

## **CORPORATE GOVERNANCE GUIDELINES**

Corporate Governance refers to the manner and method by which public corporations are structured to attempt to ensure that their enterprise is managed soundly, has long-term success goals and acts in the best interests for the corporation and its shareholders. The Board is committed to a series of governance policies which are intended to support the management and oversight role of the Board and to ensure that the corporation acts in the best interests of its shareholders.

It is now widely recognized throughout the United States and elsewhere that boards with independent members are essential to a sound governance structure. An independent board member helps to: (1) provide oversight through independent judgment on issues such as executive compensation and financial audits, (2) provide diversity in the form of a blend of backgrounds, as in expertise, training, gender and race, (3) prevent internal structural and procedural problems from becoming crises, and (4) ensure the integrity of the corporation's accounting and financial reporting systems.

Our Board has adopted guidelines to assist the Board in the exercise of its duties and responsibilities and to serve in the best interests of the Company and its shareholders. These guidelines are to be applied in a manner consistent with all applicable laws and the Company's Charters and By-laws, each as amended and in effect from time to time.

These guidelines provide a framework for the conduct of the Board's business and the Board will review its practices in response to ongoing governance improvements in the marketplace and further enhancements will be considered as new governance policies come into effect.

### **Independence and Board Composition**

The strength of our Corporate Governance starts at the top, with an independent Chairman leading a Board. Under the Rules of the Exchange, as a full reporting issuer under the rules of the SEC, we are required to maintain a Board of Directors comprised of at least 50% independent directors. All the members of our Board are well informed and will ensure that standards exist to promote ethical behaviour throughout the organization and seek continuous improvement in governance practices. See our website under Corporate Governance for the "Mandate for the Board of Directors".

### **Financial Controls – Audit Committee**

The Audit Committee is selected from the Board and is responsible for overseeing the Company's financial reporting process. Under the Rules of the Exchange, our Company is required to have an Audit Committee of at least two (2) members and shall be comprised solely of independent directors who also meet the requirements of Rule 10A3 under the Securities and Exchange Act of 1934. The Audit Committee of our Company is chaired by an independent member who meets the test of financial literacy. See our website under Corporate Governance for the "Audit Committee Charter".

The Audit Committee's responsibilities include, among other things, the appointment, compensation and oversight of the Company's independent auditor for the purpose of preparing or issuing a report. The Audit Committee has the opportunity to deal directly with the external auditor regarding issues arising from the financial statements and helps: (1) to protect the integrity of the financial reporting system, (2) to ensure independent communications with auditors, and (3) to ensure both the Company's and its shareholders' interest are served.

### **Risk Management**

The Board, together with the Audit Committee, monitor, review and approve adherence to Company policies to manage and control risk and compliance with Company policies and regulatory requirements.

### **Compensation Committee**

The Compensation Committee is a board committee that determines the particulars of Executive compensation, including stock options and pension plans as well as approving Employee compensation (including stock options) as recommended by Management. See our website under Corporate Governance for the "Compensation Committee Charter".

**Nominating Committee; Director Nominations**

A Board of Director nominee must either be selected or recommended for the Board's selection by either a Nominating Committee comprised solely of independent Directors or by a majority of the independent Directors. As we have a Nominating Committee, any Board of Director nominee must be selected by our Nominating Committee. See our website under Corporate Governance for the "Nominating Committee Charter".

Our Nominating Committee will seek out nominees for new directors as vacancies become available using the following criteria: A majority of the directors must be independent, as determined by the Board under applicable rules; nominees shall possess expertise in general business matters and in such other areas as are relevant to Committees on which they are expected to serve (such as financial expertise, for Directors expected to serve as Audit Committee members); and nominees shall be individuals with the background, character, skills and expertise such that they will meaningfully contribute to our success and our operations.

**Annual Objectives**

The Board annually approves the Business Plan of the Company and the annual objectives of the President and Chief Executive Officer for the ensuing year.