

Taseko 

CORPORATE GOVERNANCE OVERVIEW AND GUIDELINES

1. Introduction

The Board of Directors of the Company has adopted these Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. 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.

2. Director Responsibilities

(a) **Oversee Management of the Company.** The principal responsibility of the directors is to oversee the management of the Company in the best interests of the Company and its shareholders. This responsibility requires that the directors attend to the following:

1. review and approve on a regular basis, and 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;
2. evaluate the performance of the Company, including the appropriate use of corporate resources;
3. evaluate the performance of, and oversee the progress and development of, senior management and take appropriate action, such as promotion, change in responsibility and termination;
4. implement senior management succession plans;
5. evaluate the Company's compensation programs;
6. establish a corporate environment that promotes timely and effective disclosure (including appropriate controls), fiscal accountability, high ethical standards and compliance with applicable laws and industry and community standards;
7. oversee the Company's auditing and financial reporting functions;
8. evaluate the Company's systems and business to identify and manage the risks faced by the Company;
9. signal the importance of effective tailings facilities to our business and the adverse impacts that improper tailings management practices could have on the environment and our reputation by requiring that the CEO take ownership of tailings management and ensure that appropriate management structure and monitoring systems are in place to provide assurance to the Board and all the Company's stakeholders that

tailings are being managed responsibly in accordance with applicable legal requirements and industry best practices;

10. evaluate insurance programs and approve insurance policy limits;
11. review and decide upon material transactions and commitments;
12. develop a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;
13. provide assistance to the Company's senior management, including guidance on those matters that require Board involvement; and
14. evaluate the overall effectiveness of the Board and its committees.

(b) **Exercise Business Judgment.** In discharging their fiduciary duties of care, loyalty and candour, 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, the directors normally are entitled to rely on the Company's senior executives, other employees believed to be responsible, and its outside advisors, auditors and legal counsel, but also should consider second opinions where circumstances warrant.

(c) **Understand the Company and its Business.** With the assistance of the Company, 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 provide for periodic reviews of the integrity of the Company's internal controls and management information systems.

(e) **Protect Confidentiality and Proprietary Information.** Directors are responsible for establishing policies that are intended to protect the Company's confidential and proprietary information from unauthorized or inappropriate disclosure. 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 adequately preparing for and attending Board meetings and meetings of committees on which they serve. They must devote the time needed, and meet as frequently as necessary, to properly discharge their responsibilities. Directors who reside in or near the city where the Company holds a shareholders' meeting are expected to make a reasonable effort to attend such meeting.

(g) **Indemnification.** The directors are entitled to Company-provided indemnification through corporate articles and by-laws, corporate statutes, indemnity agreements and, when available on reasonable terms, directors' and officers' liability insurance.

3. **Director Qualification Standards**

(a) **Independence.** The Board will ensure that it has at all times at least the minimum number of directors who meet applicable standards of director independence. For members of the Audit and Risk Committee, director independence is to be determined in accordance with those legal and stock exchange independence standards applicable to the Company's Audit and Risk Committee. For other purposes, the Board will, from time to time, establish independence standards that (i) comply with applicable legal and stock exchange requirements and (ii) are designed to ensure that the director does not have, directly or indirectly, a financial, legal or other relationship that, in the Board's judgment, would reasonably interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The standards currently in effect are contained in Appendix 2.

(b) **Size and Skills of Board.** The Board believes that a Board comprised of 7 to 12 members is an appropriate size given the Company's present circumstances. The Board also will 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 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 or result in a continuing conflict of interest. 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.

(d) **Tenure.** The Board does not believe it should establish director term or age limits. Such 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 and age 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 offices of Chairman of the Board and CEO should not be held by the same persons.

(f) **Lead Director.** At any time when the Chairman of the Board is not independent, the independent directors will select an independent director to carry out the functions of a lead director. This person will Chair regular meetings of the independent directors and assume other responsibilities which the independent directors and the Board as a whole have designated.

(g) **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) recommending to the Board persons to be elected by the Board to fill any vacancies on the Board. The Nominating and Governance Committee's recommendations will be considered by the plenary board but the recommendations are not binding upon it.

(h) **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.

(i) **Majority Vote Policy.** If the votes "for" the election of a director nominee at a meeting of shareholders are fewer than the number voted "withhold", the nominee will submit his or her resignation promptly after the meeting for the consideration of the Nominating and Governance Committee. The Committee will make a recommendation to the Board of Directors after reviewing the matter, and the Board will then decide within 90 days after the date of the meeting of shareholders whether to accept or reject the resignation. The Board will accept the resignation absent exceptional circumstances. The Board's decision to accept or reject the resignation will be disclosed by way of a press release, a copy of which will be sent to the Toronto Stock Exchange. If the Board does not accept the resignation, the press release will fully state the reasons for the decision. The nominee will not participate in any Committee or Board deliberations whether to accept or reject the resignation. This policy does not apply in circumstances involving contested director elections.

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 request the inclusion of other agenda items and is generally free to request at any Board meeting the consideration of 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 that is 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 calendar days) and directors should review these materials in advance of the meeting. Certain items to be discussed at a Board or committee meeting may be of a time-sensitive nature and the distribution of materials on these matters before the meeting may not be practicable.

(d) **Executive Session of Independent Directors.** An executive session of independent directors will be held following each meeting of the Board of Directors.

5. **Board Committees**

(a) **Key Committees.** The Board will at all times have an Audit and Risk Committee, a Compensation Committee and a Nominating and Governance Committee. The Board may, from time to time, establish or maintain additional committees or subcommittees as it deems necessary. The Board may delegate any of its powers to committees of the Board, except that it may not delegate the powers to fill Board vacancies, remove a director, change the membership or fill vacancies in a Board Committee, or remove or appoint officers who are appointed by the Board.

(b) **Committee Charters.** Each committee will have a charter that has been approved by the Board. The committee charters will set forth the purposes, goals and responsibilities of the committees. The Board will, from time to time as it deems appropriate, but at least annually, review and reassess the adequacy of each charter and make appropriate changes. Each charter must address those matters required by applicable laws and stock exchange rules. The respective Committee charters are included in the appendices to this Manual as follows:

Audit and Risk Committee Charter – Appendix 6;

Compensation Committee Charter – Appendix 7;

Nominating and Governance Committee Charter - Appendix 8; and

Environmental, Health and Safety Committee Charter – Appendix 9.

(c) **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. The Audit and Risk, Compensation and Nominating and Governance Committees will have a minimum of three directors. Other committees shall have at least one member or the minimum number of members required by applicable law and the Company's charter documents.

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

(e) **Frequency of Committee Meetings.** The chairman of each committee, in consultation with the other 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 are normally expected to provide a copy or otherwise inform the CEO or CFO of 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. 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, Stock Ownership and Stock Trading**

(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 interests 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 of the committees, if not members of management, to receive additional compensation for their additional duties in these positions. 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.

(d) **Compensation for Director Service by Company Employee While Serving on Other Boards of Directors.** When any employee of the Company serves as a director of another company at the request of the Company or as the representative of the Company, that employee may not accept compensation from that other company for such service. If any such compensation is nonetheless received, it shall be received on behalf of and paid over to the Company.

(e) **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, including deferred share units, by each director and a time period during which this target is to be met. In general, stock and deferred share units having a value (measured by purchase price or basis of stock and value of deferred share units at the time credited or market value, whichever is greater) equal to three times annual base cash compensation is an appropriate level of ownership, to be acquired over a period of not more than five years. The Board will periodically review the targets to take into account market circumstances.

(f) **Stock Trading.** Prior to purchasing or selling shares of Company stock, directors must advise the CEO, CFO or counsel for the Company so as to avoid trading at a time when there may be undisclosed material information and so that Company Spokespersons will be aware of such transactions and be able to respond to questions regarding changes in share ownership from shareholders and others.

8. **Director Orientation and Continuing Education**

(a) **Director Orientation.** The Board and the Company's senior management will conduct orientation programs for new directors as soon as possible after their appointment as directors. The orientation programs will include presentations by management to familiarize new directors with the Company's projects and 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 programs 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, the Company's principal operating 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. The Company will periodically schedule site visits by directors to the Company's principal operating facilities.

(c) **Board Reference Binder.** The Nominating and Governance Committee shall oversee the preparation of a Board Reference Binder which will include materials relevant to the Company and its operations to enable each existing director to better perform his or her duties, and to assist with the orientation of newly appointed directors.

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 Management.** The Compensation Committee will be responsible for overseeing the evaluation of the performance of the CEO and other members of senior management. 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 members of senior management.

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

(d) **Expectations of Senior 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 members of senior management 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 Governance Committee, will adopt and maintain a Code of Ethics that will apply to the employees, officers and directors of the Company (Appendix 4). The Code of Ethics will meet the definition and coverage of a "code of ethics" under Item 406 of SEC Regulation S-K 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. 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. However, it is expected that Board members would do so with the knowledge of and, absent unusual circumstances, only at the request of the CEO.

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, the Chairman of the Board monitors 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 consider any proposed changes.

14. Say-on-Pay Policy

The Board believes that shareholders should have the opportunity to not only fully understand the objectives, philosophies and principles the Board has used in its approach to executive compensation decisions but to also have an annual advisory vote on such approach to executive compensation. The Board also believes that such an advisory vote should extend to the Company's approach to the payment of fees for services by Hunter Dickinson Inc. ("HD") and certain related service providers ("HD Service Providers") under any services agreement or equivalent. For purposes of Section 14 of this Manual, HD Service Provider includes HD and any director, officer, employee or affiliate of HD, including Hunter Dickinson Services Inc., but excludes, to avoid double counting, any person whose remuneration is otherwise disclosed to shareholders as required under securities law policies relating to executive compensation. Accordingly, the Board has adopted a Say-on-Pay Policy reflecting the foregoing, a copy of which is attached as Appendix 11.

15. Acquisitions or Dispositions Involving HDI and Related Parties

In addition to the provisions outlined in Section **Error! Reference source not found.** of Appendix 1, any proposed material acquisition or disposition of assets, rights or property by or

from the Company, whether by way of a purchase of equity or debt securities, partnership interests or joint venture interests, asset purchase, merger, amalgamation, arrangement, restructuring, option or similar agreement, in which a HDI Related Person (as defined below) is financially interested shall only be proceeded with in accordance with this section 15.

For purposes of Section 15 of this Governance Manual, an “HDI Related Person” is (i) any Person which is subject to a services agreement with HD, (ii) any officer, director, shareholder, employee or affiliate of a Person listed in (i) above, (iii) HD; or (iv) any officer, director, shareholder, employee, affiliate or material consultant of HD. As of the date of this policy, the following are deemed to be HDI Related Persons: Heatherdale Resources Ltd., Northcliff Resources Ltd., Rathdowney Resources Ltd, Northern Dynasty Minerals Ltd., Amarc Resources Ltd. or Quartz Mountain Resources Ltd. or a director, officer, employee or affiliate thereof.

Any such transaction (herein a “HD Related Transaction”) is required to be submitted to shareholders at a duly called meeting of Company shareholders wherein Company shareholders will be asked to consider and vote on whether to approve the HD Related Transaction (the “HD Related Transaction Resolution”). For the Company to proceed with the HD Related Transaction, the HD Related Transaction Resolution must be approved by a majority of votes cast by disinterested holders of common shares voted at such meeting.

For purposes of Section 15 of this Manual, material means a transaction, or a series of transactions in any 12 month period, exceeding \$500,000 in value or in which one or more HDI related Persons have a financial interest of greater than \$500,000 in value.

16. Enhanced Shareholder Engagement

The Board of directors believes that regular and constructive engagement between the Board and the Company’s shareholders on governance matters is of primary importance. Accordingly, the Board has adopted a Policy On Engagement With Shareholders On Governance Matters reflecting the foregoing, a copy of which is attached as Appendix 12.

General: The Company will ensure that a current version of the Governance Manual, inclusive of the Index, is posted on the Company’s Internet site.

APPENDIX 1

MATTERS REQUIRING BOARD APPROVAL (NON-DELEGATION POLICY)

This Policy identifies items that must be approved by the Board or a committee of the Board and 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, should be referred to the Board for consideration.

The following is a list of items that officers must refer to the Board, or an appropriate committee thereof, for consideration. Under these guidelines, the “Threshold Amount” is equal to \$5,000,000 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.

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 executive officers where previously allotted by the Board (e.g. exercise of previously allotted options and warrants).
4. Entering into transactions of a fundamental nature such as amalgamations, mergers and material acquisitions or dispositions.
5. Agreeing to redeem, purchase or otherwise acquire any of the Company’s 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. Adoption of hedging policies.
11. Approval of insurance policy limits.
12. Entering into any agreement with an officer, director or 10% shareholder of the Company or any parent or subsidiary of the Company outside of the ordinary course of business.
13. Entering into or amending any agreement with Hunter Dickinson Services Inc. (“HDSI”).
14. Investing in any company: (a) in which HDSI and/or its principals hold in excess of 10% of the voting securities; or (b) which controls, or is controlled by or is under common control with HDSI and/or its principals, and in each case the Related Party Investment Protocol (Appendix 10) shall apply.
15. Terminating, suspending or significantly modifying any material business activity or business strategy of the Company.
16. Undertaking a new business activity that requires an allocation of resources that exceed the Threshold Amount.
17. Making any material change to a business or strategic plan that has been approved by the Board.
18. Initiating or settling any legal proceeding involving a payment that may exceed the Threshold Amount.
19. Employing or terminating the Company’s independent auditor.
20. Hiring or terminating the employment, or determining the compensation, of any person who is an executive officer of the Company.
21. 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.
22. The approval of a request by the CEO or the CFO 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.
23. Any other matter specified by the Board as requiring its prior approval.

APPENDIX 2

DIRECTOR INDEPENDENCE STANDARDS

The following standards are to be used in determining whether a director is “independent” for purposes of determining independence from Management, including for determination of independence in selecting members of Board committees. These standards have been prepared by Canadian Securities Regulators, the NYSE MKT, the Toronto Stock Exchange, and the Securities and Exchange Commission. To be independent, a director must meet the requirements of all of the standards. Notwithstanding the foregoing, no director qualifies as an independent director unless the Board of Directors affirmatively determines that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment.

This governance manual also uses the term “outside” director. An outside director is a director who is not independent under the applicable standards but who does not have full-time (or substantially full-time) employment with the Company or a remunerated consulting services relationship of a similar nature. For greater certainty, an outside director may be classified as outside but may not be independent where, for instance, that person owns (or represents a shareholder who owns) more than 10% of the Company’s shares.

NYSE MKT SECTION 803A

“Independent director” means a person other than an executive officer or employee of the company. No director qualifies as independent unless the issuer’s board of directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition to the requirements contained in this Section 803A: (i) directors serving on audit committees must also comply with the additional more stringent requirements set forth in Section 803B(2) below [compliance with SEC Rule 10A-3]; and (ii) directors serving on compensation committees and, in the case of a company that does not have a compensation committee, all independent directors, must comply with the additional, more stringent requirements set forth in Section 805(c) 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, other than prior employment as an interim executive officer (provided the interim employment did not last longer, than one year);
- (b) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of US\$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
 - (i) compensation for board or board committee service,

- (ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of the company,
 - (iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year), or
 - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by 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 US\$200,000, whichever is more, in any of the most recent three fiscal years;
- (e) a director 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 issuer's executive officers serve on the compensation committee of such other entity; or
- (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.

NYSE MKT SECTION 805

In addition to the director independence requirements of Section 803A, the board must affirmatively determine that all of the members of the Compensation Committee or, in the case of a company that does not have a Compensation Committee, all of the independent directors, are independent under this Section 805(c)(1). In affirmatively determining the independence of any director who will serve on the Compensation Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid the by the listed company to such director; and (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

SECURITIES 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.

- (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:
 - (ii) 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:
 - (1) An executive officer of an affiliate;
 - (2) A director who also is an employee of an affiliate;
 - (3) A general partner of an affiliate; and
 - (4) A managing member of an affiliate.
2. 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.

3. The term "executive officer" has the meaning set forth in § 240.3b-7, and generally includes the president, any vice-president in charge of a principal business unit or function, or person who performs a policy-making function for the issuer.

4. 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.

5. 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.

Sections 1.4 and 1.5 of National Instrument 52-110

1.4 Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (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 within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct

compensation from the issuer during any 12 month period within the last three years.

- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) 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) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (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 of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

- (1) Despite any determination made under section 1.4, an individual who
 - (a) accepts, 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

- (b) is an affiliated entity of the issuer or any of its subsidiary entities;
 - (c) is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual 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.
- (3) For the purposes of subsection (1), compensatory fees 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.

Toronto Stock Exchange Company Manual Section 311

An independent director is defined as a person who:

- a) is not a member of management and is free from any interest and any business or other relationship which in the opinion of the Exchange could reasonably be perceived to materially interfere with the director's ability to act in the best interest of the company; and
- b) is a beneficial holder, directly or indirectly, or is a nominee or associate of a beneficial holder, collectively of 10% or less of the votes attaching to all issued and outstanding securities of the company.

The Exchange will consider all relevant factors in assessing the independence of the director. As a general rule, the following persons would not be considered an independent director:

- i) a person who is currently, or has been within the past three years, an officer, employee of or service provider to the company or any of its subsidiaries or affiliates; or
- ii) a person who is an officer, employee or controlling shareholder of a company that has a material business relationship with the company.