



Section

4

## Obligations, Duties and Role of the Board of Directors

(as adopted by the Board of Directors of the Corporation on 13 April 2006 and reviewed and approved 15 November 2006)

A.

### OBLIGATIONS

1. The Board of Directors (the "**Board**") shall assume the responsibility for the stewardship of the Corporation and shall supervise the management of the business and affairs of the Corporation in accordance with the Corporation's obligations contained in the AIM Rules, the Companies Act 1985, the Financial Services and Markets Act 2000, the Criminal Justice Act 1993, the Insolvency Act 1986 and the Company Directors Disqualification Act 1986 (all as amended from time to time), the Securities Act of each province and territory it is registered in Canada and the various related rules, policies and instruments, the Toronto Stock Exchange's governance guidelines and other applicable laws and the Corporation's Articles and By-Laws (collectively, "**Applicable Laws**").
2. The Board may delegate any matter to a committee of directors in compliance with Applicable Laws. (See "Part C – Constitution and Role of the Board of Directors, Item 5 - Board Committees").

## **B. BOARD MANDATE**

### **Introduction**

In meeting its obligations, the Board shall act as a whole or as permitted by Applicable Laws through a committee of the Board. The Board's mandate falls into the following four categories:

#### **1. Selection of Management**

The Board has the responsibility for:

- (a) appointing, monitoring and reviewing the performance of, approving the remuneration for, providing counsel and advice to and replacing the CEO;
- (b) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.

#### **2. Succession Planning**

The Board has the responsibility for:

- (a) planning for the succession of senior management, including appointing, training and monitoring;
- (b) planning for the succession of the directors.

#### **3. Internal Controls**

The Board has the responsibility for ensuring that internal control and information management systems are implemented and maintained.

#### **4. Corporate Governance**

The Board has the responsibility for:

- (a) developing the Corporation's approach to corporate governance, including reviewing and amending as appropriate this Governance Manual; and
- (b) monitoring compliance with the corporate governance guidelines established in this Governance Manual.

#### **5. Strategic Planning**

The Board shall adopt a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business

## **6. Assessing Risk**

The Board shall identify the principal risks of the Company's business and ensure the implementation of appropriate systems to manage these risks.

## **7. Communication Policy**

The Board shall adopt a communication policy

# **C. CONSTITUTION AND ROLE OF THE BOARD OF DIRECTORS**

## **1. Board Composition**

### **(a) Constitution of the Board**

The Board shall be constituted with a majority of individuals who qualify as independent directors (as defined below).

### **(b) Board Membership**

The Board is responsible for selecting nominees for appointment or election to the Board. On an annual basis in advance of the Corporation's making nominations for election of directors at the Corporation's annual shareholders meetings, the Board shall: (i) consider what competencies and skills the Board, as a whole, should possess; and (ii) assess what competencies and skills each existing director possesses. The Board delegates the nomination process to the Governance and Nominating Committee and the CEO but the Board reserves for itself the responsibility for selecting the final nominees.

### **(c) Board Size**

Under Applicable Laws, the Board shall consist of not less than 3 directors and the number of directors may be fixed or changed from time to time by the Corporation's shareholders by an ordinary resolution. The Board will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making. The Board delegates such annual consideration to the Governance and Nominating Committee but the Board reserves for itself the responsibility for recommending to shareholders the size of the Board.

### **(d) Independent Directors**

A director is considered "independent" for the purposes of this Governance Manual if such director meets the meaning of independence set forth under paragraph (A) under the heading "Audit Committee Independent Directors".

**(e) Audit Committee Independent Directors**

A director shall be considered independent for the purposes of the Audit Committee if he or she meets the following requirements:

**(A) Meaning of Independence**

- 1) An Audit Committee member is independent if he or she has no direct or indirect material relationship with the Corporation.
  - (a) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.
- 2) Despite subsection (2), the following individuals are considered to have a material relationship with the Corporation:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
  - (c) an individual who:
    - (i) is a partner of a firm that is the Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation received, more than \$75,000 in direct compensation from the Corporation 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 Corporation 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 Corporation; and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation 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 Corporation solely because the individual or his or her immediate family member.
- (a) has previously acted as an interim chief executive officer of the Corporation; 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 Corporation on a part-time basis.
- (8) For the purpose of Section (A), the Corporation includes a subsidiary entity of the Corporation and a parent of the Corporation.

**(B) Additional Independence Requirements**

- 1) Despite any determination made under section (A), 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,  
  
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.

"Prescribed period" means the period prescribed by law and currently under the Multilateral Instrument 52-110 - Audit Committees it is the shorter of: (i) the period commencing on March 30, 2004 and ending immediately prior to the determination of independence; and (ii) the three year period ending immediately prior to the determination of independence.

## **2. Strategic Plan**

As noted in the Board's mandate the Board is ultimately responsible for adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation's business. However, the initiative for developing and modifying the strategic plan and strategies to achieve these goals and objectives must come from the CEO and management. The Board may assist in the development of the strategies, act as a resource and contribute ideas but the CEO and management will lead this process.

## **3. Performance Evaluation**

### **(a) CEO Evaluation**

One of the most important aspects of effective governance is the relationship between the CEO and the Board. It is crucial that the Board is fully informed, that the CEO has a forum for drawing on the wisdom and experience that exists within the Board and that the Board review the CEO's performance in light of the Company's corporate goals and objectives.

### **(b) Board, Committees and Individual Directors Evaluation**

The Board is committed to evaluating its own performance and the performance of its Committees and individual directors on an annual basis. The review process is also an opportunity to provide input to each of the Chairman of the Board and the Chairman of each Committee on his or her performance.

## **4. Meetings**

### **(a) Number of Meetings**

The Board will meet on a scheduled basis at least four times per year and more frequently if required.

### **(b) Agenda**

The Chairman and the CEO, will be responsible for establishing the agenda for Board meetings. The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. A significant portion of each regularly scheduled Board meeting will be spent examining future plans and strategies for this purpose "future plans and strategies" is intended to be broader than strategic planning and includes without limitation future financial performance, future operations of operating mines, exploration and development of potential mines and corporate development opportunities.

**(c) Guests at Board Meetings**

Guests may be invited by the Board and CEO to make presentations to the Board. Should the CEO wish to invite other people as attendees on a regular basis, the CEO should first seek the concurrence of the Board.

**(d) Access to Senior Management**

The Board encourages the CEO to bring into Board meetings employees who can provide additional insight into the items being discussed and/or who have potential in terms of management succession and should be given exposure to the Board.

**5. Board Committees**

The Board shall adopt for each Board committee a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees) and manner of reporting to the Board. (See Section 9 Audit Committee Charter, Section 10 - Compensation Committee Charter and Section 11 - Governance and Nominating Committee Charter.

Subject to Applicable Laws and any resolution of the Board, a committee may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Where neither the Board nor the committee has determined the rules or procedures to be followed by the committee, the rules and procedures set out in the Corporation's Articles, shall apply with necessary modifications.

The following shall apply to each Board committee:

**(a) Committee Membership**

Committee members are appointed by the Board on the recommendation of Governance and Nominating Committee in consultation with the Chairman and with consideration of the desires of individual Board members.

**(b) Meeting Attendance**

A director who is not a member of a committee may attend meetings of such committee with the consent of the Chairman of the committee. A director who is not a member of a committee may not vote and may not be counted for the purposes of the quorum.

**(c) Committee Meetings and Agendas**

The committee Chairman, after consultation with committee members to the extent practicable, will determine the location, frequency and length of the meetings of the committee, provided that the Audit Committee shall meet at least four times per year. All other committees shall meet at least annually. The Chairman of the committee, in consultation with the CEO or the appropriate senior manager, will develop the committee's agenda.

#### **(d) Committee Responsibilities**

Committees should analyze, consistent with their Charter, strategies and policies that are developed by management. Committees may make recommendations to the Board but, unless specifically mandated to do so, do not take action or make decisions on behalf of the Board.

A committee may, from time to time, request assistance of external advisors who the committee requires to research, investigate and report on matters within a committee's term of reference.

#### **(e) Reporting**

Each committee has a duty to report to the Board all matters that it considers to be important for Board consideration. All committee's minutes should be attached to the Board minutes and forwarded to each member of the Board by the Secretary in a timely manner.

### **6. Director Compensation**

The Board shall establish the compensation of directors, after taking into account the recommendation of the Compensation Committee. The compensation should be generally in line with that paid by public companies of a similar size and type. (See Section 12 – Director Compensation)

The Board encourages Board members to own shares in the belief that share ownership facilitates the directors' identification with the interests of the shareholders.

The Corporation shall maintain directors' and officers' liability insurance. (See Section 13 - Directors' and Officers' Liability Insurance)

### **7. Corporate Standards of Conduct**

The Board has the responsibility for ensuring that standards of conduct are established and monitored for compliance. (See Section 14 - Insider Trading Policy and Black-Out Policy and Section 16 - Code of Business Conduct).

## **8. Access to Outside Advisors**

Individual directors or a group of directors may engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be coordinated through the Chairman and be subject to Board approval.

## **9. Meetings of Independent Directors**

The independent directors shall hold regularly scheduled meetings at least four times per year at which members of management and non-independent directors are not in attendance. In lieu of such meetings, the independent directors may meet during a portion of regularly scheduled Board meetings, provided that time is specifically scheduled and devoted to meeting without members of management.

## **10. Orientation and Continuing Education of Directors**

The Board should provide an orientation new directors and shall provide the opportunity for continuing education opportunities for all directors. The Board delegates the orientation and continuing education process to the Governance and Nominating Committee. (See Section 19 - Orientation and Continuing Education)