision. Presumably, only “actual knowledge” and not “constructive knowledge” counts. So, does a company that purchases assets at a discount from another company that breached section 3 and then books the asset at the low price “know”?

Under Section 7 of the Corruption Act, certain provisions of the *Criminal Code* related to the search, seizure and retention of proceeds of crime can be used by government authorities to seize any profits obtained as a result of the bribe as well as the bribe itself. Therefore, a company that obtained business through a bribe may have to account for not only the bribe and be liable to substantial monetary penalties but also be forced to surrender all of its profits from such business to the Canadian government. As the proceeds of crime provisions of the *Criminal Code* apply to the Corruption Act, one may look to those sections and the jurisprudence coming out of those sections to determine how tracing issues and other such issues that arise in relation to prosecution under the Corruption Act will be handled.

3. *Offence of Laundering*

Section 5(1) of the Corruption Act creates the offence of laundering. It reads as follows:

“Every person commits an offence who uses, transfers possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with in any manner and by any means any property or any proceeds of any property within intent to conceal or convert that property or those proceeds and knowing or believing that all or part of that property or of those proceeds was obtained or derived directly or indirectly as a result of

- (a) the commission of an offence under section 3; or
- (b) an act or omission anywhere that if it occurred in Canada would have constituted an offence under section 3.”

No matter where the bribe or the laundering occurred, this provision still applies.

B. *Defences*

The Corruption Act allows for three defences to the offence of bribery:

1. The Payment is Lawful in the Foreign State

Section 3(3)(a) reads as follows:

“No person is guilty of an offence under subsection (1) if the loan, reward, advantage or benefit

- (a) is permitted or required under the laws of the foreign state or public international organization for which the foreign public official performs duties or functions.”

Even though this defence is provided for in the Corruption Act, one commentator thinks that the chances of it being used are rare because, for all intents and purposes, few countries have any such laws.

2. The Payment was a Reasonable Expense

Subsection 3(3)(b) provides for the defence that a payment was a reasonable expense incurred in good faith and directly related to the promotion of a product. This section reads as follows:

“No person is guilty of an offence under subsection (1) if the loan, reward, advantage or benefit

(b) was made to pay the reasonable expenses incurred in good faith by or on behalf of the foreign public official that are directly related to

(i) the promotion, demonstration or explanation of the person’s products and services; or

(ii) the execution or performance of a contract between the person and the foreign state for which the official performed duties or functions.”

The wording of this defence closely follows the language of the FCPA.

3. Facilitation Payments

The Corruption Act allows for facilitation payments under section 3(4). This section reads as follows:

“For the purpose of subsection (1), a payment is not a loan, reward, advantage or benefit to obtain or retain an advantage in the course of business if it is made to expedite or secure the performance by a foreign public official of any act of a routine nature that is part of the foreign public official’s duties or functions, including

(a) the issuance of a permit, licence or other document to qualify a person to do business;

(b) the processing of official documents such as visas or work permits;

(c) the provision of services normally offered to the public, such as mail pick-up and delivery, telecommunication services and power and water supply; and

(d) the provision of services normally provided as required such as police protection, loading and unloading of cargo, the protection of perishable products or commodities from deterioration or the scheduling of inspections related to contract performance or transit of goods.”

The Department of Justice's "A Guide to the Corruption of Foreign Public Officials Act" states that the list under the facilitation payment section of the Corruption Act is not an all-inclusive list, although the guide does not purport to have the force of law.

The Corruption Act goes on to define "acts of routine nature": "An "act of a routine nature" does not include a decision to award new business or to continue business with a particular party, including a decision on the terms of that business or encouraging another person to make any such decision." The wording with regards to the defence of facilitation payments is almost identical to that used in the FCPA. Unlike the FCPA, however, the Corruption Act does not contain a general provision that covers "actions of a similar nature".

C. *Penalties*

The penalty for bribery of a foreign public official is a 5 year maximum term of imprisonment. This is an extraditable offence. The Corruption Act does not specifically mention financial penalties for those found guilty of bribing a foreign public official, but the Guide states that fines are indeed a possible penalty. Under section 735 of the *Criminal Code*, where an indictable offence calls for imprisonment as punishment, and given the fact that companies cannot be imprisoned, fines can be imposed in lieu. The Corruption Act does not expressly state that section 735 applies, but the Department of Justice has implied so. The amount of the fine would be at the discretion of the judge. The Guide claims there would be no maximum.

The penalty for possession of bribery proceeds is a maximum 10 year prison term which is an indictable offence or upon summary conviction a person can receive either a fine of up to \$50,000 or imprisonment up to 6 months, or both.

The laundering of bribery proceeds carries the same penalties as possession of bribery proceeds.

D. *Application of the Corruption Act*

Depending upon the circumstances and the strength of the link an offence has to Canada, the Corruption Act would apply to a number of persons and organizations. These would include corporations, partnerships, joint ventures and individuals, whether local or foreign, also those persons aiding and abetting.

E. *Enforcement*

The Corruption Act is silent on the matter of enforcement. Therefore, depending upon the facts of each case, either federal, provincial or municipal police forces could be involved in the investigation.

3. *Red Flags*

As the Corruption Act is a new statute there is little guidance with regards to what an investigator or other person might look for or what activities would raise suspicion of an offence being committed under the Corruption Act. One might therefore look to the experiences of those who have dealt with or come under the jurisdiction of the FCPA. The following is a list of "red flags" that should alert Company management to the potential existence of corrupt practice.

1. Off book accounts
2. Shell corporations
3. Sham transactions
4. The board of directors are not aware of the transaction
5. The audit committee does not have any responsibilities
6. Outside auditors unable to obtain information
7. Lack of disclosure to regulatory authorities
8. Poor reputation of a foreign agent
9. Commission for a transaction out of line with local standards
10. Agent refuses to give Corruption Act representations
11. Foreign agent has links to the government
12. Cash payments/lack of paper trail
13. Payments made to third parties or to third country accounts
14. Unusual bonuses paid to foreign personnel for which there is little support

The above list could be used by businesses in preventing bribery with an organization.

4. Corruption Act Compliance Program

Developing an FCPA compliance program has been one of the most effective ways for a company to avoid liability or reduce a fine levied under the FCPA. Under the Corruption Act, there is no explicit defence of “due diligence”, and because this is a new statute, there is no jurisprudence to assist in interpreting the nuances of the statute. Even though there is no *mens rea* element expressly stated in the Corruption Act, the Department of Justice has stated that the offences under the Corruption Act “will be interpreted in accordance with common law principles of criminal culpability”. The domestic bribery offence in the *Criminal Code* also does not contain a *mens rea* element and is not a “strict liability offence”.

The Supreme Court has read into this section the mental elements of intent and knowledge. When an accused is tried under the Corruption Act, a court might read in similar mental elements. Other common law principles such as “wilful blindness” or “should have known” might also be applied. If such principles are applied, having a compliance program in place may help a company to avoid liability or reduce a fine levied under the Corruption Act.

The United States Sentencing Commission has set out 7 elements of an effective compliance program. The 7 steps are as follows:

1. A Corruption Act compliance policy and procedures should be established by a company for its Employees and agents. This policy should explain the prohibitions of the Corruption Act and the company's expectations that Employees will not violate the Corruption Act.
2. Overall responsibility for compliance with a company's policy should fall to a specific high-level individual, such as a director, officer or corporate counsel.
3. Substantial discretionary authority should be delegated carefully and not to those persons that a diligent company should have known have a shady background.
4. Effective communication is required by a company to ensure its standards and procedures are followed by its Employees and agents. Training programs and the distribution of pamphlets are helpful for Employees based in foreign countries or who otherwise are likely to encounter Corruption Act issues.
5. Monitoring and auditing systems should be installed to detect criminal conduct by Employees and agents.
6. Disciplinary mechanisms should be in place. These mechanisms demonstrate that a company is committed to enforcing its policies.
7. If a breach of the Corruption Act has been detected, a company should take steps to prevent further similar breaches including making modifications to its program to prevent further violations. Company policy should be reviewed when a breach occurs.

Typically, compliance programs address three broad objectives - documentation of company policy and education of Employees, imposition of procedural controls, and monitoring of compliance. Each compliance program should be carefully tailored to the company's unique circumstances and to the specific risks that accompany those circumstances.

The following are some elements that will be considered by the Board for inclusion in a Corruption Act compliance program.

1. *Company Policy on the Corruption Act.* The Company will establish procedures regarding the assignment of compliance responsibilities, documentation of the corporate culture and information-gathering mechanisms, such as Employee hotlines and anonymous reporting procedures.
2. *Company Control Mechanisms.* The Company will implement and create mechanisms designed to prevent breaches of the Corruption Act and company policy. Such mechanisms may include due diligence regarding agents, consultants, joint ventures and foreign partners, and ways in which management can certify that Employees are aware of and follow company policy. Examples of control mechanisms are as follows:
 - (a) Include terms in contracts that require an agent to comply with the provisions of the Corruption Act;

- (b) Require special authorization for cash expenditures over a certain limit;
 - (c) Set up due diligence procedures to include requiring prospective agents to answer a standard list of questions regarding their background and the existence of any relationships with government officials. Also, the Company should determine whether the fees being charged by an agent are in synch with the fees offered by others in the local market;
 - (d) Require periodic certification by Employees that they have not breached the Corruption Act; and
 - (e) Have in place a method of documenting and approving facilitation payments.
3. *Monitoring Procedures.* The Company will establish a compliance program to detect any breaches of the Corruption Act, including the following actions:
- (a) Documentation
 - Bids: Can all expenditures be accounted for with appropriate documentation? Have the bids been scrutinized carefully? Has each level of official approval undergone the same level of scrutiny? Were there any unofficial processes involved?
 - Foreign Contracts: Are there any unusual provisions? Anything out of line with local practices?
 - Agreements, including agency, supply, distributorship and licencing agreements: Unusual provisions? Is the documentation of these agreements in order?
 - Tax disputes
 - Has a fee or commission been expensed?
 - (b) Conduct Interviews with Local Employees at a Foreign Operation
 - Are local Employees easily approachable and willing to discuss possible Corruption Act breaches?
 - (c) Supporting Documentation for Cash Expenditures
 - Have cheques been written?
 - Transactions subject to local authorization?
 - Were there any direct or indirect payments to foreign public officials?

(d) Consultants' and Agents' Contracts

- Do contracts contain Corruption Act representations?
- Has compliance with these representations been documented and filed?

(e) Business Practise of Foreign Jurisdiction

- Typical business practices of a foreign jurisdiction should be thoroughly documented
- Review news articles in local papers
- Information services on the conduct of business in foreign jurisdictions

C-1

AUDIT COMMITTEE CHARTER

1. Purpose

This Charter specifies the scope of the responsibilities of the Audit Committee of the Board of Directors (the “Board”) of the Company and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities to oversee management’s financial, accounting and reporting processes, the Company’s system of internal accounting and financial controls and the Company’s compliance with related legal and regulatory requirements. The Audit Committee shall also review the qualifications, independence and performance of the public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or related work or performing other review or attest services to the Company as required under the federal securities laws (the “Independent Auditor”) and shall approve the appointment and terms of engagement of, and retain and oversee the Company’s Independent Auditor. The Audit Committee shall prepare any reports required by the Audit Committee under applications securities regulations. The Audit Committee shall regularly report its activities to the Board.

The Company shall provide appropriate funding as determined by the Audit Committee to permit the Audit Committee to perform its duties under this Charter and to compensate its advisors. The Audit Committee, at its discretion, has the authority to initiate special investigations, and if appropriate, hire special legal, accounting or other outside advisors or experts to assist the Audit Committee, to fulfill its duties under this Charter. The Audit Committee may also perform such other activities consistent with this Charter, the Company’s Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

The Audit Committee’s role is one of oversight. The Company’s management is responsible for preparing the Company’s financial statements and providing all required certifications relating to those financial statements; the Independent Auditor is responsible for auditing those financial statements. In carrying out its oversight responsibilities, the Audit Committee is relying on information provided by the Company’s management and the Company’s Independent Auditor. The Audit Committee is not responsible for providing any expert or special assurance nor any guarantee as to the accuracy or completeness of the Company’s financial statements or other public disclosure, nor is the Audit Committee providing any professional certification as to the work of the Independent Auditor.

2. Structure and Operations

The Audit Committee’s composition and qualifications shall meet the rules and requirements of the Toronto Stock Exchange (the “TSX”) and the American Stock Exchange (the “AMEX”) as well as laws and regulations that are applicable to the Audit Committee.

A. Composition

The Audit Committee shall be comprised of three or more members. Each member must be a director of the Company.

B. Independence

Each member of the Audit Committee will be independent in accordance with:

- (a) Multilateral Instrument MI 52-110 – Audit Committees, as amended (“MI 42-110”);
- (b) Section 121A of the AMEX Company Guide, as amended; and
- (c) Rule 10A-3 of the Exchange Act, as amended.

The independence requirements of MI 52-110, the Amex Company Guide and Rule 10A-3 of the Exchange Act as in effect as of the date of the adoption of this Charter are attached hereto as Exhibit II.B – Independence Requirements.

C. Financial Literacy

Each member of the Audit Committee shall meet experience and financial literacy requirements required by:

- (a) MI 52-110;
- (b) Section 121B of the Amex Company Guide, as amended.

The financial literacy requirements of MI 52-110 and Section 121B of the Amex Company Guide as in effect as of the date of the adoption of this Charter are attached hereto as Exhibit II.C – Financial Literacy Requirements.

D. Financial Expert

At least one member of the Audit Committee will meet the definition of a “financial expert” as defined in Item 16.A of SEC Form 20-F, as amended.

The definition of “financial expert” as in effect as of the date of adoption of this Charter is attached hereto as Exhibit II.D - Financial Expert Definition.

E. Appointment, Term and Removal

The members of the Audit Committee shall be appointed by the Board taking into account the recommendation of the Nominating and Governance Committee and shall serve until their successors shall be duly elected and qualified or their earlier resignation or removal by the Board. Any member of the Audit Committee may be replaced by the Board.

F. Chairman

Unless a chairman is elected by the full Board, the members of the Audit Committee may designate a chairman by majority vote of the full Audit Committee membership.

G. Sub-Committees

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

3. Meetings

A. Generally

The Audit Committee shall meet with management, the chief internal auditor, the general counsel and the Independent Auditor in separate executive sessions as appropriate. The Audit Committee shall meet with the Independent Auditor and management to review the Company's financial statements and financial reports contained in the Company's annual and quarterly reports to be filed with the Canadian Securities Authorities and the SEC.

The Audit Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Audit Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

B. Frequency of Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly.

C. Minutes

The Audit Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

4. Duties

A. Introduction

The following functions shall be the common recurring duties of the Audit Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Audit Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Audit Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Audit Committee outlined in Section I of this Charter.

The Audit Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Audit Committee in its sole discretion deems appropriate for study or investigation by the Audit Committee.

The Audit Committee shall be given full access to the Company's internal accounting Employees, Board of Directors, managers, other Employees and independent auditors as necessary to carry out these duties. While acting within the scope of its stated purpose, the Audit Committee shall have all the authority of the Board of Directors.

B. Powers and Responsibilities

The Audit Committee will have the following responsibilities and will be vested with the powers and authorities set forth below in order to perform and discharge these responsibilities:

1. The Audit Committee shall have the sole authority to appoint or replace the independent auditors subject, if applicable, to shareholder ratification as required by the Company's charter.
2. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
3. The independent auditor shall report directly to the Audit Committee.
4. The Committee shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.
5. The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 2.4 of MI 52-101 and Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit.
6. The Audit Committee shall consult with management but shall not delegate these responsibilities.
7. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee, as it determines necessary to carry out its duties.
8. The Audit Committee may request any officer or Employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

9. The Audit Committee shall meet with management, the internal auditors and the independent auditor in separate executive sessions at least quarterly. The Audit Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers or financial analysts who follow the Company.
10. The Audit Committee shall make regular reports to the Board.
11. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
12. The Audit Committee shall annually review the Audit Committee's own performance.

C. *Financial Statement and Disclosure Matters*

The Audit Committee, to the extent it deems necessary or appropriate, shall:

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be filed with applicable securities regulatory authorities and included in the Company's annual reports, including its annual report on Form 20-F filed with the Securities Commission.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, prior to the filing of its quarterly financial statements and management's discussion analysis with applicable securities regulatory authorities, including the results of the independent auditor's review of the quarterly financial statements.
3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
4. Review and discuss quarterly reports from the independent auditors on:
 - (a) All critical accounting policies and practices to be used.
 - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
 - (c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of

the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
7. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
8. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit. In particular, discuss:
 - (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
 - (b) The management letter provided by the independent auditor and the Company's response to that letter.
 - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
9. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 20-F about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other Employees who have a significant role in the Company's internal controls.

5. Oversight of the Company's Relationship with the Independent Auditor

The Audit Committee will:

1. Review and evaluate the experience and qualifications of the senior members lead partner of the independent auditor team.
2. Obtain and review a report from the independent auditor at least annually regarding:
 - (a) the independent auditor's internal quality-control procedures;

- (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
 - (c) any steps taken to deal with any such issues; and
 - (d) all relationships between the independent auditor and the Company.
3. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditors.
 4. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.
 5. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
 6. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the independent auditing firm itself on a regular basis.
 7. Recommend to the Board policies for the Company's hiring of Employees or former Employees of the independent auditor who were engaged on the Company's account participated in any capacity in the audit of the Company.
 8. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

E. Compliance Oversight Responsibilities

The Audit Committee will:

1. Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934 has not been implicated.
2. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics.
3. Review reports and disclosures of Insider and affiliated party transactions.

4. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
5. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by Employees of concerns regarding questionable accounting or auditing matters.
6. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any Employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
7. Discuss with the Company's legal counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

F. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

6. Audit Committee Member Independence and Financial Literacy Requirements

Section 1.4 of MI 51-110

Meaning of Independence:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been, an Employee or executive officer of the issuer, unless the prescribed period has elapsed since the end of the service or employment;
 - (b) an individual whose immediate family member is, or has been, an executive officer of the issuer, unless the prescribed period has elapsed since the end of the service or employment;
 - (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
 - (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
 - (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the issuer's current executive officers serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
 - (f) an individual who
 - (i) has a relationship with the issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

- (ii) receives, or whose immediate family member receives, more than \$75,000 per year in direct compensation from the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, unless the prescribed period has elapsed since he or she ceased to receive more than \$75,000 per year in such compensation.
 - (g) an individual who is an affiliated entity of the issuer or any of its subsidiary entities.
- (4) For the purposes of subsection (3), the prescribed period is the shorter of
- (a) the period commencing on March 30, 2004 and ending immediately prior to the determination required by subsection (3); and
 - (b) the three year period ending immediately prior to the determination required by subsection (3).
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), compensatory fees and direct compensation do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) For the purposes of subclause 3(f)(i), the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) a person's spouse, minor child or stepchild, or a child or stepchild who shares the person's home; or
 - (b) an entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (8) Despite subsection (3), a person will not be considered to have a material relationship with the issuer solely because he or she
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or any board committee, other than on a full-time basis.

Amex Section 121A

The definition of “independent director”, as specified in Section 121A of the Amex Company Guide, is set forth below:

“Independent director” means a person other than an officer or employee of the company or any parent or subsidiary. No director qualifies as independent unless the Board of Directors affirmatively determines that the director does not have a material relationship with the listed company that would interfere with the exercise of independent judgment. In addition, audit committee members must also comply with the requirements set forth in the paragraph below. The following is a non-exclusive list of persons who shall not be considered independent:

- (a) a director who is, or during the past three years was, employed by the company or by any parent or subsidiary of the company, other than prior employment as an interim Chairman or CEO;
- (b) a director who accepts or has an immediate family member who accepts any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:
 - (1) compensation for board service,
 - (2) payments arising solely from investments in the company's securities,
 - (3) compensation paid to an immediate family member who is a non-executive employee of the company or of a parent or subsidiary of the company,
 - (4) compensation received for former service as an interim Chairman or CEO,
 - (5) benefits under a tax-qualified retirement plan,
 - (6) non-discretionary compensation,
 - (7) loans permitted under Section 13(k) of the Exchange Act,
 - (8) loans from a financial institution provided that the loans (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public, (iii) did not involve more than a normal degree of risk or other unfavorable factors, and (iv) were not otherwise subject to the specific disclosure requirements of SEC Regulation S-K, Item 404, or
 - (9) payments from a financial institution in connection with the deposit of funds or the financial institution acting in an agency capacity, provided such payments were (i) made in the ordinary course of business, (ii) made on substantially the same terms as those prevailing at the time for comparable

transactions with the general public , and (iii) not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404.

- (c) a director who is an immediate family member of an individual who is, or has been in any of the past three years, employed by the company or any parent or subsidiary of the company as an executive officer;
- (d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;
- (e) a director of the listed company who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the listed company's executive officers serve on that entity's compensation committee;
- (f) a director who is, or has an immediate family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.

Exchange Act Rule 10A-3

In order to be considered independent for the purposes of Rule 10A-3, a director must meet the following independence standards. Note that these standards will not apply to the Company until July 31, 2005 as the Company is a "foreign private issuer" under the Exchange Act.

- (i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent.
- (ii) In order to be considered to be independent, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:
 - (A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or
 - (B) Be an affiliated person of the issuer or any subsidiary thereof.

The following definitions apply to the determination of independence under Rule 10A-3:

- (1) (i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.
- (ii) A person will be deemed not to be in control of a specified person for purposes of this section if the person:
 - (1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and
 - (2) Is not an executive officer of the specified person.
- (iii) The following will be deemed to be affiliates:
 - (A) An executive officer of an affiliate;
 - (B) A director who also is an employee of an affiliate;
 - (C) A general partner of an affiliate; and
 - (D) A managing member of an affiliate.
- (iv) For purposes of paragraph(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).
- (2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.
- (3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of directors of the managing general partner, managing member or equivalent body.
- (4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.
- (5) The term dual holding companies means two foreign private issuers that:
 - (i) Are organized in different national jurisdictions;

- (ii) Collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and
 - (iii) Do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.
- (6) The term executive officer has the meaning set forth in § 240.3b-7.
- (7) The term foreign private issuer has the meaning set forth in § 240.3b-4(c).
- (8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.
- (9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

AUDIT COMMITTEE FINANCIAL LITERACY REQUIREMENTS

MI 52-110

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.5 defines the meaning of financial literacy as follows:

“For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.”

AMEX Section 121B(a(ii))

Each issuer must have an Audit Committee of at least three members, each of whom:

“is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, the Company must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 401(h) of Regulation S-K, Item 401(e) of Regulation S-B is presumed to qualify as financially sophisticated.”

FORM 20-F DEFINITION OF FINANCIAL EXPERT

For purposes of this Item, an audit committee financial expert means a person who has the following attributes:

- i. An understanding of generally accepted accounting principles and financial statements;
- ii. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- iii. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer's financial statements, or experience actively supervising one or more persons engaged in such activities;
- iv. An understanding of internal control over financial reporting; and
- v. An understanding of audit committee functions.

A person shall have acquired such attributes through:

- i. Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- ii. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- iii. Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements;
or
- iv. Other relevant experience.

C-2

COMPENSATION COMMITTEE CHARTER

1. Purpose

The purposes and responsibilities of the Compensation Committee (the “Comp Committee”) with respect to compensation matters shall be to assist the Board of Directors in carrying out its responsibilities relating to executive and director compensation. In furtherance of this purpose, the Comp Committee shall have the following duties, responsibilities and authority:

(a) To recommend to the Board of Directors the form and amount of compensation to be paid by the Company to the directors, including compensation to be paid in consideration of a director acting on a committee of the Board of Directors. The Comp Committee will review the compensation of the Company’s directors at least annually and from time to time as deemed appropriate.

(b) To annually review and approve corporate goals and objectives relating to the compensation of the Company’s executive officers, including the CEO, CFO and other Senior Officers (collectively, the “Officers”) if applicable. The Comp Committee will evaluate the performance of the Officers in light of those goals and review and establish the Officers’ annual compensation and incentive or equity plan participation levels and bases of participation. The Comp Committee will determine, or recommend to the Board of Directors for determination, compensation of the CEO. The CEO must not be present during voting or deliberations of the Comp Committee regarding the compensation of the CEO. The Comp Committee will determine, or recommend for determination to the Board of Directors, the compensation for all other Officers of the Company. Determinations of compensation will include determination as to salary, bonus, incentive and unit compensation. In determining the long-term incentive component of Officers’ compensation, the Comp Committee will consider the Company’s performance and relative shareholder return, the values of similar incentive awards to Officers at comparable companies and the awards given to the Officers in past years.

(c) Based upon input and recommendations from the Board, to review and approve on an annual basis the evaluation process and compensation structure for the Company’s other Employees and Employees. The Comp Committee shall evaluate their performance and shall approve the annual compensation, including salary, bonus, incentive and equity compensation. The Comp Committee shall also provide oversight of management’s decisions concerning the performance and compensation of the Company’s Employees and Employees.

(d) Based upon input and recommendations from the Officers, to review the Company’s incentive compensation and other stock-based plans and recommend changes in such plans to the Board of Directors as needed and to review and submit to the Board of Directors recommendations concerning new executive compensation or stock-based plans.

(e) To prepare and publish the annual executive compensation report in the Company's annual information form or proxy statement.

2. **Structure and Membership**

(a) **Number.** The Comp Committee will consist of three persons unless the Board should from time to time otherwise determine.

(b) **Independence.** All of the members of the Comp Committee will be "independent" as determined under the Company's Corporate Governance Guidelines.

(c) **Chair.** Unless the Board elects a Chair of the Comp Committee, the Comp Committee will elect a Chair by majority vote.

(d) **Compensation.** The compensation of the Comp Committee will be as determined by the Board.

(e) **Selection and Removal.** Members of the Comp Committee will be appointed by the Board, upon the recommendation of the Nomination and Corporate Governance Committee. The board may remove members of the Comp Committee from the Comp Committee, with or without cause.

(f) **Term.** Members of the Comp Committee will be appointed for one-year terms. Each member will serve until a replacement for him or her is appointed, or until he or she resigns or is removed from the Board or the Comp Committee.

3. **Authority and Responsibilities:**

The Comp Committee will discharge its responsibilities, and will assess the information provided by the Company's management, in accordance with its business judgment.

(a) **Selection of Executives.** The Comp Committee will be responsible for recommending to the Board the Senior Officer candidates. In making its recommendation on nominees, the Comp Committee will consider the competencies and skills each candidate will bring to the Company in light of the determinations made by the Board as to the competencies and skills that the officer should possess and (b) the competencies and skills of each current director.

(b) **Search Firms.** The Comp Committee will have the authority to retain and terminate any search firm to be used to identify senior officer candidate, including the authority to approve the search firm's appropriate fees and other retention terms. The Comp Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of any search firm engaged by the Comp Committee.

(c) **Selection of Committee Members.** The Comp Committee will be responsible for establishing and recommending the qualifications and criteria for membership on the Comp Committee.

4. **Procedures and Administration**

- (a) **Meetings.** The Comp Committee will meet as often as it deems necessary in order to perform its responsibilities. The Comp Committee will keep minutes of its meetings and any other records as it will deem appropriate.
- (b) **Subcommittees.** The Comp Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of at least two members), as it deems appropriate from time to time under the circumstances.
- (c) **Reports to the Board.** The Comp Committee will report (orally or otherwise) regularly to the Board following meetings of the Comp Committee and with respect to such other matters as are relevant to the Comp Committee's discharge of its responsibilities and will report in writing on request of the Chairman of the Board.
- (d) **Charter.** The Comp Committee will, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- (e) **Independent Advisors.** The Comp Committee will have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Comp Committee is empowered, without further action by the Board, to cause the company to pay appropriate compensation to such advisors as established by the Comp Committee.
- (f) **Investigations.** The Comp Committee will have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it will deem appropriate, including the authority to request any officer, Employee or advisor of the Company to meet with the Comp Committee or any advisors engaged by the Comp Committee.
- (g) **Annual Self-Evaluation.** At least annually, the Comp Committee will evaluate its own performance.

5. **Additional Powers**

The Comp Committee will have such other duties as may be delegated from time to time by the Board of Directors.

C-3

NOMINATING AND GOVERNANCE COMMITTEE CHARTER

1. Purpose

The purpose of the Nominating and Governance Committee (the “N&G Committee”) is to provide support for the stewardship and governance role of the Board of Directors (the “Board”) by carrying out responsibilities delegated to it by the Board from time to time, including:

- (a) Identifying individuals qualified to become Board members, consistent with criteria approved by the Board;
- (b) Making recommendations on the composition of the Board and the persons to be nominated and not nominated for election as Directors at meetings of the Shareholders;
- (c) Monitoring and recommending to the board its corporate governance principles and policies that should be applicable to the Company;
- (d) Overseeing the annual evaluation of the Board and its other committees;
- (e) Recommending Committee assignments;
- (f) Managing Board and committee succession planning; and
- (g) Monitoring appropriate Shareholder communications.

The N&G Committee will fulfil these responsibilities and duties primarily by carrying out the activities set out in this Charter. However, the listed activities are a guide and the N&G Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing legislative, business, regulatory and other conditions.

2. Structure and Membership

- (a) **Number.** The N&G Committee will consist of three persons unless the Board should from time to time otherwise determine.
- (b) **Independence.** All the members of the N&G Committee will be “independent” as determined under the Company’s Corporate Governance Guidelines.
- (c) **Chair.** Unless the Board elects a Chair of the N&G Committee, the N&G Committee will elect a Chair by majority vote.
- (d) **Compensation.** The compensation of the N&G Committee will be as determined by the Board, upon the recommendation of the Compensation Committee.
- (e) **Selection and Removal.** Members of the N&G Committee will be appointed by the Board, upon the recommendation of the N&G Committee. The board may remove members of the N&G Committee from the N&G Committee, with or without cause.

(f) **Term.** Members of the N&G Committee will be appointed for one-year terms. Each member will serve until a replacement for him or her is appointed, or until he or she resigns or is removed from the Board or the N&G Committee.

3. **Authority and Responsibilities:**

The N&G Committee will discharge its responsibilities, and will assess the information provided by the Company's management, in accordance with its business judgment.

(a) **Selection of Director Nominees.** Except where the Company is legally required by contract, bylaw or otherwise to provide third parties with the right to nominate directors, the N&G Committee will be responsible for recommending to the Board the nominees for election as directors at any meeting of shareholders and the persons to be appointed by the Board to fill any vacancies on the Board. In making its recommendation on nominees, the N&G Committee will consider the competencies and skills each new nominee will bring to the Board in light of the determinations made by the Board as to (a) the competencies and skills that the Board, as a whole, should possess and (b) the competencies and skills of each current director.

(b) **Criteria for Selecting Directors.** The Board's criteria for selecting directors are as set forth in the Company's Corporate Governance Guidelines. The N&G Committee will use such criteria and principles set forth in such Guidelines to guide its director selection process. The N&G Committee will be responsible for reviewing with the Board, on an annual basis, the requisite skills and criteria for new Board members as well as the composition and size of the Board as a whole in order to ensure that the Board has the requisite expertise and that its membership consists of persons with sufficiently diverse and independent backgrounds. The N&G Committee may adopt, and periodically review and revise as it deems appropriate, procedures regarding director candidates proposed by the shareholders.

(c) **Search Firms.** The N&G Committee will have the authority to retain and terminate any search firm to be used to identify director nominees, including the authority to approve the search firm's appropriate fees and other retention terms. The N&G Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of any search firm engaged by the N&G Committee.

(d) **Selection of Committee Members.** The N&G Committee will be responsible for establishing and recommending the qualifications and criteria for membership on each committee of the Board, and for recommending to the Board the directors to be appointed to each committee of the Board.

(e) **Conflicts.** The N&G Committee will consider questions of independence and possible conflicts of interest of members of the Board and of Senior Officers and make recommendations regarding such matters to the Board.

(f) **Corporate Governance Guidelines.** The N&G Committee will monitor legislation, regulatory policies and industry best practices dealing with corporate governance and, from time to time as it deems appropriate, review and reassess the

adequacy of the Company's Corporate Governance Guidelines and recommend any proposed changes to the Board for approval. The N&G Committee will also consider policies relating to meetings of the Board and separate meetings of independent directors.

(g) **Evaluation of the Board.** The N&G Committee will be responsible for evaluating the Board annually and overseeing an annual self-evaluation by individual Directors of the Board's performance to determine whether it and its committees are functioning effectively. The N&G Committee will determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Board's performance, to be discussed with the Board.

(h) **Evaluation of Committees.** The N&G Committee will review and make recommendations to the Board concerning the types, duties, functions, size and operation of committees of the Board; review and assess annually the adoption and adequacy of charters of all committees of the Board and make recommendations to the Board for any improvements to such charters and the N&G Committee seems necessary or appropriate; and conduct an annual review and evaluation of the performance of each committee (including the N&G Committee) and its members.

4. **Procedures and Administration**

(a) **Meetings.** The N&G Committee will meet as often as it deems necessary in order to perform its responsibilities. The N&G Committee will keep minutes of its meetings and any other records as it will deem appropriate.

(b) **Subcommittees.** The N&G Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of at least two members), as it deems appropriate from time to time under the circumstances.

(c) **Reports to the Board.** The N&G Committee will report (orally or otherwise) regularly to the Board following meetings of the N&G Committee and with respect to such other matters as are relevant to the N&G Committee's discharge of its responsibilities and will report in writing on request of the Chairman of the Board.

(d) **Charter.** The N&G Committee will, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors.** The N&G Committee will have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The N&G Committee is empowered, without further action by the Board, to cause the company to pay appropriate compensation to such advisors as established by the N&G Committee.

(f) **Investigations.** The N&G Committee will have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it will deem appropriate, including the authority to request any officer, Employee or advisor of

the Company to meet with the N&G Committee or any advisors engaged by the N&G Committee.

(g) **Annual Self-Evaluation.** At least annually, the N&G Committee will evaluate its own performance.

5. Additional Powers

The N&G Committee will have such other duties as may be delegated from time to time by the Board of Directors.

D-1

DIRECTOR INDEPENDENCE DEFINITIONS

To assist the Board of Directors of the Company in determining whether a director is “independent” for purposes other than for the audit committee (see Audit Committee Charter) the law requires that certain circumstances pertain. These definitions have been prepared based upon rules implemented or proposed by certain of the Canadian Securities Regulators, AMEX and U.S. regulators.

The following persons will not be considered independent for purposes other than for the Audit Committee:

- (a) a director who is, or at any time during the past three years was, an Employee or a Senior Officer or of any parent or subsidiary of the Company;
- (b) a director who has a Family Member, as defined below, who is, or at any time during the past three years was, a Senior Officer or of any parent or subsidiary of the Company;
- (c) a director who received, or who has a Family Member who received, direct compensation from the Company or any parent or subsidiary of the Company in excess of the lesser of US\$60,000 and CDN\$75,000 during the current or any of the past three fiscal years, other than the following:
 - (i) compensation for board or board committee service, including acting as part-time chair or vice-chair;
 - (ii) payments arising solely from investments in the Company’s securities; or
 - (iii) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company or a subsidiary if the compensation is not contingent in any way on continued service;
- (d) a director who has a relationship with the Company as a result of which the director may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any parent or subsidiary of the Company, other than remuneration for acting as a member of the board or a board committee or as a part-time chair or vice-chair of the board or a board committee;
- (e) a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or a Senior Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for that year, or US\$200,000, whichever is more, other than the following:
 - (i) payments arising solely from investments in the Company’s securities; or

- (ii) payments under non-discretionary charitable contribution matching programs;
- (f) a director who is, or has been, or has a Family Member who is, or has been, at any time during the past three years, a Senior Officer of another entity where at any time during the past three years any of the current Senior Officers of the Company serve on the compensation committee of such other entity;
- (g) a director who is or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Company, unless three years has elapsed since the person's relationship with the auditor, or the audit relationship, has ended;
- (h) a director who has a Family Member who is or has been an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Company, unless three years have elapsed since the person's relationship with the auditor, or the audit relationship, has ended;
- (i) a director who controls the Company, or a director who is either (i) both a director and an Employee of, or (ii) a Senior Officer, general partner or managing member of, a company that controls the Company or a company that is controlled by a person who also controls the Company;
- (j) a director who is a Senior Officer of another company which is indebted to the Company, or to which the Company is indebted, if the total amount of either company's indebtedness to the other is more than one percent of the total consolidated assets of the company for which he or she serves as a Senior Officer; or
- (k) a director who serves as an officer, director or trustee of a charitable organization, if the Company's discretionary charitable contributions to the organization are more than the greater of US\$1 million or 2% of that organization's total annual charitable receipts.
- (l) For the purpose of hereof, "control" means the direct or indirect ability to direct or cause the direction of the management and policies of the Company, whether through ownership of voting securities or otherwise. [Ownership of at least 10% of the Company's voting shares is a material threshold and the Board should examine the circumstances of this holding to determine if the shareholder is considered to "control" the Company for the purpose of these guidelines. A person who owns more than 50% of the Company's voting shares will be considered to "control" the Company.]
- (m) The Company's automatic matching of Employee charitable contributions will not be included in the amount of the Company's contributions for the purpose of the test herein.

Family Member means a person's

- (i) spouse;

- (ii) parent;
- (iii) children;
- (iv) siblings;
- (v) mother or father-in-law;
- (vi) son or daughter-in-law;
- (vii) brother or sister-in-law; and
- (viii) anyone who resides in such person's home (other than an Employee of the person or Family Member).

D-3

MATTERS REQUIRING BOARD APPROVAL (NON-DELEGATION POLICY)

This Policy contains guidelines from the Board of Directors to management of the Company regarding items which must be approved by the Board and hence are not delegated to management without Board approval. A general overriding consideration is that the Directors are required under law to manage, or supervise the management of, the business and affairs of the Company. Accordingly, even if an action might fall outside these guidelines management should consider whether the matter, nevertheless, be referred to the Board for consideration.

The following is a list of items which Senior Officers must refer to the Board, or an appropriate committee thereof, for consideration. Under these guidelines, the “Threshold Amount” is equal to [Cdn. \$◆] and an “Out of Budget Transaction” is a transaction that exceeds the Threshold Amount and that is not otherwise already part of the Company’s approved operating budget. For greater clarity, Board approval will also be required for transactions that are not individually Out of Budget Transactions but that when looked at in the aggregate exceed 5% of the operating budget in any fiscal year.

1. The approval of annual corporate budgets.
2. The approval of all financial information and other disclosure documents that are required by law to be approved by the Board before they are released to the public.
3. Allotment of any securities. This includes shares, options, warrants or other convertible or debt securities, and the payment of a commission to any person as consideration for purchasing securities of the Company or providing purchasers for any such securities. Securities may be issued by Senior Officers where previously allotted by the Board (e.g. exercise of previously allotted options and warrants upon exercise).
4. Transactions of a fundamental nature such as amalgamations, mergers, legal partnerships and material acquisitions or dispositions.
5. Agreeing to redeem, purchase or otherwise acquire any shares.
6. Entering into any agreement or commitment to acquire or dispose of assets that are material to the Company including, but not limited to, those that are an Out of Budget Transaction.
7. Entering into, or making a material modification of, any agreement or commitment to become liable for any indebtedness, including the granting of a guarantee or similar standby obligation, if (a) the amount of such indebtedness is an Out of Budget Transaction or (b) any assets of the Company are made subject to a security interest in an Out of Budget Transaction.
8. Committing to making any capital expenditure which is an Out of Budget Transaction.

9. Entering into any contract, agreement or commitment out of the ordinary course of business if such agreement involves a commitment of financial resources which exceeds the Threshold Amount.
10. Enter into any agreement with an Insider of the Company outside of the ordinary course of business.
11. Terminate, suspend or significantly modify any material business activity or business strategy of the Company.
12. Undertake a new business activity that requires an allocation of resources that exceed the Threshold Amount.
13. Make any material change to a business or strategic plan that has been approved by the Board.
14. The initiation or settlement of any legal proceeding involving a payment that may exceed the Threshold Amount.
15. A change in auditor.
16. The hiring or termination of employment, or the determination of the compensation, of any person who is a Senior Officer of the Company.
17. Offering any material employment or consulting terms to any individual or entity which are not customary for the Company. This determination is to be made by reference to terms of employment or consultancy that have generally been offered to other Employees or consultants in similar positions or with similar status.
18. The approval of a request by an officer or Employee of the Company to serve on the board of another entity, other than not-for-profit entities or family businesses that in no material way compete with the Company or do any material business with the Company.
19. Any other matter specified by the Board as requiring its prior approval.