



SILVER ELEPHANT MINING CORP.

(Formerly “Prophecy Development Corp.”)

(the “Company”)

Corporate Governance Policies and Procedures Manual

Adopted March 27, 2012 by the Board of Directors, as amended February 26, 2015

TABLE OF CONTENTS

CORPORATE GOVERNANCE OVERVIEW AND GUIDELINES.....	1
1. INTRODUCTION	1
2. DIRECTOR RESPONSIBILITIES	1
3. DIRECTOR QUALIFICATION STANDARDS.....	2
4. BOARD MEETINGS	4
5. BOARD COMMITTEES	4
6. DIRECTOR’S ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS	5
7. DIRECTOR COMPENSATION, STOCK OWNERSHIP AND STOCK TRADING.....	6
8. DIRECTOR ORIENTATION AND CONTINUING EDUCATION.....	6
9. MANAGEMENT EVALUATION AND SUCCESSION AND EXECUTIVE COMPENSATION	7
10. CODE OF ETHICS	7
11. ANNUAL PERFORMANCE EVALUATION OF THE BOARD.....	7
12. BOARD INTERACTION WITH SHAREHOLDERS, INSTITUTIONAL INVESTORS, THE PRESS, CUSTOMERS, ETC.....	8
13. PERIODIC REVIEW OF THE GUIDELINES.....	8
APPENDIX 1 MATTERS REQUIRING BOARD APPROVAL (NON-DELEGATION POLICY).....	9
APPENDIX 2 DIRECTOR INDEPENDENCE STANDARDS	12
APPENDIX 3 OUR COMMITMENTS	16
APPENDIX 4 CODE OF ETHICS.....	19
1. AVOIDING QUESTIONABLE OR ILLEGAL PRACTICES.....	19
2. HONESTY AND FAIR DEALING.....	20
3. PREVENTING THE CORRUPTION OF FOREIGN PUBLIC OFFICIALS	20
4. COMMUNICATION OF THE CODE.....	20
5. COMPLIANCE	20
6. PREVENTION OF IMPROPER PAYMENTS	21
7. CONSIDERATIONS REGARDING THIRD PARTY RELATIONSHIP	24
8. MANAGEMENT RESPONSIBILITIES	25
9. EXAMPLES OF PROHIBITED PAYMENTS UNDER THE CFOPA	25
10. REPORTING VIOLATIONS.....	26
11. CONSEQUENCES OF NON-COMPLIANCE WITH CODE	26
12. CORPORATE OPPORTUNITIES AND DUTY OF LOYALTY	26
13. AVOIDING CONFLICTS OF INTEREST.....	26
14. GIVING OR ACCEPTING GIFTS	27
15. OUTSIDE ACTIVITIES.....	28
16. ACCOUNTING AND RECORDKEEPING, INTERNAL ACCOUNTING CONTROLS AND AUDITING MATTERS.	29
17. USE OF COMPANY PROPERTY.....	30

18. PROPRIETARY INFORMATION	31
19. DISCLOSURE POLICY	32
20. SECURITIES TRANSACTIONS.....	34
21. ADMINISTRATION AND DISTRIBUTION	36
APPENDIX 5 WHISTLEBLOWING POLICY	37
1. PURPOSE	37
2. COMPLAINT PROCEDURES.....	38
3. AUDIT COMMITTEE PROCEDURES	40
4. CORPORATE SECRETARY PROCEDURES.....	41
APPENDIX 6 DISCLOSURE CONTROLS AND PROCEDURES POLICY	43
1. INTRODUCTION	43
2. APPLICATION	43
3. SUPPLEMENT TO INTERNAL CONTROLS AND PROCEDURES	44
4. STATEMENT OF RESPONSIBILITY	44
5. PROCEDURES.....	45
6. NEWS RELEASES	48
APPENDIX 7 MAJORITY VOTING POLICY	52
APPENDIX 8 ADVANCE NOTICE POLICY.....	53
BACKGROUND	53
INTERPRETATION	53
NOMINATIONS OF DIRECTORS.....	54
EFFECTIVE DATE.....	57
CURRENCY	57
APPENDIX 9 AUDIT COMMITTEE CHARTER	58
1. PURPOSE: RESPONSIBILITIES AND AUTHORITY	58
2. STRUCTURE AND MEMBERSHIP.....	63
3. PROCEDURES AND ADMINISTRATION	64
4. ADDITIONAL POWERS	64
5. LIMITATION OF COMMITTEE’S ROLE.....	64
6. COMMITTEE MEMBER INDEPENDENCE AND FINANCIAL LITERACY REQUIREMENTS.....	64
APPENDIX 10 CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE CHARTER.....	66
1. PURPOSE: RESPONSIBILITY AND AUTHORITY	66
2. STRUCTURE AND MEMBERSHIP.....	68
3. PROCEDURES AND ADMINISTRATION	68
4. ADDITIONAL POWERS	69
APPENDIX 11 QUALIFIED PERSON RESPONSIBILITIES AND AUTHORITY.....	70

CORPORATE GOVERNANCE OVERVIEW AND GUIDELINES

1. Introduction

The Board of Directors of the Company (the “**Board**”) has adopted these corporate governance guidelines (the “**Guidelines**”) to assist the Board in the exercise of its responsibilities. The Board may modify or make exceptions to these 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:

- 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;
- evaluate the performance of the Company, including the appropriate use of corporate resources;
- 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;
- implement senior management succession plans;
- evaluate the Company’s compensation programs;
- 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;
- evaluate the Company’s systems and business to identify and manage the risks faced by the Company;
- evaluate and oversee insurance programs and approve insurance policy limits;
- review and decide upon material transactions and commitments;
- develop corporate goals and objectives;
- develop a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;

- provide assistance to the Company's senior management, including guidance on those matters that require Board involvement; and
- 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 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 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 to adequately prepare for and to attend 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, corporate statutes, indemnity agreements and, when available on reasonable terms, directors' and officers' liability insurance.

3. **Director Qualification Standards**

(a) **Independence.** The Board believes that at all times a majority of the directors should meet applicable standards of director independence. For members of the Audit Committee, director independence is to be determined in accordance with those legal and stock exchange independence standards applicable to the Company's Audit 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 with the Company that 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 - Director Independence Standards*.

(b) **Size and Skills of Board.** The Board believes that a Board comprised of 5 to 7 members is an appropriate size given the Company's present circumstances. 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 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 Corporate Governance and Compensation Committee ("CGCC") 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 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 CGCC will review each director's continuation on the Board periodically. 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 CGCC, the Board makes a determination in that regard.

(e) **Separation of the Offices of Executive Chairman and CEO.** The Board will select an Executive Chairman in a manner and upon the criteria that the Board deems appropriate at the time of selection. The Board believes the offices of Executive Chairman and Chief Executive Officer ("CEO") should generally not be held by the same persons except in extraordinary circumstances.

(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 CGCC will be responsible for (i) identifying individuals qualified to become Board members, (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 CGCC's recommendations will be considered 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 in the manner, and when authorized by the

Board.

(h) **Majority Voting 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 is expected to submit his or her resignation promptly after the meeting for the consideration of the CGCC. The CGCC will make a recommendation to the Board after reviewing the matter, and the Board will then decide whether to accept or reject the resignation. The Board’s decision to accept or reject the resignation will be disclosed to the public. The nominee will not participate in any CGCC deliberations whether to accept or reject the resignation. This policy does not apply in circumstances involving contested director elections. See *Appendix 7 - Majority Voting Policy*.

(i) **Advance Notice Policy.** If nominations of persons for election to the Board are made by shareholders other than through either, a requisition of a meeting or a shareholder proposal made, pursuant to the *Business Corporations Act* (British Columbia), advance notice must be given to the Company. The policy sets a deadline by which shareholders must submit nominations (a “**Notice**”) prior to any meeting, sets forth the information they must include in the Notice, and establishes the form in which the Notice must be submitted. See *Appendix 8 - Advance Notice Policy*.

4. **Board Meetings**

(a) **Selection of Agenda Items.** The Executive Chairman with the assistance of management, 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 Executive Chairman, 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 at least 48 hours) 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 and a

CGCC. Each such committee will have a charter that has been approved by the Board. 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.** The charters of the committees will set forth the purposes, goals and responsibilities of the committees, and will be included as Appendices to these Guidelines. The Board will, from time to time as it deems appropriate, 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.

(c) **Assignment of Committee Members.** The CGCC 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 must meet the independence standards applicable to audit committees as required by applicable laws and regulations and stock exchange rules. All members of the CGCC must be “independent directors” in accordance with the director independence standards established by the Board from time to time. The Audit Committee and CGCC 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 committee members, will develop the committee’s agenda.

(e) **Frequency of Committee Meetings.** The chairman of each committee, in consultation with 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 Chief Financial Officer (“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 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 Corporate Governance and Compensation Committee.** The form and amount of director compensation will be recommended by the CGCC and approved by the Board in accordance with the general principles set forth herein and in the CGCC Charter. The CGCC will also periodically review 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 shares, options and stock appreciation rights 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 Board believes that it is appropriate for the Executive Chairman 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 appropriate to each such director.

(f) **Stock Trading.** Prior to purchasing or selling shares of Company stock, directors must advise the CEO, CFO, Corporate Secretary 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 Company's senior management will assist in the orientation of new directors as soon as possible after their appointment as directors. The

orientation may 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 Ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation will include a review of the Company's expectations of its directors in terms of time and effort, and a review of the directors' fiduciary duties.

(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 supports and encourages directors to undertake relevant continuing director education, the cost of which, if approved by the CEO, 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 Management.** The CGCC will be responsible for overseeing the evaluation of the performance of the CEO and other members of senior management. The CGCC 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 CGCC will also discuss with the Board the recommendations of the CEO with regard to the compensation of the other members of senior management.

(c) **Succession of Senior Management.** The CGCC will be responsible for overseeing senior management succession planning.

(d) **Expectations of Senior Management.** The Board will establish, and periodically review, 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 CGCC. 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 CGCC.

10. **Code of Ethics**

The Board, on the recommendation of the CGCC, will adopt and maintain a Code of Ethics, which will apply to the employees, officers and directors of the Company.

11. **Annual Performance Evaluation of the Board**

The CGCC will oversee periodic self-evaluations of the Board to determine whether it and its committees are functioning effectively. The CGCC 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. It is, however, expected that Board members would do so with the knowledge of and, absent unusual circumstances, 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, the Executive Chairman 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 Guidelines

The Board will, from time to time, with or without recommendations of the CGCC, review and reassess the adequacy of these Guidelines and consider any proposed changes.

The Company will ensure that a current version of this Corporate Governance Policies and Procedures Manual is posted on the Company's Internet website.

APPENDIX 1

MATTERS REQUIRING BOARD APPROVAL (NON-DELEGATION POLICY)

This policy identifies items that must be approved by the Board of Directors of the Company (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 C\$50,000 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 Company strategy and business plan.
2. Entering into transactions of a fundamental nature such as amalgamations, mergers, material acquisitions or dispositions and major operational restructuring.
3. Terminating, suspending or significantly modifying any material business activity or business strategy of the Company.
4. Undertaking new business activities inclusive of investment or disinvestment that requires an allocation of resources in excess of C\$50,000 (the Threshold Amount).
5. Making any material change to a business or strategic plan that has been previously approved by the Board.
6. The approval of annual corporate operating and capital budgets and changes that are Out of Budget Transactions.
7. Declaration of dividends or establishing dividend policies.
8. Initiating or settling any legal proceeding involving a payment that may exceed the Threshold Amount.
9. The approval of quarterly and annual reports and 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.
10. Approval of insurance policy limits.
11. Adoption of hedging policies.

12. Approval of material codes of conduct and operating policies, including signing authority protocols.
13. 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 upon exercise).
14. Agreeing to redeem, purchase or otherwise acquire any of the Company's shares for total consideration in excess of the Threshold Amount.
15. Listing or de-listing on any stock exchange.
16. Employing or terminating the Company's independent auditor.
17. Employing or terminating the Company's internal auditor as recommended by management.
18. The approval of a request by the Chief Executive Officer or the Chief Financial Officer 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. Hiring or terminating of employment, or determining the compensation, of any person who is an executive officer of the Company.
20. 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.
21. 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.
22. Entering into any material contract, agreement or commitment out of the ordinary course of business, including the disposal of material assets of the Company.
23. 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.
24. Determining the amounts to be allocated to corporate social responsibility projects.

25. Approval of Board committee charters and appointment of Board committee members.
26. Any other matter specified by the Board as requiring its prior approval.

APPENDIX 2

DIRECTOR INDEPENDENCE STANDARDS

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,
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 and 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 interests 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.

APPENDIX 3

OUR COMMITMENTS

Human Resources

We are committed to having an employment environment that is supportive and that demonstrates the value that we place on teamwork and individual contributions. We expect all of our employees to treat their fellow employees with the courtesy, dignity and respect that they would like to receive. An integral part of that policy is that the Company does not practice or permit discrimination against any person because of race, colour, religion, national origin, sex, sexual orientation, age or disability. We are also committed to having a friendly workplace that is free of harassment, intimidation and hostility. Not only is it the law; it is good practice.

We are committed to treating all of our employees fairly. To that end, we encourage our employees to proactively confer with the appropriate person if they have employment related issues that they believe should be addressed.

We want to be known as the employer of choice in every community in which we operate.

Health and Safety

We are committed to having work sites that are healthy and safe. We expect all of our employees to comply with all applicable health and safety requirements and policies. The health and safety of all of our employees, and all who come in contact with our company locations, is paramount. In addition to following all applicable laws and company safety policies, we expect all of our employees to follow best practise in matters involving health and safety. We are committed to the policy that “it is always better to be safe than sorry!”

Environment

We are committed to standards of excellence in our environmental practices. We will meet all legal requirements applicable to our activity. Where feasible, we will exceed the legal requirements. Where there are no applicable legal standards, we will apply responsible practices. To this end, we expect our employees to (1) comply with applicable environmental requirements; (2) seek guidance when they are unsure of the standards; (3) consider what extra steps we may follow to enhance our environmental performance; and (4) report violations or suspected violations to the appropriate person(s).

Community and Other Stakeholders

We are committed to maintaining the best possible relationships with the communities in which we operate. We cannot function as a company unless we are accepted in the communities in which we operate, and we cannot be accepted in our communities unless we act responsibly toward our neighbours and those who are impacted by our activity. We must remember that in many instances we are guests in the community and that if we eventually leave, the community and its members

will remain in place. If we are to be welcomed in other communities in the future, it is imperative that we leave a legacy of good will in those places where we have conducted business in the past.

The Company's policy is to make positive contributions to the communities in which we operate, including encouragement of local employment in our operations and financial contributions to an appropriate extent, so that the community is enriched by our presence. We also encourage all of our employees to participate in community activities.

Our suppliers and customers are critical to our success in many ways. We are committed to maintaining honest and mutually beneficial relationships with our suppliers and customers. We expect to be treated fairly by our suppliers and customers, and our suppliers and customers are entitled to the same treatment from us. Our reputation for fair dealing will serve to benefit us whenever and wherever we engage in business.

Our relationships with governmental entities can be especially important in our success as a company. We are committed to dealing in an honest and forthright manner with all governmental entities with which we have relationships. While we will exercise and protect our legal rights, we will also cooperate with all governmental entities in recognition of our civic duties.

Our employees make our Company successful in many ways. We recognize their participation and importance through our commitments to human resources and health and safety.

Our shareholders are our most important stakeholders. As the owners of the Company, they have entrusted us with the care of their assets, and they rely on us to manage those assets responsibly, with a view to providing them with a suitable return on their investment. We are committed to managing their assets responsibly and to providing them with timely and complete disclosure.

Ethical Conduct and Compliance with Law

We are committed to conducting our business in an ethical way and in compliance with applicable laws and regulations. As a part of our commitment, we have established our Code of Ethics (the "Code"). The Code (as defined in *Appendix 4 - Code of Ethics*) contains some specific provisions dealing with such matters as corporate opportunity, conflicts of interest, and securities trading. It also deals with more general matters, such as compliance with law and honesty and fair dealing. The Company strives to operate in an ethical and legal way in all of its activities, and we expect our employees to do the same. The Code cannot cover everything that may come up. For that reason, when one of our employees is confronted with a matter that is not covered by the Code, we expect that employee to ask himself or herself two questions before proceeding: (1) does it feel right; and (2) how would I feel if my actions were the subject of a front-page news report? See *Appendix 4 - Code of Ethics*.

What to Do

The Code contains a set of suggested procedures that our employees can use to raise issues that they believe may violate the Code. But those procedures are equally available for any employee to report any instances where he or she believes that we or any of our employees are failing on our

commitments. We want to know if we can do better, and we encourage all of our employees to tell us anytime they believe we are not fulfilling our commitments.

APPENDIX 4

CODE OF ETHICS & CONDUCT

Introduction

The Company's policy is to conduct its business in accordance with the highest ethical and legal standards. To assist the Company in achieving this policy, the Board of Directors (the "**Board**") has adopted this Code of Ethics (the "**Code**"). The Code is designed to deter wrongdoing and to promote:

- (1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- (2) Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company submits to regulatory authorities and communicates to the public;
- (3) Compliance with applicable governmental laws and regulations;
- (4) Prompt internal reporting of violations of the Code to appropriate persons identified in the Code; and
- (5) Accountability for adherence to the Code.

The Code applies to all employees, officers, and directors of the Company and its subsidiaries ("**Company Personnel**"). Depending on the circumstances, it may also apply to agents and other representatives of the Company. ("**You**" as used in this Code refers to all such persons, as appropriate.) In addition to your complying with the Code, it is your responsibility to prevent others from violating these standards if you are in a position to do so. If you are not in a position to do so, it is your responsibility to bring the matter to the attention of a member of senior management who is in a position to take appropriate action, or to the attention of an independent member of the Board.

1. Avoiding Questionable or Illegal Practices

The Company's policy is to comply with all laws and regulations that apply to its business, and to avoid any activity that may be regarded as questionable or unethical. Fraudulent, illegal or unethical acts will not be tolerated. No action that would otherwise be questionable is permissible simply because it is customary in a particular location or business.

If you are confronted with a situation that raises an issue under this policy, 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 honest, fair and ethical?
- Does it compromise anyone's trust or integrity?
- Would the public disclosure of the activity in any way be embarrassing to you, the Company or any other affected employees?

You should be sufficiently familiar with any laws and regulations and Company policies and procedures that apply to your area of work and responsibility. That will permit you to recognize possible breaches and to know when to seek advice. If in doubt, you should discuss the matter with a member of senior management.

2. Honesty and Fair Dealing

When representing the Company, it is important that you deal honestly and fairly with the Company's joint venture partners, suppliers, customers, 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, undue influence or any other unfair dealing practice. You also should not give any advantage to anyone for reason of personal relationship, personal benefit or other reasons not involving the best interest of the Company.

3. Preventing the Corruption of Foreign Public Officials

The law entitled *Corruption of Foreign Public Officials Act* ("CFPOA") makes it illegal in Canada to corrupt officials of foreign governments or to engage in certain related acts.

4. Communication of the Code

Copies of this Code shall be made available to all Company Personnel directly. All Company Personnel will be informed whenever significant changes are made. New Company Personnel will be provided with a copy of this Code.

5. Compliance

All Company Personnel, in discharging their duties, shall comply with the CFPOA and any other laws, regulations and rules of the jurisdiction where they carry out their business duties to the Company and all jurisdictions where the Company conducts its business activities, and in particular with respect to foreign corrupt practices laws, regulations and rules. The Company expects all the Company Personnel to take all reasonable steps to prevent violations of this Code, to identify and raise potential issues before they lead to problems and to seek additional guidance when necessary. If you have any questions about this Code, or the lawfulness of any transaction or activity under this Code, please contact the Company's Corporate Secretary.

6. Prevention of Improper Payments

All Company Personnel will adhere to the Company's commitment to conduct its business in an honest and ethical manner reflecting the highest standards of integrity and in compliance with all relevant laws and regulations applicable to it. Accordingly, the Company and Company Personnel shall not:

6.1 *Bribes*

- (a) directly or indirectly, offer, give or agree to give or offer a loan, reward, advantage or benefit of any kind to a public official, political party, party official or political candidate as consideration for an act or omission by the recipient in connection with the performance of the recipient's duties or functions with the government; or to induce the official to use his or her position to influence any acts or decisions of such government for the purposes of obtaining or retaining an advantage in the course of business, including an act or decision to direct business;
- (b) agree to, or comply with any demands for a bribe made by a public official, political party, party official or political candidate;
- (c) however, a director, officer, employee, consultant or contractor of the Company will not have breached the terms of paragraph 7.1(a) of the Code, if the loan, reward, advantage or benefit has been approved by the Board of the Company, and where such loan, reward, advantage or benefit is either:
 - (i) permitted or required under all applicable laws; or
 - (ii) made to pay the reasonable expenses incurred in good faith by or on behalf of the recipient that are directly related to the promotion, demonstration or explanation of the products or services of the Company, or the execution or performance of a contract between the Company and the government for which the recipient performs duties or functions;

6.2 *Kickbacks*

- (a) kickback any portion of a contract payment to employees of another contracting party or utilize other techniques, such as subcontracts, purchase orders or consulting agreements, to channel payment to public officials, to employees of another contracting party, their relatives or business associates;

6.3 *Extortion*

- (a) directly or indirectly demand or accept a bribe;

6.4 Facilitation Payments

(a) make any Facilitation Payment¹, provided that, if the Chief Executive Officer (“CEO”) of the Company deems necessary, then a facilitation payment may only be made in the following circumstances:

- (i) due diligence has been conducted to ensure both the payment and its amount are absolutely necessary to conduct the Company’s business;
- (ii) the payment has been properly recorded in reasonable detail which accurately and fairly reflects the transaction and includes such information as the amount paid and the purpose of, and authorization for, such payment;
- (iii) any such payment is reported on a quarterly basis to the Chairman of the Audit Committee; and
- (iv) the payment does not result in an improper benefit to the Company;

6.5 Political Contributions

(a) make any contributions or provide any financial support to political parties or candidates on behalf of the Company without prior approval of the Board. However, if the Board provides its approval, a political contribution may be made only if:

- (i) it is made in accordance with all applicable laws;
- (ii) it is not made with any promise or expectation of favorable treatment in return of such contribution;
- (iii) it is accurately reflected in the Company’s books and records;
- (iv) all requirements for public disclosure of such contributions are fully complied with; and
- (v) the payment does not result in an improper benefit to the Company;

6.6 Charitable Contributions and Social Benefits

(a) make any charitable contributions on behalf of the Company without first consulting the CEO and obtaining approval from the CEO for such contribution. Given the nature of the Company’s business, the Company is often asked by governments to contribute to the development of local infrastructure near its projects, such as roads, ports,

¹ For purposes of this Policy, “**Facilitation Payments**” means: (1) payments merely to expedite actions that should be performed in any event; (2) payments that do not involve discretionary action by the government official; and (3) such payments are not made to induce a government official or employee to ignore his or her lawful duty.

schools, medical facilities and worker housing. As part of the Company's commitment to corporate responsibility and sustainable development, as a general matter, the Company would like to provide such assistance in appropriate circumstances in an appropriate manner. However, such requests must be carefully examined for legitimacy. Even requests determined to be legitimate must be carefully structured to ensure that the benefits reach their intended recipients;

6.7 *Government Agents*

(a) retain an agent to represent the Company's business interests in a particular country if such agent, or any of the agent's principals, staff, officers or key employees are government or public officials, political party officials, political candidates, persons related to the foregoing, or other persons who might assert illegal influence on the Company's behalf. However, if the CEO deems necessary, then such an agent may be retained provided:

- (i) the reputation, background and past performance of the agent is properly researched and documented;
- (ii) the agent is retained pursuant to a written agreement specifically defining the agents duties, representing and warranting the absence of the relationship set out above, providing for immediate termination in the event of an improper payment, annual certification requirement and the right to audit expenses and invoices; and
- (iii) the agent's retention will not result in an improper benefit to the Company;

6.8 *Employment of Public Officials*

(a) employ any officer or employee of a government or any of its agencies or a government corporation, or any person acting in an official capacity for any such entity and including relatives of any such person. However, if the CEO deems necessary, then such a person may be employed provided:

- (i) the employment is lawful in the country concerned;
- (ii) the services to be rendered by the person do not conflict with the official government duties of the person; and
- (iii) the services to be rendered by the person are such that the employment of the person does not conflict with section 7.1 of this Code.

6.9 *Security Support*

(a) contribute to the cost of providing security for the Company's operations on the request of a host government prior to consulting with the CEO;

6.10 *Gifts and Entertainment*

(a) give inducements, including gifts and entertainment, to government officials on a scale that might be perceived as creating an obligation on that official. To comply with this Code, the cost or expense of a gift, meal or entertainment must be reasonable. It must be directly connected to a legitimate business promotional activity or the performance of an existing contract, it must be permitted under local law and it must be otherwise consistent with the Company's business practices. When considering the reasonableness of the expense, Company Personnel should consider the frequency with which such expenses are incurred for a particular official. Modest costs frequently incurred can, when aggregated, amount to lavish and potentially improper payments. Even where gifts, meals or entertainment may be consistent with normal social or business amenities in the official's country, that does not mean that they are permitted under either the laws of that country or the laws of other countries combating the bribery of foreign government officials, including Canadian law. The cost of gifts, meals, and entertainment should always remain at or below that permitted by local law and in no event should that amount be greater than the legitimate and customary expenditure for such activities by private businesspersons in the country.

7. Considerations Regarding Third Party Relationship

7.1 *Willful Ignorance of Third Party Violations of the CFPOA may subject the Company to Liability*

(a) Liability can arise whether or not the third party is subject to the CFPOA, whether a contractual relationship exists with the third party, and whether the Company actually knows of the payment. If Company Personnel are willfully ignorant of the possibility that the third party will make an improper payment or commitment, and particularly if Company Personnel disregard the "red flags" set forth in 8.2(b), which signal the possibility of payment or commitment, the law may be violated.

7.2 *Best Practice when Engaging Third Parties*

(a) The Company and Company Personnel must clearly communicate to third parties in which the Company engage of the Company's approach to providing benefits to government officials and ensure that such third parties comply with that approach. Any unusual charges by third parties that could conceal improper benefits to government officials must be queried. Failure to do so could result in liability under anti-corruption or anti-bribery laws; and

(b) Company Personnel must be on the lookout for the following "red flags" in proposed third party relationships because they can often be used to make an indirect bribe:

(i) Payments to shell companies or to companies whose ownership is not transparent;

- (ii) Payments to offshore bank accounts;
- (iii) Payments to entities owned or controlled by government officials, their close relatives, or business associates;
- (iv) Charitable contributions to individuals;
- (v) Cash transactions;
- (vi) Doing business with people or entities that are known to engage in bribery or who are suspected of engaging in bribery; and
- (vii) Requests for false or misleading documentation.

If you become aware of any of the situations set forth in 8.2(b) or others that suggest the possibility of improper payments, it does not necessarily mean that improper conduct is underway; however, they cannot be ignored. The existence of a red flag requires further inquiry and the entering into or continuing of a relationship with a third party where a red flag has been identified must be carefully considered. If you have any doubts, please contact the Company's Corporate Secretary.

8. Management Responsibilities

Management of the Company shall develop, implement, monitor and maintain a system of internal controls to facilitate compliance with this Code, as well as to foster a culture of integrity and maintain high ethical standards throughout the Company.

9. Examples of Prohibited Payments Under the CFOPA

Some examples of the type of payments which are prohibited under the CFOPA include:

- (a) Payments to induce the issuance of any license or other authorization where discretion is part of the decision to issue the license;
- (b) Payments to prevent some action, such as the cancellation of an existing contract, which would preclude the continuation of normal business relationships;
- (c) Payments to obtain confidential information about business opportunities or about the activities of competitors;
- (d) Payments to a government official to dismiss an alleged violation of local law by the Company; or
- (e) Payments to a government official to obtain or expedite a negotiated agreement with a governmental agency.

10. Reporting Violations

Any Company Personnel that becomes aware of actions which could constitute a violation of this Code is required to report it to their immediate supervisor. However, if such person is not comfortable discussing the matter with their immediate supervisor, or does not believe that the supervisor has dealt with the matter properly, then they should contact the Company's Corporate Secretary, Chief Financial Officer ("CFO") or CEO. All communications shall be confidential. Company Personnel who raise genuine concerns will not be subject to retribution or disciplinary action.

11. Consequences of Non-Compliance with Code

Failure to comply with this Code may result in severe consequences, which could include internal disciplinary action or termination of employment or consulting arrangements without notice. In addition, individuals that violate the CFPOA may be subject to significant fines and/or imprisonment by the applicable government authority. It is not an acceptable defense to a violation of this Code that a prohibited payment was demanded by the recipient, or that the alleged violator of this Code was unaware that a transaction or other activity was unlawful or a violation of this Code.

12. 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.

Outside directors of the Company may have a variety of other business relationships involving duties of loyalty. In addition, outside directors do not, as a general matter, have the same obligation as officers and employees to bring corporate opportunities to the Company. For these reasons, the Code does not apply to outside directors of the Company with respect to issues involving duties of loyalty or corporate opportunities that arise outside the performance of the outside director's duties to the Company and such issues, to the extent they arise, are to be disclosed to, and resolved directly with the Board.

13. Avoiding Conflicts of Interest

A conflict of interest occurs when your private interests, or the private interests of your family, interfere, or appear to interfere, in any way with the best interests of the Company. For these purposes, "family" would generally include your parents and grandparents, spouse, children and grandchildren, siblings, in-laws and other persons who share a residence with you or another member of your family. You must take care to avoid any direct or indirect involvement or

understanding that might result in such a conflict or create the appearance of such a conflict. Whether a situation involves a conflict of interest depends on all of the circumstances. Generally, the Company would not consider it a conflict of interest if an employee's brother or sister were an officer of a competitor. However, the Company would consider it a conflict of interest if a Company employee in charge of procurement were to purchase products or services from a company owned by the employee's brother or sister or from a company owned by a close personal friend of the employee. The following are examples of conflict of interest situations which generally must be avoided or which may raise a question:

- Acting as an employee, officer or director of, or a consultant to, a competitor or potential competitor of the Company;
- Having a financial interest in or loan from a business which is a joint venture partner, optionor or optionee, competitor, customer or supplier of the Company or which otherwise does business with the Company (an investment in the securities of a publicly traded company normally would not be considered to present a conflict of interest unless it represented a material part of your savings);
- Placing of Company business with any other company that is directly or beneficially owned or controlled by you or by members of your family.

Some conflicts are clear-cut; others are less obvious. In addition, there may be circumstances where it is necessary or in the best interests of the Company to have a business relationship with a business or company in which an employee or officer, or his or her family, may have an interest. For example, where Company operations are in a remote location, it may be necessary from time to time to enter into a business relationship with a business controlled by an employee's family members. For these reasons, you must fully disclose to your supervisor, the CEO or the CFO all circumstances that could be perceived as involving a conflict of interest between the Company and you or members of your family. Full disclosure enables the Company to resolve unclear situations and to 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 will be put in place to ensure that there is full disclosure and to minimize the involvement of the conflicted individuals in the relationship giving rise to the conflict.

Outside directors of the Company are not expected to devote their time and effort solely on behalf of the Company, and they may have a variety of other business relationships that could give rise to a conflict of interest. Any such potential conflicts of interest are to be disclosed to, and resolved directly with the Board.

14. Giving or Accepting Gifts

The giving or accepting of gifts can adversely affect the Company's reputation for fair dealing and also create conflicts of interest. You should avoid:

- Giving or offering to give any gift, favour, 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. Such action may damage the Company's reputation for fair dealing and may be illegal.

- Accepting or soliciting a gift, favour, or other thing of value that is intended to, or might appear to, influence your decision-making or professional conduct. In addition to damaging the Company's reputation for fair dealing, receipt of such gifts could interfere with your ability to make judgments solely in the best interest of the Company, and thus create the appearance of a conflict of interest.

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.

15. **Outside Activities**

Outside activities must not conflict with the proper performance of your duties.

(a) **Other Business Activity.** Full-time employees and officers are expected to devote substantial effort and attention to the furtherance of the Company's business. In the usual case, this would make it difficult for you to properly perform your duties while also being engaged in other business ventures. For this reason, you may not serve as the proprietor, general partner, officer or director of any other business without first obtaining the written consent of the CEO or CFO. In the case of not-for-profit entities or family owned businesses, the CEO or CFO will normally grant such consent if he or she is satisfied that the involvement will not conflict with your duties and will not involve any conflict with the interests of the Company. In addition, the CEO may grant consent to an officer or employee serving as a member of the board of directors of another company in special circumstances. (The Board will consider any proposal for 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.)

(b) **Professional Associations and Charitable Organizations.** The Company encourages employees and officers to participate in geological, engineering and other professional associations and activities that do not conflict with their duties for the Company and do not involve conflicts of interest. The Company also encourages officers and employees to participate in charitable organizations and activities. However, you should consult with the CEO or CFO before you undertake any such outside activities requiring a substantial amount of time. In addition, you should not accept a position as an officer or director of a professional or charitable organization without prior consultation with the CEO or CFO, so that they can be satisfied that your activity on behalf of such organizations cannot be attributed to the Company.

(c) **Political and Government Affairs.** No Company contributions may be made, directly or indirectly, to any election or issue campaign in any jurisdiction or circumstance

that would be unlawful. Corporate contributions may be made in appropriate cases where and when permitted by applicable law, but only with the approval of the Board. Use of Company equipment, supplies or facilities to support any political party, candidate or campaign, as well as employee activity during normal business hours, may constitute a political contribution. You may not engage in any such activity where it involves Company equipment, supplies or facilities or activity during normal business hours without the prior approval of the Board. In addition, no action which presents, or may appear to present, the position of the Company with respect to any political or governmental matter may be taken without the prior approval of the Board.

The Company encourages employees and officers, as individuals, to take part in political and governmental affairs to the extent that such activity does not interfere with the proper performance of their duties or involve the use of Company assets or a conflict of interest. However, if you wish to run for public office or hold an appointed public position, you must confer with the CEO and legal counsel for the Company to ensure that the proposed activity is consistent with your duties to the Company and does not involve a conflict of interest.

The outside directors of the Company are not expected to devote their full time and effort solely on behalf of the Company and accordingly this Part 15 of the Code does not apply to them.

16. Accounting and Recordkeeping, Internal Accounting Controls and Auditing Matters.

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

(a) **Accounting and Recordkeeping.** You may not 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, where applicable, 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.

(b) **Internal Accounting Controls.** Internal accounting controls have been established to provide reasonable assurances that (i) transactions are executed in accordance with management authorization, (ii) transactions are properly recorded as needed to permit preparation of financial statements and to maintain accountability for assets, (iii) all assets are recorded on the books of the Company and access to assets is only permitted in accordance with management authorization, and (iv) periodic auditing is done at reasonable intervals and action is taken to resolve discrepancies. You must comply with all internal control requirements and ensure that no action is taken to avoid the internal controls requirements.

(c) **Auditing.** The Company employs a firm of independent chartered accountants to audit the Company's annual financial statements. The annual audit has a number of purposes, including (i) compliance with regulatory requirements, (ii) providing an independent assessment of whether the Company's financial statements fairly present the financial condition, results of operations and cash flow of the Company, (iii) assessment of the accounting principles used and significant estimates made by the Company in preparing its financial statements, and (iv) assessment of the Company's system of internal controls over financial reporting as required by applicable law and regulatory policies. Each employee is responsible for providing whatever assistance may be required by the auditors. If you receive inquiries from the Company's independent accountants, you must respond promptly, fully and accurately.

If you have any concerns as to weaknesses in the Company's accounting system or in the Company's internal controls; or if you believe that any instances of fraud,* or incorrect or questionable accounting practices may have occurred; or if you believe that any instances of fraudulent, incorrect or questionable practices may have occurred in connection with the annual audit of the Company's financial statements, you should consult with your immediate supervisor or with the Company's CEO or CFO. Alternatively, you may contact the Audit Committee of the Board using the procedures outlined below under the heading "Reporting of Possible Violations or Other Questionable Practices - Procedures to Submit a Report." Those procedures include a procedure for confidential, anonymous submission of concerns.

*For purposes of the Code, "fraud" includes any deliberate misstatements or omissions in connection with preparation or reporting (internal or external) of financial and/or operating information about the Company, whether or not material and without regard to whether the employee receives any personal benefit.

17. Use of Company Property

You are entrusted with the care, management and cost-effective use of the Company's property

and you are not to make use of these resources for your own personal benefit or for the personal benefit of anyone else. Passwords are to be kept confidential and use of the computer systems is limited to authorized business purposes, although occasional personal use of the internet, e-mail and voice mail will normally be permitted unless your supervisor believes that this privilege is being abused.

However, in order to protect the Company's interests - including for example, to ensure that the Company's computers and voice mail are not being used for improper purposes, such as sexual harassment - the Company reserves the right to review the contents of the Company's computers, its e-mail system, and its voice mail system. No employee has a right of personal privacy with respect to information that is placed in the Company's computers, the e-mail system, or the voice mail system.

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

Company letterhead stationery is to be used only for correspondence related to the Company's business. Do not use it for personal correspondence or unauthorized solicitation.

You are to return all documents and property in your possession upon termination of your employment for any reason.

18. Proprietary Information

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 the confidentiality of our proprietary information.

You are to take all reasonable measures to protect the confidentiality of proprietary information obtained or created by you, or otherwise made known to you, in connection with your activities on behalf of the Company. In addition, you must use proprietary information only for the Company's legitimate business purposes, and not for your personal benefit or the benefit of anyone else.

To provide the Company with reasonable protection against unauthorized disclosure or unauthorized use of its proprietary information, all employees are required to sign an employment agreement prior to their start with the Company that includes provisions addressing confidentiality. These agreements state in part that the Company retains exclusive ownership of all project information and opportunities arising out of employment or consulting relationships and any information pertaining to the exploration plans of the Company.

For these purposes, "proprietary information" means information developed or secured for use of the Company in its business, where that information is not generally known to or otherwise readily available to the public and members of our industry. Proprietary information 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 that has not been disclosed by the Company.
- Investor lists, relationships with consultants, contracts, business plans and strategies.
- Personnel information.

It is your responsibility to know what information is proprietary and ensure that you use and disclose it only in the performance of your duties with the Company. If you are unsure, consider the information to be confidential until you obtain clarification.

If your employment terminates, you will continue to be bound to your obligations of confidentiality to the maximum extent permitted by law.

19. Disclosure Policy

The Company has both legal and ethical obligations to provide appropriate disclosure of material information, and to ensure that employees and others do not benefit from having and using undisclosed material information. "Material information" is any information which reasonably could be expected to affect the market for the Company's stock or to influence an investor's decision to buy, sell or hold the stock. The wrongful use of undisclosed material information may make both the Company and the individual involved liable for regulatory, criminal and/or civil penalties and damage awards.

(a) **Control of Confidential Information.** All employees have the responsibility to inform senior management on a timely basis of events or developments that might have a material effect on the Company. Such information should be communicated to your superior or to members of senior management.

Strict confidentiality must be maintained with regard to disclosure of confidential information to persons within the Company who have no need to know, and to anyone outside of the Company. Care must be taken when handling confidential correspondence, assay results, reports, documents, memos and facsimiles. Documents containing confidential information should be shredded or otherwise destroyed, and not placed in rubbish bins. 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 conference rooms. Discussions by Company Personnel concerning Company business should be confined to Company Personnel only and on a "need to know" basis, and should never occur in public places such as elevators.

(b) **Public Disclosure Responsibilities.** The Company has a variety of disclosure obligations under securities laws and stock exchange rules. The Company fulfills those obligations through regulatory filings, periodic reports to shareholders, press releases, and

web site disclosure. The Company also provides information to shareholders and others through communications with the media, analysts and others in the financial community, by way of industry presentations, and in response to inquiries. In carrying out the Company's disclosure responsibilities:

- The CEO, CFO, Corporate Secretary and other members of senior management, as appropriate, have the sole responsibility to determine (i) whether a particular matter is sufficiently material to the Company to require disclosure, and (ii) the content, time and manner of disclosure.
- Company Spokespersons (as defined below) have the exclusive authority to speak for the Company with respect to matters of public disclosure. The "Company Spokespersons" consist of the CEO and any other persons who are authorized by the CEO, generally or in a specific instance, to speak for the Company. **NO OTHER PERSONS ARE AUTHORIZED TO COMMUNICATE AS TO MATTERS OF PUBLIC DISCLOSURE ON BEHALF OF THE COMPANY.**
- It is the responsibility of the Company to ensure that that undisclosed material information is disseminated in such a way that all members of the public have equal access to the information. Substantial security holders and analysts in particular **MUST NOT** receive preferential treatment in the matter of information disclosure. Persons given early access to undisclosed material information may not use that information to trade in the Company's securities, and they, the Company and the individual who causes the early disclosure may be liable for regulatory, criminal and/or civil penalties and damage awards if there is trading on undisclosed material information.

(c) **External Communications and Inquiries from Analysts, Media and Other Outsiders.** Communications intended for dissemination outside of the Company and concerning the Company's business must be referred to the CEO or to one of the designated Company Spokespersons prior to dissemination. This includes presentations to analysts and papers or presentations to professional groups and others.

All inquiries from the press, securities analysts, investors and other outside parties concerning the Company's business and affairs must be referred to one of the designated Company Spokespersons. This will ensure that information is disclosed consistently and equitably. Unless specifically authorized, no one is authorized to respond to such inquiries.

(d) **Comments on and Dissemination of Analysts' Reports and Other Media Stories.** From time to time, the Company may be asked to review or comment on analysts' reports or other media stories about the Company. No employee, officer or director is to review or comment on analysts' reports or media stories except an authorized Company Spokesperson, and any such inquiry should be forwarded to such an authorized person without any comments. If a Company Spokesperson does review such a report or story, the Company Spokesperson should review the report or story **ONLY** for factual information and limit his/her comment to discussion or correction of facts. Furthermore,

no undisclosed material information is to be communicated in the course of such a review and comment. If factual correction would result in the disclosure of undisclosed material information, the Company Spokesperson must take the necessary steps to ensure that such information is communicated to the public generally before it is communicated to the particular analyst or other person making the inquiry.

Employees, officers or directors of the Company may be asked to forward or recommend analysts' reports or may consider forwarding analysts' reports or media stories about the Company. The forwarding or recommending of such reports or stories may be regarded as verifying or validating the information contained in the reports or stories. If any of the information in the report or story is not accurate, the act of forwarding or recommending the report or story may constitute the dissemination of false or misleading information in violation of securities laws. In addition, if any of the information in the report or story is accurate but has not been generally disseminated by the Company, the forwarding or recommending of the report or story may constitute selective disclosure in violation of securities laws. Finally, copying and dissemination of analysts' reports and media stories may violate copyright laws or the proprietary rights of the authors of the reports or stories. For these reasons, no employee, officer or director should reproduce and distribute or otherwise disseminate such reports and stories unless specifically approved by the CEO. Persons requesting such materials should be referred to the author or organization that published the material. In addition, employees, officers and directors should not recommend particular analysts' reports on the Company to any person.

(e) **Comments on Rumours and Correction of Selective Disclosure.** Employees, officers and directors must not comment, whether positively or negatively, on rumours about the Company's business. Information about such rumours should be reported to the Company Spokespersons. In general, the Company's policy is not to comment on rumours. If a stock exchange or securities regulatory authority requests the Company to make a definitive statement in response to rumours, a Company Spokesperson will respond to the matter in consultation with legal counsel.

If any employee, officer or director makes an unauthorized or premature disclosure of undisclosed material information (inadvertently or otherwise), the person responsible for the disclosure, and any other employee, officer or director learning of it, must contact the CEO or other Company Spokesperson as soon as possible, and the CEO and other Company Spokespersons will consider the Company's responsibilities under applicable law.

20. **Securities Transactions**

(a) **Restrictions on Trading.** In general, employees, officers and directors, and their family members, may trade in Company securities unless:

- A Blackout Period (see below) is in place, or
- The person has knowledge of undisclosed material information.

If a Blackout Period exists, or if you have knowledge of undisclosed material information, neither you nor your family members may trade in Company securities. For purposes of this Code, “family member” means your spouse, your minor children, any person substantially dependent on you for support, and other persons who share a residence with you. There are two exceptions to this Code: (i) you may exercise any fixed price option or warrant issued by the Company, BUT you may not sell the security acquired on exercise of the option or warrant so long as either condition exists; and (ii) you may sell securities pursuant to a previously existing Trading Plan entered into with a qualifying broker under Section 161 of the Rules to the *Securities Act* of British Columbia, provided that you were not in possession of undisclosed material information (unless it has since been disclosed) at the time you established the Trading Plan.

In addition, while you are in the possession of undisclosed material information, you and your family members must not trade in the securities of companies that have a significant legal or financial business relationship, direct or indirect, with the Company (generally joint venture partners) if the undisclosed material information relates to the subject matter of that business relationship.

(b) **Blackout Period.** From time to time, the CEO or other executive officer may institute a Blackout Period because of the existence of undisclosed material information. If a Blackout Period is instituted, you will be notified, generally by e-mail. Once notified of the existence of a Blackout Period, except as noted above, you and your family members may not trade in the Company’s securities until you have been notified that the Blackout Period has been terminated. The existence of a Blackout Period is itself an item of confidential information that is not to be disclosed to persons outside of the Company.

(c) **Special Considerations in Investing in Company Securities.** You and your family members are urged not to purchase securities of the Company using borrowed funds in an amount or on terms and conditions which are not prudent in light of your financial condition. In addition, careful consideration should be given before pledging Company securities for a loan because of the potential insider trading liability that could arise if the lender should seek to sell the securities at a time when there is undisclosed material information about the Company.

(d) **Certain Additional Policies.** These additional policies apply to officers and directors and in regards to short sales, employees, of the Company.

- No employee, officer or director shall engage in short sales of securities of the Company or sales of borrowed securities of the Company. For purposes hereof, the short sale of Company shares as a method of facilitating the exercise of a valid option granted by the Company shall be deemed not to be a short sale for purposes of the aforementioned restriction notwithstanding any such sale-against-an-option must be treated as a short sale under Canadian securities legislation. Before selling short against an option, the holder of the option should bring the proposed transaction to the attention of the Company’s CEO or CFO so as to ensure the

transaction is treated properly.

- No officer or director shall place automatic buy or sell orders with brokers except for a Trading Plan entered into with a qualifying broker under Section 161 of the rules to the *Securities Act* of British Columbia, provided that you were not in possession of undisclosed material information (unless it has since been disclosed) at the time you established the Trading Plan.
- No officer or director of the Company shall buy or sell equity securities of the Company during the period that begins on the earlier of (a) the first day of the month in which annual or quarterly financial results are to be released to the public or (b) the date on which the draft financial statements and/or management's discussion and analysis are first delivered to the Company's CFO, and ends one trading day after the public release of quarterly and annual financial results of the Company. The CFO shall promptly notify the officers and directors if the date of delivery of the draft financial statements and/or management's discussion and analysis precedes the first day of the month that would otherwise begin this blackout period.

21. Administration and Distribution

The Company's Board, the Audit Committee and the Corporate Governance and Compensation Committee have established the standards of business ethics and conduct contained in the Code, and it is their responsibility to oversee compliance with the Code. Any change in or waiver of any provision of the Code shall require approval of the Audit Committee or the Corporate Governance and Compensation Committee, as applicable, and shall be publicly disclosed in the time period and manner as required by law or regulation.

The Code is to be distributed to each employee, officer and director, consultant and contractor of the Company and will also be made available via the Company's Internet website.

Strict adherence to the Code is vital. Directors will confirm on an annual basis in connection with the preparation of the Management Information Circular that they have read and understand the Code. Management will adopt appropriate policies to ensure that officers and employees are provided with and have read the Code. All managers are responsible for ensuring that employees under their supervision are aware of and understand the provisions of the Code. For clarification or guidance on any point in the Code, please consult the CEO, CFO, or Corporate Secretary.

APPENDIX 5

WHISTLEBLOWING POLICY

1. Purpose

- A. The purpose of this policy (the “**Policy**”) is to establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding financial statement disclosure issues, accounting, internal accounting controls, auditing matters or violations of the Code of Ethics (the “**Code**”); and (b) the submission by Company Personnel, on a confidential and anonymous basis, of concerns regarding questionable financial statement disclosure, accounting, auditing matters or violations to the Code.

- B. The purpose of this Policy is also to state clearly and unequivocally that the Company prohibits discrimination, harassment and/or retaliation against any Company Personnel who (i) reports complaints regarding financial statement disclosure issues, accounting, internal accounting controls, auditing matters or violations of the Code; or (ii) provides information or otherwise assists in an investigation or proceeding regarding any conduct which he or she reasonably believes to be a violation of employment or labour laws; securities laws (including the rules and regulations of the British Columbia Securities Commission, the securities regulatory authorities in any other province and territory of Canada and the Toronto Stock Exchange) and laws regarding fraud or the commission or possible commission of a criminal offence (collectively, “**Applicable Laws**”). Everyone at the Company is responsible for ensuring that the workplace is free from all forms of discrimination, harassment and retaliation prohibited by this policy. No Company Personnel has the authority to engage in any conduct prohibited by this Policy.

- C. This Policy protects any Company Personnel who legitimately and in good faith:
 - (i) discloses an alleged violation of Applicable Laws, by any person with supervisory authority over the person, or any other person working for the Company who has the authority to investigate, discover or terminate conduct prohibited by this Policy;
 - (ii) files, causes to be filed, testifies, participates in, or otherwise assists in a proceeding filed under Applicable Laws;
 - (iii) provides information, causes information to be provided, or otherwise assists in an investigation regarding any conduct which the Company Personnel reasonably believes constitutes fraud when the information or assistance is provided to or the investigation is conducted by law enforcement, regulatory authorities, a legislature, or the Company; or

- (iv) submits any complaint regarding financial statement disclosures, accounting, internal accounting controls, auditing matters or violations of the Code in accordance with the procedures set out above.
- D. If a Company Personnel legitimately and in good faith engages in any of the activities listed above, the Company will not discharge, demote, suspend, threaten, harass or otherwise discriminate or retaliate against him or her in the terms or conditions of employment because of that activity. However, since such allegation of impropriety may result in serious personal repercussions for the target person or entity, the person making the allegation of impropriety should have reasonable and probable grounds before reporting such impropriety and should undertake such reporting in good faith, for the best interests of the Company and not for personal gain or motivation.

2. **Complaint Procedures**

Any Company Personnel who legitimately and in good faith believes that he or she may have been the subject of prohibited discrimination, harassment and/or retaliation or is aware of any conduct which may be prohibited by this Policy is strongly encouraged to report immediately the facts forming the basis of that belief or knowledge. Any Company Personnel who witnesses any conduct which he or she legitimately and in good faith believes may be prohibited by this Policy must immediately report the matter. If any Company Personnel would like to discuss any matter with the Company's Audit Committee or the Company's Corporate Secretary, he or she should communicate this in the incident reporting and provide a telephone number at which he or she might be contacted if the Audit Committee or the Corporate Secretary, as the case may be, deems it appropriate.

- A. The following reported incidents will be communicated by the person contacted at the Compliance Hotline² to the Chairman of the Audit Committee³:
- accounting and auditing irregularities, including financial statement;
 - disclosure issues and internal accounting controls;
 - falsification of Company records;
 - fraud or violations of laws regarding fraud;
 - improper loans to Company executives;
 - insider trading;
 - retaliation against whistleblowers;

² The Company's General Counsel & Corporate Secretary, **Tony Wong**: 604-569-3661 ext. 105 or twong@prophecydev.com

³ **Greg Hall**: 604-880-5178 or greg@gregoryhall.ca

- workplace violence or threats;
- violations of the Code; and
- commission or possible commission of criminal offences.

B. The following reported incidents will be communicated by the person contacted at the Compliance Hotline to the Company's Corporate Secretary:

- conflicts of interest;
- breaches of securities laws, other than insider trading and matters related to financial statement disclosure;
- breaches of environmental laws;
- breaches of employment or labour laws;
- discrimination;
- employee relations;
- fraudulent insurance and benefit claims;
- kickbacks;
- policy issues;
- product and/or quality concerns;
- release of proprietary information;
- safety issues and sanitation ;
- sexual harassment;
- substance abuse;
- wage, salary and hour issues;
- theft of cash;
- theft of goods or services; and

- theft of time.
- C. It is the obligation of all Company Personnel to cooperate in any investigation conducted by the Audit Committee or the Corporate Secretary, as the case may be. Those responsible for the investigation will maintain the confidentiality of the allegations of the complaint and the identity of the persons involved, subject to the need to conduct a full and impartial investigation, remedy any violations of the Company's policies, or monitor compliance with or administer the Company's policies.
- D. The investigation generally will include, but will not be limited to, discussions with the complainant (unless the complaint was submitted on an anonymous basis), the party against whom allegations have been made, and witnesses, as appropriate.
- E. In the event that an investigation establishes that any Company Personnel has engaged in conduct or actions constituting discrimination, harassment and/or retaliation in violation of this Policy, the Company will take immediate and appropriate corrective action up to and including termination of an employee's employment.
- F. In the event that the investigation reveals that the complaint was frivolously made or undertaken for improper motives or made in bad faith or without a reasonable and probable basis, that complainant's supervisor will take whatever disciplinary action may be appropriate in the circumstances.

3. Audit Committee Procedures

- A. Those contacted shall promptly forward to the Chairman of the Audit Committee any complaints that it has received regarding the matters enumerated in item 2(C) above.
- B. Following the receipt of any complaints submitted hereunder, the Audit Committee shall investigate each matter so reported and take corrective and disciplinary actions, if appropriate, which may include, alone or in combination, a warning or letter of reprimand, demotion, loss of merit increase, bonus or stock options, suspension without pay or termination of employment.
- C. The Audit Committee may enlist employees of the Company and/or outside legal, accounting or other advisors, as appropriate, to conduct any investigation of complaints it receives. In conducting any investigation, the Audit Committee shall use reasonable efforts to protect the confidentiality and anonymity of the complainant.
- D. The Audit Committee shall retain as a part of the records of the Audit Committee any such complaints or concerns for a period of no less than seven (7) years.

4. Corporate Secretary Procedures

- A. Those contacted shall promptly forward to the Corporate Secretary any complaints that it has received regarding the matters enumerated in item 2(D) above.
- B. Following the receipt of any complaints submitted hereunder, the Corporate Secretary shall investigate each matter so reported and shall report the results of such investigation to the Audit Committee.
- C. At any time, the Corporate Secretary may forward complaints to the Audit Committee for its attention.
- D. The Corporate Secretary may enlist employees of the Company and/or outside legal, accounting or other advisors, as appropriate, to conduct any investigation of complaints he receives. In conducting any investigation, the Corporate Secretary shall use reasonable efforts to protect the confidentiality and anonymity of the complainant.
- E. The Corporate Secretary shall retain as a part of his records any such complaints or concerns for a period of no less than seven (7) years.

(a) **Prohibition Against Retaliation.** The Company welcomes the courage and honesty of an employee who voices concern over a particular course of action that he or she believes to be unlawful or harmful. Any attempts to intimidate, threaten, harass or retaliate against any employee based upon a good faith report made by an employee pursuant to the Code is strictly prohibited and will result in disciplinary action up to and including termination of the person responsible for any such intimidation, threat, harassment or retaliation.

However, knowingly making groundless or unwarranted complaints - including those with vindictive intent - are not acceptable. Appropriate disciplinary measures will be taken if allegations are initiated for malicious reasons or in bad faith.

(b) **Governmental or Company Inquiry.** If you receive an inquiry from a regulatory or governmental authority concerning suspected unlawful conduct, you should immediately direct the inquiry to your immediate superior, the Chief Executive Officer, Chief Financial Officer, Corporate Secretary or other member of senior management. In such circumstances, you should take measures to preserve documents and other items relevant to the investigation. To conceal an offence or to alter or destroy evidence is illegal and may result in criminal prosecution. It also violates the Company's commitment of conducting its business in a legal and ethical manner and is strictly prohibited.

If you receive an inquiry from the Company representative or a Board committee in connection with an investigation under the Code, you are equally obligated to

take measures to preserve documents and other items relevant to the investigation.

(c) **Failure to Comply or File a Report.** The Company is committed to complying with all applicable laws, regulations and policies. Such compliance is only possible if all employees, officers and directors ensure that they follow all applicable laws, and Company policies and guidelines. When in doubt, ask the Chief Executive Officer, Chief Financial Officer, Corporate Secretary or other members of senior management. Company Personnel 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, up to and including dismissal. 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.

Company Personnel 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 a person has made an honest mistake and will take it into account in deciding the course of action to pursue.

APPENDIX 6

DISCLOSURE CONTROLS AND PROCEDURES POLICY

1. Introduction

Canadian laws require the Company to maintain “disclosure controls and procedures” that are designed to ensure that information required to be disclosed by the Company in reports it files or submits to regulatory authorities is recorded, processed, summarized and reported on a timely basis. Disclosure controls and procedures must be designed to ensure that information is accumulated and communicated to the Company’s management to allow timely decisions regarding required disclosure. Disclosure controls and procedures should capture information that is relevant to assessment of developments and risks that pertain to the Company’s business, as well as other material information about the Company.

The Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) periodically are required to certify that they (1) are responsible for establishing and maintaining disclosure controls and procedures, (2) have designed such controls and procedures to ensure that material information is made known to them by others within the Company on a timely basis, and (3) have evaluated the effectiveness of the disclosure controls and procedures and presented the conclusions of that evaluation in certain filings.

Also, legislation in at least one Province (Ontario) requires such procedures and controls be in place in order for management to have a defence against litigation arising out of a misstatement in a public filing or arising out of a failure to promptly make a required disclosure.

Internal Control over Financial Reporting

The Company’s internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions, acquisition and disposition of assets and liabilities;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with the authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets, and incurrence of liabilities, that could have a material effect on the financial statements.

2. Application

This Disclosure Controls and Procedures Policy (the “**Policy**”) covers the following:

(a) **Periodic Disclosures**

- Annual Information Forms.
- Management's Discussion and Analysis and other periodic reports and related press releases filed in Canada.
- Management Information Circulars.
- Registration statements/prospectuses filed with Canadian authorities.

(b) **Event-Driven Disclosures**

- Anticipated events such as the results from exploration programs, acquisitions, divestitures, and initiation of legal proceedings by the Company.
- Unanticipated events such as early or unexpected receipt of surprising exploration results, correction of misstatements in previously publicly-filed information, lawsuits against the Company, severe accidents causing harm to personnel or significant loss of property, material regulatory investigations, and discovery of fraud or illegal conduct.

3. Supplement to Internal Controls and Procedures

The Company's other internal controls and procedures are not affected by these disclosure controls and procedures, and they will continue to operate independent of the disclosure controls and procedures set out in this Policy.

4. Statement of Responsibility

Design and maintenance of this Policy is the responsibility of the CEO and CFO, subject to evaluation by the Board of Directors of the Company (the "**Board**"), and implementation of this Policy is the responsibility of the CEO and CFO.

It is the responsibility of the CEO and CFO to cause the Company to fulfill its disclosure obligations on a timely basis. To carry out their functions, the CEO and CFO will:

- Implement controls and procedures for both periodic and event-driven disclosures.
- Establish and implement processes for the timely collection and reporting to the CEO and CFO of potential material information, and the timely evaluation and dissemination of material information to securities regulators, stock exchanges and shareholders.
- Review, or arrange for the review of all documents subject to the Policy.

- Evaluate the effectiveness of disclosure and control procedures, including this Policy, on a regular basis, not less frequently than annually, and within the 90-day period prior to the filing of the AIF.
- Report on its evaluation of disclosure controls and procedures at least annually to the Audit Committee of the Board.

In fulfilling their oversight responsibilities, the CEO and CFO will give consideration to the following:

- Timeliness and the filing requirements in all jurisdictions.
- Involvement of key personnel and Company systems as necessary to ensure adequate collection, evaluation and disclosure of all material information.
- Adequacy of resources, including quality of staffing within areas of responsibility for collection, evaluation and disclosure of all material information.
- Adequacy of training of personnel involved with collection, evaluation and disclosure of all material information.
- Approval responsibility for each part and the entirety of disclosure documents.
- Assistance to the Board in carrying out its oversight responsibilities.

In carrying out their responsibilities, the CEO and CFO will have full access to all books and records, facilities and personnel of the Company, as well as independent auditors, counsel and other experts.

5. Procedures

The following key disclosure controls and procedures are established to ensure that material information is collected, evaluated and disclosed by the Company on a timely basis.

(a) Standing Disclosure Practice and Procedure

The Company's Code of Ethics sets out, in paragraph 19, the Company's Disclosure Policy. That Disclosure Policy explains the responsibility of each employee to inform senior management on a timely basis of events or developments that might have a material effect on the Company. It is the responsibility of all members of senior management to inform the CEO and CFO of such information.

If any officer receives a report of non-public, possibly or potentially material information and concludes that the Company may have an obligation to promptly disclose that information to securities regulators, stock exchanges, shareholders or the public, that person shall promptly advise the CEO or CFO. The CEO shall promptly consider the

significance and need for disclosure of that information and, in consultation with the CFO, shall take such steps as he deems appropriate under the circumstances.

(b) Annual Information Form (“AIF”) Controls and Procedures

In addition to the Company’s normal annual financial reporting process, the Company will follow the following additional procedures in respect of preparation of the AIF:

- Prior to commencement of drafting the AIF, the CFO and the responsible financial, exploration or technical supervisors and others, as appropriate, will meet or otherwise communicate to determine the content of the document, including any new legal or regulatory requirements.
- The CFO will prepare a summary of principal required disclosure items, assign drafting responsibility for each, assign responsibility for compilation and overall control of the drafting process, establish a schedule for drafting and review, and distribute packages for review. As part of the process, the CFO will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.
- The CFO, other selected employees, and independent auditors and outside counsel, as appropriate, will review and comment on the first complete draft of the reports/financial statements. Subsequent drafts of the reports and financial statements will be circulated by email or delivery for review and comment. Any officers may be provided with copies of drafts, as necessary.
- In preparation for the controls evaluation process, the CFO will inquire of participants in the disclosure process regarding the disclosure process and possible instances of fraud.
- The CEO, CFO, other selected employees, and as appropriate, independent auditors and outside counsel, if requested by any of the foregoing persons or by these professionals themselves, and the Audit Committee will review the near final text of the AIF.
- Before reviewing the final text of the AIF, the CEO, CFO and other selected employees, as appropriate, will evaluate the disclosure controls and procedures, identify any deficiencies or weaknesses in the design or operation of internal controls, and consider any reports of fraud.
- The CEO will review and approve the final text of the document.

(c) Management’s Discussion and Analysis and other periodic reports and related

press releases submitted in Canada as Material Change Reports.

In addition to the Company's normal financial closing processes, the Company will follow the following additional procedures in respect of Management's Discussion and Analysis and other periodic reports and press releases submitted in Canada as Material Change Reports.

- Prior to the commencement of drafting, the CFO, and others, as appropriate, will meet or otherwise communicate to determine the content to be included in the document, including any new legal or regulatory requirements.
- The CFO (or persons designed by the CFO) will prepare a summary of principal required disclosure items, assign drafting responsibility for each, assign responsibility for overall control of the drafting process, establish a schedule for drafting and review, and distribute packages for review. As part of the process, the CFO (or persons designated by the CFO) will identify persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.
- The CFO, other selected employees, independent auditors and outside counsel, as appropriate, will review and comment on the document.
- The CFO, other selected employees, independent auditors and outside counsel, as appropriate, will resolve all disclosure issues and finalize text.
- The CEO will review and approve the final text of the document.

(d) Management Information Circular Controls and Procedures

- Prior to the commencement of drafting, the CEO, CFO and the Corporate Secretary shall meet or otherwise communicate to determine the matters to be included in the Management Information Circular and additional parties, if any (such as outside compensation consultants), to be involved in the preparation of the Management Information Circular.
- The Corporate Secretary (or persons appointed by the Corporate Secretary) will prepare a summary of principal required disclosure items and establish a schedule for drafting and review. As part of the process, the Corporate Secretary will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.
- The Corporate Secretary (or persons appointed by the Corporate Secretary) will draft the Management Information Circular and distribute the Management Information Circular to the CEO, CFO, the Board, outside counsel, and other

additional parties, as appropriate, for review and comment.

- The Corporate Secretary, the CFO and others, as appropriate will resolve all disclosure issues and finalize text.
- The CEO will review and approve the final text of the document.

(e) Registration Statements/Prospectuses

Registration statements and prospectuses will normally be prepared in the context of agreements and meetings with underwriters and others involved in the process. Although the process will involve drafting and review of information in processes that are similar to those involved in the preparation of an AIF, due to the timing and participation by others in the process, it is not possible to set out in advance the specific steps to be followed.

- It shall be the responsibility of the CFO in conjunction with independent auditors and outside counsel, to implement disclosure and approval procedures comparable to those contained in this policy for other reports, to keep the CEO involved and informed, as appropriate, to ensure the accuracy and completeness of such documents, and to keep the Board informed and involved in the process, as appropriate.

(f) Event-Driven Disclosures

Event-driven disclosures are those disclosures which are not periodic in nature and will arise from time to time as a consequence of both anticipated and unanticipated events. Examples of anticipated events include the results of exploration programs, initiation of legal proceedings by or against the Company, significant acquisitions and divestitures, and similar matters all of which are likely to be deemed material information.

To the extent that such events are wholly or partially within the Company's control, disclosure in respect of these events should be planned for by the CEO, CFO and Corporate Secretary in accordance with the Company's project management system. The Corporate Secretary and "Qualified Person" where the disclosure contains technical information, should be involved in the preparation of event-driven disclosures including press releases, material change reports and amendments to the existing continuous disclosure record in Canada and the United States. The full Board should be notified in the event there is need to make any material unanticipated event-driven disclosure.

6. News Releases

The CEO and Corporate Secretary shall generally be responsible for supervising preparation and dissemination of news releases and shall generally consult the checklist in Exhibit 1. The CEO will assign responsibility for drafting and distribution of each release. As a part of the process, the CEO will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the

document.

Before a press release is publicized, it must be approved by the CEO, circulated to the Board, and filed with the CEO's signature affixed thereto.

Exhibit 1

News Release Checklist

Instructions for Use

This News Release Checklist should be consulted when preparing a news release.

Checklist Questions

1. Has the information to be distributed been determined to be definitely or reasonably likely to be material to investors?
2. Has the information been accurately summarized in a draft press release with a view to ensuring that it comprehensively discloses the event or information in a factually accurate and plain language manner with reasonable balance in respect to the positive and negative aspects of the information?
3. If the event or information is conditional, contingent or otherwise uncertain, does the news release properly disclose the nature of such conditions and contingencies (e.g. subject to regulatory approval, subject to definitive agreement, etc.)?
4. If the news release contains information of a geological, engineering or other technical nature, has it been prepared or reviewed by a “qualified person” (“QP”) as defined by NI 43-101?
5. If the answer to question 4 is yes, is the information of a nature which requires an independent QP under applicable policy?
6. Does the release contain information about financial performance, legal proceedings, legal agreements or other matters which requires the review of one of the Company’s professional advisors (legal, accounting, other)?
7. Does the press release describe a proposed financing of the Company which may require that the news release not be disseminated in the United States or be otherwise restricted?
8. Does the forward-looking information disclaimer in the news release adequately disclose the principal risks in connection with the matter in a specific and comprehensive (not a shopping list) format?
9. Has the final draft of the news release been physically signed off by the CEO?
10. Has the Board received a copy of the final draft of the news release prior to dissemination?
11. If the answer to question 9 is yes, are there any other persons to whom the news release should be first shown on a confidential basis, either as a courtesy, for regulatory approval

or as a manner of confirming its accuracy or the agreement of any third party with the characterization of the information (e.g. joint venture partners, lawyers, auditors, stock exchange officials)?

12. If the information is to be released during trading hours, is it of such a significantly material nature as to warrant a halting of the Company's shares from trading to permit a period of dissemination (only to be done in urgent situations or with the prior notice of same to the CEO)?
13. Will the news release be disseminated through ordinary paid wire services or is there a need to contact other media (newspapers, business writers)?
14. Has the Company's investor relations staff been apprised of the news release and been given an opportunity to raise any questions or issues which may be predicted to arise out of dissemination of a news release?
15. Is there any reason to alert other employees to the news release prior to its release?
16. Have all the required regulatory filings for the news release been arranged? For example, filing the news release and a Material Change Report, if necessary, on SEDAR.
17. Has an insider trading blackout been instituted in respect to the disclosable information contained in the press release?

APPENDIX 7

MAJORITY VOTING POLICY

The board of directors (the “Board”) of Prophecy Development Corp. (the “Company”) believes that each director should have the confidence and support of the shareholders of the Company. To this end, the Board has adopted this policy and future nominees for election to the Board will be required to confirm that they will abide by this policy.

Forms of proxy for the election of directors at the annual meeting (the “Annual Meeting”) of shareholders of the Company will permit a shareholder to vote “in favour” of, or to “withhold” from voting, separately for each director nominee. The Chair of the Board will ensure that the number of shares voted “in favour” or “withheld” from voting for each director nominee is recorded and promptly announced publicly after the Annual Meeting. If the vote was by a show of hands, the Company will disclose the number of shares voted by proxy “in favour” or “withheld” for each director.

In connection with the election of directors of the Company at an Annual Meeting, if a director nominee has more votes “withheld” than are voted “in favour” of him, the nominee will be considered by the Board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such a nominee will be expected to forthwith submit his resignation to the Board, effective on acceptance by the Board. The Board may refer the resignation to the Corporate Governance and Compensation Committee or any *ad hoc* nominating committee for consideration. After review, that committee will put forward a recommendation to the Board whether to accept the tendered resignation or reject it.

The Board will promptly accept the resignation unless the Board determines, after consideration of the committee’s recommendation, that there are circumstances relating to the composition of the Board or the voting results or otherwise, that should delay the acceptance of the resignation or justify rejecting it. The Board’s decision to accept or reject the resignation offer will be disclosed to the public. The director nominee who submitted his resignation will not participate in the deliberations regarding his resignation. In any event, it is expected that the resignation will be accepted (or in extraordinary cases rejected) within 90 days of the Annual Meeting.

Subject to any corporate law restrictions, the Board may (1) leave a vacancy on the Board unfilled until the next Annual Meeting, (2) fill the vacancy by appointing a new director whom the Board considers to merit the confidence of the shareholders, or (3) call a special meeting of shareholders to consider new Board nominee(s) to fill the vacant position(s).

This policy does not apply where an election involves contested director elections or a proxy battle (i.e. where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board).

Initially adopted by the Board of Directors, March 25, 2014.

APPENDIX 8

ADVANCE NOTICE POLICY

(initially adopted by the Board of Directors on March 25, 2014)

BACKGROUND

This advance notice policy (the “**Policy**”) has been adopted by the board of directors of the Company with a view towards providing shareholders, directors and management of the Company with a fair and transparent procedure for nominating directors. This Policy establishes a deadline on or before which a holder(s) of record of the Company’s common shares must submit, in writing, director nominations to the Company prior to any annual or special meeting of shareholders and the information that such holder(s) must include with such nominations in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

By adopting this Policy, the Company seeks to: (i) establish an orderly and efficient process for electing directors at annual general or, if applicable, special meetings of the shareholders of the Company; (ii) ensure all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote with respect to the election of directors after having been afforded reasonable time and information for appropriate deliberation.

The Company believes this Policy is in the best interests of the Company, its shareholders and other stakeholders.

INTERPRETATION

1. For purposes of this Policy:
 - (a) “**Annual Meeting**” means any annual meeting of Shareholders;
 - (b) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such laws and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission or similar securities regulatory authority of each province and territory of Canada;
 - (c) “**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended;
 - (d) “**Board**” means the board of directors of the Company as constituted from time to time;
 - (e) “**Common Shares**” means common shares in the capital of the Company;

- (f) “**Effective Date**” means March 25, 2014.
- (g) “**Nominating Shareholder**” has the meaning ascribed to such term in paragraph 2(c) below;
- (h) “**Notice Date**” has the meaning ascribed to such term in paragraph 4(a) below;
- (i) “**Public Announcement**” means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company or its agents under its profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com;
- (j) “**Shareholder**” means a holder of Commons Shares; and
- (k) “**Special Meeting**” means any special meeting of Shareholders if one of the purposes for which such meeting is called is the election of directors.

NOMINATIONS OF DIRECTORS

2. Nominations of persons for election to the Board may be made at any Annual Meeting or any Special Meeting if one of the purposes for which the meeting was called is the election of directors. In order to be eligible for election to the Board at any Annual Meeting or Special Meeting of shareholders of the Company, persons must be nominated in accordance with one of the following procedures:
 - (a) by or at the direction of the Board or an authorized officer, including pursuant to a notice of meeting;
 - (b) by or at the direction or request of one or more shareholders pursuant to a “proposal” made in accordance with the provisions of the BCBCA, or a requisition of the shareholders made in accordance with the provisions of the BCBCA; or
 - (c) by any person (a “**Nominating Shareholder**”)
 - i. who, at the close of business on the date of giving by the Nominating Shareholder of the notice provided for below and at the close of business on the record date for notice of such meeting, is entered in the central securities register of the Company as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
 - ii. who complies with the notice procedures set forth in this Policy.
3. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must give notice, which is

both timely (in accordance with paragraph 4) and in proper written form (in accordance with paragraph 5), to the Secretary of the Company at the principal executive offices of the Company.

4. A Nominating Shareholder's notice to the Secretary of the Company will be deemed to be timely if:
 - (a) in the case of an Annual Meeting, such notice is made not less than 30 nor more than 65 days prior to the date of the Annual Meeting; provided, however, that in the event that the Annual Meeting is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first Public Announcement of the date of the Annual Meeting is made, notice by the Nominating Shareholder is made not later than the close of business on the tenth (10th) day following the Notice Date; and
 - (b) in the case of a Special Meeting (which is not also an Annual Meeting) called for the purpose of electing directors (whether or not called for other purposes), such notice is made not later than the close of business on the fifteenth (15th) day following the day on which the first Public Announcement of the date of the Special Meeting is made.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement of this paragraph 4.

For greater certainty, the time periods for the giving of notice by a Nominating Shareholder as aforesaid shall, in all cases, be determined based on the original date of the applicable Annual Meeting or Special Meeting, and in no event shall any adjournment or postponement of an Annual Meeting or Special Meeting or the announcement thereof commence a new time period for the giving of such notice.

5. A Nominating Shareholder's notice to the Secretary of the Company will be deemed to be in proper written form if:
 - (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director, such notice sets forth:
 - i. the name, age, business address and residential address of the person;
 - ii. the principal occupation or employment of the person;
 - iii. the class or series and number of Common Shares which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and

- iv. any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the BCBCA and Applicable Securities Laws; and
- (b) as to the Nominating Shareholder giving the notice, such notice sets forth full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct the voting of any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the BCBCA and Applicable Securities Laws.

The Company shall have the right to require any proposed nominee for election as a director to furnish such additional information as may reasonably be requested by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable Shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

- 6. No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Policy. Notwithstanding the foregoing, nothing contained in this Policy shall be deemed to restrict or preclude discussion by a Shareholder (as distinct from the nomination of directors) at an Annual Meeting or Special Meeting of any matter that is properly before such meeting pursuant to the provisions of the BCBCA or the discretion of the meeting Chairman. The Chairman of any Annual Meeting or Special Meeting shall have the power and duty to determine whether any nomination for election of a director has been made in accordance with the procedures set forth in this Policy and, if any proposed nomination is not in compliance with such procedures, to declare such nomination defective and that it be disregarded.
- 7. Notwithstanding any other provision of this Policy, notice given to the Secretary of the Company pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Secretary of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Secretary at the address of the principal executive offices of the Company, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Pacific Standard Time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.
- 8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement of this Policy.

EFFECTIVE DATE

This Policy was approved and adopted by the Board on the Effective Date and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date. Notwithstanding the foregoing, if this Policy is not approved by ordinary resolution of shareholders of the Company present in person or voting by proxy at the next Annual Meeting or Special Meeting validly held following the Effective Date, then this Policy shall terminate and be void and of no further force and effect following the termination of such meeting of Shareholders.

This Policy will be subject to review by the Board, and will reflect changes as required from time to time by securities regulatory agencies or stock exchanges, or so as to conform to industry standards.

GOVERNING LAW

This Policy shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

CURRENCY

This Policy was last revised and approved by the Board on March 25, 2014.

APPENDIX 9

AUDIT COMMITTEE CHARTER

1. Purpose: Responsibilities and Authority

The Audit Committee (the “**Audit Committee**” or “**Committee**”) shall carry out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company’s independent auditor, and other matters under the authority of the Committee. The Committee also shall assist the Board of Directors (the “**Board**”) in carrying out its oversight responsibilities relating to the Company’s financial, accounting and reporting processes, the Company’s system of internal accounting and financial controls, the Company’s compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) Relationship with Independent Auditor.

- (i) Subject to the laws of British Columbia as to the role of the Shareholders in the appointment of independent auditors, the Committee shall have the sole authority to appoint or replace the independent auditor.
- (ii) The 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.
- (iii) The independent auditor shall report directly to the Committee.
- (iv) The Committee shall approve in advance all audit and permitted non-audit services of the independent auditor, including the terms of the engagements and the fees payable; provided that the Committee Chair may approve services to be performed by the independent auditors and the fee therefore between Committee meetings if the amount of the fee does not exceed \$20,000, provided that any such approval shall be reported to the Committee at the next meeting thereof. The Committee may delegate to the Chief Financial Officer (“**CFO**”) or a subcommittee the authority to grant pre-approvals of audit and permitted non-audit services, provided that the decision of the CFO or any such subcommittee shall be presented to the full Committee at its next scheduled meeting.
- (v) At least annually, the Committee shall review and evaluate the experience and qualifications of the lead partner and senior members of the independent auditor team.
- (vi) At least annually, the Committee shall obtain and review a report from the

independent auditor 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 auditor, 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.

(vii) At least annually, the Committee shall 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.

(viii) The Committee shall ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring partner responsible for reviewing the audit, and other audit partners as required by law.

(ix) The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

(x) The Committee shall 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 or participated in any capacity in the audit of the Company.

(b) Financial Statement and Disclosure Review.

(i) The Committee shall 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.

(ii) The Committee shall review and discuss with management (and, to the extent the Committee deems it necessary or appropriate, the independent auditor) the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be filed with applicable securities regulatory authorities.

(iii) The Committee shall review and 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 the independent auditor's assessment of the quality of the Company's accounting principles, 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 over financial reporting and any special steps adopted in light of material control deficiencies.

(iv) At least annually and prior to the publication of annual audited financial statements, the Committee shall review and discuss with management and the independent auditor a report from the independent auditor on:

(A) all critical accounting policies and practices used by the Company;

(B) all alternative accounting treatments of financial information that have been discussed with management since the prior report, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted; and

(C) other material written communications between the independent auditor and management since the prior report, 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 IFRS methods on the Company's financial statements.

(v) Prior to their filing or issuance, the Committee shall review the Company's Annual Information Form including the use of "pro forma" or "adjusted" non-IFRS information.

(vi) The Committee shall review and discuss with management the financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be specific or it may be in general regarding the types of information to be disclosed and the types of presentations to be made.

(c) **Conduct of the Annual Audit.** The Committee shall oversee the annual audit, and in the course of such oversight the Committee shall have the following responsibilities and authority:

(i) The Committee Chair shall meet with the independent auditor prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the independent auditor as may be necessary or appropriate in connection with the audit.

(ii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Canadian Public Accounting Board and the Public Company Accounting Oversight Board and that the independent auditor satisfies all applicable Canadian independence standards and Independence Standards Board Standard No. 1. The Committee shall obtain from the auditor a written statement delineating all relationships between the auditor and the Company as per ISB Standard 1, and review relationships that may impact the objectivity and independence of the auditor.

(iii) The Committee shall 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.

(iv) The Committee shall make such inquiries to the management and the independent auditor as they deem necessary or appropriate to satisfy themselves regarding the efficacy of the Company's financial and internal controls and procedures and the auditing process.

(d) **Compliance and Oversight.**

(i) The Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers and financial analysts who follow the Company.

(ii) The Committee shall 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.

(iii) The Committee shall 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.

(iv) At least annually and prior to the filing of the Annual Information Form ("AIF"), the Committee shall review with management and the independent auditor the disclosure controls and procedures and confirm that the Company (with CEO and CFO participation) has evaluated the effectiveness of the design and operation of the controls within 90 days prior to the date of filing of the AIF. The Committee also shall review with management and the independent auditor any deficiencies in the design and operation of internal controls and significant deficiencies or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

(v) At least annually and prior to the filing of the AIF, the Committee shall review with management and the independent auditor management's internal

control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures.

(vi) The Committee shall 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.

(vii) The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.

(viii) The Committee shall oversee the preparation of all reports required under applicable laws, regulations and stock exchange requirements.

(ix) The Committee shall exercise oversight with respect to anti-fraud programs and controls.

(e) **Related Party Transactions.**

(i) The Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Corporate Governance and Compensation Committee.

(ii) As used herein, the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that has the power to exercise a controlling influence over the Company and its subsidiaries.

(f) **Additional Duties.** The Committee shall perform the following additional duties:

(i) The Committee shall review and make recommendations to the full Board of Directors regarding transactions of a fundamental nature such as amalgamations, mergers and material acquisitions and dispositions.

(ii) The Committee shall review and make recommendations to the full Board regarding proposed new business activities that require an allocation of resources in excess of C\$200,000.

(iii) The Committee shall review and make recommendations to the full Board regarding any proposed material change to a business or strategic plan that has been previously approved by the Board.

(iv) To the extent not otherwise provided in this Charter, the Committee shall review disclosure of financial information and other documents required by law to be approved by the Board before release to the public.

(v) The Committee shall oversee the Company's risk assessment and risk management policies, and regularly review the top risks identified and the policies and practices adopted by the Company to mitigate those risks.

(vi) The Committee shall review and approve hedging, investment and dividend policies.

(vii) The Committee shall review the appointment of senior financial personnel and make recommendations to the Board regarding the appointment of the Chief Financial Officer.

(viii) The Audit Committee shall recommend to the Corporate Governance and Compensation Committee the qualifications and criteria for membership on the Committee.

2. **Structure and Membership**

(a) **Number and qualification.** The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of National Instrument NI 52-110 and the rules of the Toronto Stock Exchange.

(b) **Selection and Removal.** Members of the Committee shall be appointed by the Board. The Board may remove or replace members of the Committee at any time with or without cause.

(c) **Independence.** All of the members of the Committee shall be "independent" as required for audit committees by National Instrument NI 52-110 and the rules of the Toronto Stock Exchange.

(d) **Chair.** The Board will appoint a Chair of the Committee.

(e) **Compensation.** The compensation of the Committee shall be as determined by the Board.

(f) **Term.** Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or

is removed from the Board or the Committee.

3. Procedures and Administration

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

(b) **Subcommittees.** The Committee may form and delegate authority to one or more subcommittees, consisting of at least one member, as it deems appropriate from time to time under the circumstances.

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

(d) **Charter.** The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors.** The Committee shall 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 Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.

(f) **Investigations.** The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.

4. Additional Powers

The Committee shall have such other duties as may be delegated from time to time by the Board.

5. Limitation of Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the 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 IFRS and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

6. Committee Member Independence and Financial Literacy Requirements

A. Independence

See *Appendix 2 - Director Independence Standards* of the Company's *Corporate Governance Policies and Procedures Manual*.

B. Financial Literacy Requirements

NI 52-110

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

Section 1.6 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.”

APPENDIX 10

CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE CHARTER

1. Purpose: Responsibility and Authority

The Corporate Governance and Compensation Committee (“CGCC”) shall assist the Board of Directors of the Company (the “**Board**”) in carrying out its responsibilities relating to stewardship and governance and executive and director compensation. In furtherance of this purpose the CGCC shall have the following responsibilities and authority:

Corporate Governance

- (a) The CGCC shall recommend to the Board criteria for Board membership. In making its recommendation, the CGCC shall consider the competencies and skills that the Board, as a whole, should possess and the competencies and skills of each current director. The CGCC shall review with the Board, on an annual basis, the requisite skills and criteria for 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, that its membership consists of persons with sufficiently diverse and independent backgrounds, and that its membership consists of an appropriate mix of inside, outside and independent directors.
- (b) The CGCC shall identify and recommend to the Board individuals qualified to become Board members, consistent with criteria approved by the Board. The CGCC shall 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. The CGCC may adopt procedures regarding director candidates proposed by the shareholders.
- (c) The CGCC shall recommend to the Board corporate governance and ethics principles and policies that should be applicable to the Company. The CGCC shall 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 principles and practices and recommend any proposed changes to the Board.
- (d) The CGCC shall consider questions of independence and possible conflicts of interest of members of the Board and of senior managers and make recommendations regarding such matters to the Board, including the criteria for determining director independence.
- (e) The CGCC shall make recommendations to the Board concerning the types, duties, functions, size and operation of committees of the Board, review the adequacy of charters of all committees of the Board and make recommendations to the Board for any changes to such charters.

- (f) The CGCC shall, on an annual basis, oversee the evaluation of the Board and its committees to determine whether the Board, its members and its committees are functioning effectively. The CGCC shall determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of performance of the Board, to be discussed with the Board.
- (g) The CGCC shall manage Board and committee succession planning.
- (h) The CGCC shall periodically review with the Chairman of the CGCC and Chief Executive Officer their assessments of corporate officers and senior managers and succession plans, and make recommendations to the Board regarding appointment of officers and senior managers
- (i) The CGCC shall oversee the investigation of matters arising under the Code of Ethics that are not within the responsibility of the Audit Committee.
- (j) The CGCC shall consider and make recommendations to the Board in circumstances where a Director tenders a resignation pursuant to the Majority Voting Policy.
- (k) The CGCC shall monitor communications with shareholders regarding matters of corporate governance.

Compensation

- (a) The CGCC shall recommend to the Board the form and amount of compensation to be paid by the Company to directors for service on the Board and on Board committees. The CGCC shall review director compensation at least annually.
- (b) The CGCC shall annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other share-based compensation plans and recommend changes in or additions to such structure and plans to the Board as needed.
- (c) The CGCC shall recommend to the Board the annual base compensation of the Company's executive officers (collectively, the "**Officers**").
- (d) The CGCC shall recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for Officers and non-Officer personnel providing services to the Company, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the CGCC will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years.

(e) The CGCC shall evaluate the performance of Officers generally and in light of annual corporate goals and objectives under any incentive compensation plan.

(f) The CGCC shall provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Company.

(g) The CGCC shall administer the Company's stock option and other share-based compensation plans and determine the grants of stock options and other share-based compensation.

2. **Structure and Membership**

(a) **Number.** The CGCC shall consist of three (3) persons unless the Board should from time to time otherwise determine.

(b) **Selection and Removal.** Members of the CGCC shall be appointed by the Board. The Board may remove or replace members of the CGCC at any time with or without cause.

(c) **Independence.** All members of the CGCC shall be "independent" as determined under ss. 3(a) of the Company's Corporate Governance Overview and Guidelines.

(d) **Chair.** The Board will appoint a Chair of the CGCC.

(e) **Compensation.** The compensation of the CGCC shall be as determined by the Board.

(f) **Term.** Members of the CGCC shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the CGCC.

3. **Procedures and Administration**

(a) **Meetings.** The CGCC shall meet as often as it deems necessary in order to perform its responsibilities. The CGCC shall keep minutes of its meetings and any other records as it may deem appropriate.

The Chief Executive Officer of the Company shall not be present during any vote or other deliberation of the CGCC regarding the compensation or performance of the Chief Executive Officer.

(b) **Subcommittees.** The CGCC may form and delegate authority to one or more subcommittees, which may consist of one or more members, as it deems necessary or appropriate from time to time under the circumstances.

(c) **Reports to the Board.** The CGCC shall report (orally or otherwise) regularly to

the Board following meetings of the CGCC with respect to such other matters as are relevant to the CGCC's discharge of its responsibilities, and shall report in writing on request of the Executive Chairman.

(d) **Charter.** The CGCC shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors.** The CGCC shall 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 CGCC is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to such advisors engaged by the CGCC.

(f) **Investigations.** The CGCC shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it may deem necessary or appropriate, including the authority to request any officer or other person to meet with the CGCC.

4. Additional Powers

The CGCC shall have such other duties as may be delegated from time to time by the Board.

APPENDIX 11

QUALIFIED PERSON RESPONSIBILITIES AND AUTHORITY

The responsibility of the Qualified Person is to review and monitor technical matters relating to exploration, development and operation of the Company's mining activities, the environmental policies and activities of the Company, and the policies and activities of the Company as they relate to the health and safety of employees in the workplace. In furtherance of these purposes, the Qualified Person shall have the following responsibilities and authority:

Technical Matters

- (a) to review resource and reserve estimates and compliance with disclosure requirements relating to resources and reserves;
- (b) to review exploration, development and mine construction programs and make reports and recommendations to the Board and/or CEO; and
- (c) to review operating plans and the conduct of operations and make reports and recommendations to the Board and/or CEO.

Environmental Matters

- (a) to review and monitor the environmental policies and activities of the Company so that the Company is in compliance with applicable environmental laws, policies and good industry practices;
- (b) to recommend actions for developing policies, programs and procedures so that the principles set out in the Company's environmental goals are being adhered to and achieved;
- (c) to review environmental compliance issues and environmentally sensitive incidents to determine that the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard; and
- (d) to make reports and recommendations to the Board and/or CEO.

Employee Health and Safety

- (a) to review and monitor the health and safety policies and activities of the Company so that the Company is in compliance with applicable laws, policies and good industry practices;
- (b) to recommend actions for developing policies, programs and procedures to ensure that the principles set out in the Company's policies related to health and safety are

being adhered to and achieved; and

- (c) to make reports and recommendations to the Board and/or CEO.

The Qualified Person shall be familiar with engineering or geology, and generally familiar with international environmental, health and safety practices within the mining industry, or shall become so within a reasonable period of time following such appointment.