POLICY 3.1

DIRECTORS, OFFICERS AND CORPORATE GOVERNANCE

Scope of Policy

This Policy describes the qualifications which must be met by directors and management of an Issuer and minimum corporate governance standards and corporate relations policies required to be implemented by all Issuers. This Policy is not an exhaustive statement of the corporate governance requirements applicable to Issuers. Nothing in this Policy limits the obligations and responsibilities imposed on Issuers by applicable corporate and Securities Laws.

What is Corporate Governance?

The term "corporate governance" refers to the way the business and affairs of the Issuer are managed. The board of directors of an Issuer is responsible for managing or supervising the management of the business and affairs of the Issuer on behalf of the owners, the shareholders. The board generally delegates the day-to-day management responsibilities to the senior officers. Good corporate governance:

> requires an effective system of accountability by management to the board and by the board to the shareholders;
>
> requires that information be made available and that decisions can be reviewed;
>
> ensures that all shareholders are protected and, in the circumstances where there is a significant shareholder, ensures that minority shareholder interests are protected.

The main headings in this Policy are:

1. Directors and Management - General
2. Directors and Management Qualifications
3. Transfer Agent, Registrar and Escrow Agent
4. Security Certificates
5. Pre-Listing Transactions and Capital Structure
6. Dissemination of Information and Insider Trading
7. Disclosure of Insider Interests
8. General Duty of Directors and Senior Officers
9. Unacceptable Trading
10. Corporate Power and Authority
11. Audit Committee
12. Management Compensation and Compensation Committee
13. Auditors

1. Directors and Management - General

1.1 The directors and management of an Issuer are an important factor the Exchange considers in determining whether to accept the listing of an applicant Issuer's securities and whether an Issuer can continue to be listed on the Exchange.

1.2 Before the Exchange will approve the involvement of any Insider with an Issuer or accept the listing of any applicant Issuer, each Insider and each person providing Investor Relations Activities, promotion or market making services on behalf of the Issuer must submit to the Exchange a duly completed Personal Information Form (a "PIF") (Form 2A). In addition, the Exchange can require a PIF from other persons involved with the Issuer. *See Policy 3.2 - Filing Requirements and Continuous Disclosure.*

1.3 The Exchange can:

(a) prohibit an individual from serving as a director or officer of an Issuer or impose restrictions on any director or officer;

(b) request a Sponsor Report before it will accept the involvement of any person as an Insider of an Issuer;

(c) require that persons with appropriate public company and/or industry experience and a history of regulatory compliance be added to the board of directors or management of an Issuer or an applicant Issuer by a certain date; and

(d) require that one or more members of the board of directors or management of an Issuer complete a prescribed course relating to corporate governance for public companies.

1.4 The directors and management of every Issuer must familiarize themselves with applicable Exchange Requirements, corporate and Securities Law.

1.5 If, pursuant to this Policy, an individual is prohibited from acting as a director or senior officer of an Issuer, that individual must resign from his or her position with the Issuer immediately.

2. Directors and Management Qualifications

2.1 Directors

Each Issuer must have at least three directors. At least one director must have expertise in the area of the Issuer's actual or proposed business.

Each Issuer must have at least two directors who are neither employees, senior officers, Control Persons or management consultants of the Issuer or its Associates or Affiliates.

2.2 Director's Public Company Experience

At least one member of the Issuer's board of directors must have satisfactory experience in operating and managing a public company. The Exchange will assess public company experience based on various factors, including:

(a) the number of boards on which the proposed director has served,

(b) the length of time the proposed director was a director of the other issuers;

(c) the stock exchange or market on which the other issuers' securities were traded;

(d) whether any of the other issuers were inactive;

(e) any management position held by the proposed director with other issuers;

(f) any Securities Laws or other regulatory violations or infractions by the proposed director or that other issuer while the proposed director was involved with it;

(g) the financial success of that other issuer, including whether it demonstrated profitability or, if the other issuer was a resource exploration issuer, whether that other issuer satisfactorily completed its exploration and development programs; and

(h) the prudent and responsible business practices of that other issuer.

2.3 Qualifications of Directors and Officers

(a) Every director and every officer must be a natural person who is at least 18 years old and is the age of majority in the jurisdiction where he or she resides.

(b) Every director and officer must be qualified under the corporate and Securities Laws applicable to the Issuer to serve as a director or officer, as the case may be.

2.4 Prohibitions on Directors and Officers

The following persons cannot serve as directors or officers of an Issuer:

(a) a person who has the status of an undischarged bankrupt or equivalent or is currently subject to proceedings under any bankruptcy, receivership, insolvency or consumer proposal legislation,

(b) a person who has been found or declared by a court, tribunal or other body of competent jurisdiction, to be of unsound mind, mentally incapacitated or to be incapable of managing the person's own financial affairs by reason of lack of mental capacity or mental infirmity,

(c) unless otherwise consented to in writing by the Exchange, a person who has been subject to a cease trade order or equivalent order or ruling by a securities regulatory authority for more than 12 consecutive months;

(d) unless otherwise consented to in writing by the Exchange, a person who is subject to a consent order or decree, agreed statement of facts or similar documentation, entered into or issued by a stock exchange, self regulatory organization, securities regulatory body or court which currently places restrictions on that person's ability to be a director, senior officer or Insider of a public company;

(e) a person who is prohibited from serving as a director or senior officer by applicable corporate or Securities Laws;

(f) a person who, under applicable Securities Laws or Exchange Requirements is restricted from acting as a director or officer of an Issuer by virtue of being, at that time, a director, officer or employee of a Member, a Participating Organization or a registrant under applicable Securities Laws or otherwise due to any conflicts of interest policy, rule or other instrument;

(g) unless otherwise consented to in writing by the Exchange, a person whose registration has been cancelled under applicable Securities Laws, mortgage broker legislation, insurance sales licensing legislation, real estate broker or sales licensing legislation or commodity contract legislation;

(h) a person who is currently subject to a cease trade or equivalent order by a securities regulatory authority;

(i) a person who is currently incarcerated;

(j) unless otherwise consented to in writing by the Exchange, a person who, since the age of majority, has been incarcerated in a penal institution for more than 12 consecutive months;

(k) any person who has been convicted of a criminal offence relating to fraud, breach of trust, embezzlement, forgery, bribery, perjury, money laundering, or any other offences that might reasonably bring into question that person's integrity and suitability as a director or officer of a public company;

(l) a person who is personally indebted to or subject to an unsatisfied or incomplete term of a sanction of the Exchange or any securities regulatory body; and

(m) any person that the Exchange advises is or has advised is unacceptable to serve as a director or senior officer of an Issuer.

2.5 Management Experience

The management of an Issuer must demonstrate satisfactory industry specific technical and management experience. In determining whether management of an Issuer meets this requirement, the Exchange considers a number of factors, including for each officer or proposed officer:

(a) that person's previous involvement with and commitment to other public and private issuers;

(b) the history of corporate and financial success of other issuers with which the person has been involved;

(c) the management positions held by that person with other issuers;

(d) any regulatory or Securities Laws violations or infractions by the individual or by other issuers with which that person was involved;

(e) the financial success of that other issuer, including whether it demonstrated profitability or, if the other issuer was a resource exploration issuer, whether that issuer satisfactorily completed its exploration and development programs;

(f) the prudent and responsible business conduct and practices of that issuer; and

(g) the industry in which that other issuer was involved and the extent of experience obtained in the Issuer's or applicant Issuer's industry segment.

Each Issuer, other than an inactive Issuer, or a JCP, VCP or CPC must have a Chief Executive Officer and a Chief Financial Officer who are not the same person.

2.6 Filing Requirements

In order to determine the suitability of any director or officer, the Exchange requires particulars about the director or officer before he or she becomes involved with any Issuer. The Issuer must provide:

(a) resumes;

(b) Personal Information Forms; and

(c) any other materials which the Exchange requests.

2.7 Lack of Information

The absence of evidence satisfactory to the Exchange of a positive legal and regulatory track record can constitute grounds for disqualification as a director or senior officer of an Issuer.

2.8 Refusal or Revocation of Exchange Acceptance

Where an Issuer has a Significant Connection to Ontario, the Exchange may refuse to grant Exchange Acceptance of any application relating to the acceptability of any director, officer or Insider, or revoke, amend or impose conditions in connection with a previous Exchange Acceptance of any such application, until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

3. Transfer Agent, Registrar and Escrow Agent

3.1 Each Issuer must maintain a record of its current registered shareholders, a record of each allotment or issuance and a record of each transfer in the registered ownership of its securities. As these records are complex for a publicly traded company, an Issuer must appoint a registrar and transfer agent to perform these services.

3.2 While its securities are listed on the Exchange, an Issuer must appoint and maintain a transfer agent and registrar with a principal office in one or more of Vancouver, British Columbia; Calgary, Alberta; Toronto, Ontario; Montreal, Quebec; or Halifax, Nova Scotia.

3.3 Appendix 3A lists acceptable transfer agents and registrars or escrow agents. If the transfer agent and/or registrar is not listed in Appendix 3A, the Exchange must approve the original appointment of any transfer agent and/or registrar and any escrow agent and any subsequent changes before the appointment or change becomes effective.

3.4 Each class of Listed Shares must be directly transferable at the Issuer's registrar and transfer agent.

4. Security Certificates

4.1 General

An Issuer shall have only one form of certificate for each class or series of Listed Shares. All certificates must conform with the requirements of the corporate and Securities Laws applicable to the Issuer.

4.2 Exchange Requirements

(a) All certificates for every class or series of Listed Shares must be printed in a manner acceptable to the Exchange by a recognized bank note company or its affiliate or other security printer which has a contractual affiliation with a recognized bank note company,

recognized for this purpose by the Exchange. The producing bank note company must at all times have possession and control of all dyes, rolls, plates and other engravings. All certificates must be produced on paper of an excellent grade of security paper.

(b) Before a form of certificate can be used by an Issuer, the Exchange must receive and approve a model, proof or specimen of the certificate. No change or alteration can be made to the form or design of a security certificate without the Exchange's prior acceptance.

(c) The face of all certificates for every class of Listed Shares must include:

(i) the "title" or corporate name of the Issuer printed clearly and prominently (a trade mark, trade name or logo may be used in addition to the corporate name but not in substitution for the corporate name);

(ii) a general or promissory text printed clearly and prominently;

(iii) a colour panel or panels, or a colour border;

(iv) a space to indicate ownership and denominations;

(v) a CUSIP number in the upper right corner (obtained from the Canadian Depository for Securities Limited. *See Policy 5.8 - Name Change, Share Consolidations and Splits*);

(vi) a prominent indication of the class and series of securities to which the certificate refers;

(vii) a transferability clause, indicating the cities where the certificates are transferable;

(viii) the name(s) of the Issuer's registrar(s) and transfer agent(s);

(ix) original or facsimile signatures of at least two officers or directors of the Issuer;

(x) a document control or serial number; and

(xi) if specifically requested by the Exchange, a vignette for an Industrial or Investment Issuer.

5. Pre-Listing Transactions and Capital Structure

5.1 The capital structure of an Issuer making application for an Initial Listing or a New Listing must be acceptable to the Exchange. Before a New Listing or Initial Listing all securities of the Issuer or the Resulting Issuer, as well as securities issued below certain price levels, are generally required to be escrowed. *See Policy 5.4 – Escrow and Vendor Consideration.*

5.2 Subject to subsection 5.3, the Exchange will generally not permit convertible securities (such as stock options, common share purchase warrants, special warrants, convertible debentures or notes) to be issued before listing if they can be exercised or converted into Listed Shares at a price that is less than the issuance price per security under a Prospectus offering or other financing or acquisition undertaken contemporaneously with the application for listing. If there is no concurrent financing, the minimum permitted price at which the securities can be exercisable or convertible is the greater of the Discounted Market Price and $0.10. The Exchange will not permit the exercise, conversion or exchange price of any exercisable, convertible or exchangeable security to be fixed until the security has been allocated to be granted to a particular person.

5.3 If an Issuer has completed a Private Placement of special warrants (or other convertible securities anticipated to be qualified pursuant to Prospectus or otherwise) in the three months before the application for New Listing, and the issuance price per special warrant (or other convertible security) is less than the Discounted Market Price at the time of the New Listing, the Exchange will generally impose a hold period on the underlying securities even though the underlying securities have been qualified for distribution by a prospectus. Alternatively, the Exchange can require that some or all of those securities be escrowed. *See Policy 3.2 – Filing Requirements and Continuous Disclosure for the terms of any hold period and Policy 5.4 – Escrow and Vendor Consideration for the terms of applicable escrow.*

5.4 The Exchange will generally not accept an application for listing if the aggregate number of Listed Shares owned directly or indirectly by the Pro Group exceeds 20% of the total issued and outstanding Listed Shares of the Issuer at the time of listing. Additional restrictions on Pro Group participation apply in the case of Capital Pool Companies. *See Policy 2.4 – Capital Pool Companies.*

5.5 The Exchange will generally not accept an application for New Listing if securities offered by Prospectus or Private Placement have been purchased by the Pro Group, unless, after a bona fide offering of the total amount of the offering to the public (or such subset of the public as reasonably permitted by applicable Securities Law), the offering has not been fully subscribed.

6. Dissemination of Information and Insider Trading

6.1 Dissemination of News

Each Issuer must disseminate material news in accordance with applicable Securities Laws and Exchange Requirements. Issuers listed on the Exchange must disseminate all material news announcements on a national basis and must retain the services of one or more acceptable news disseminators to ensure proper dissemination. *See Policy 3.3 - Timely Disclosure for further details on dissemination of news.*

6.2 Procedures to be Adopted

The directors and senior officers of every Issuer must adopt and implement practices and procedures to:

(a) ensure that Material Information and Material Changes in the business and affairs of the Issuer are fully and properly publicly announced in a timely fashion;

(b) educate directors, management, employees and consultants with respect to the legal and regulatory restrictions on trading on undisclosed Material Information and the legal and regulatory implications of "tipping" and insider trading;

(c) restrict, control and monitor access to all Material Information or information about a Material Change relating to the business and affairs of the Issuer, its Associates and Affiliates, until any previously undisclosed Material Information or information in respect of a Material Change is properly disseminated to the public;

(d) require all Insiders and all other persons in a "special relationship" (as defined in applicable Securities Laws) to the Issuer who have access to or might reasonably be believed to have access to undisclosed Material Information relating to the Issuer, to refrain from trading in the Issuer's securities until the Material Information has been properly disseminated to the public.

6.3 The board of directors and senior officers of an Issuer must not publish or direct the publication of any information that would constitute a misrepresentation under applicable Securities Laws, including any untrue statement of a Material Fact or an omission to state a Material Fact that is necessary to be stated for a statement not to be misleading. The board of directors and senior officers must not knowingly permit any employee or consultant to publish any information that would constitute a misrepresentation. Directors and senior officers are advised that posting information on the World Wide Web or participating in any chat group or similar group via the Internet can be considered by the Exchange to constitute publication of information.

6.4 Each Insider must comply with the provisions of applicable corporate law and Securities Laws in relation to both insider trading restrictions and disclosure of trades by Insiders.

6.5 Each Control Person must comply with the provisions of applicable corporate and Securities Laws and Exchange Requirements with respect to advance notice of any sale or other disposition of any securities owned by the Control Person.

7. Disclosure of Insider Interests

7.1 If directors or officers have an interest in a transaction or a proposed transaction involving an Issuer, the Issuer must ensure that any conflict of interest is dealt with appropriately. In addition to any requirements of applicable corporate law and Securities Laws, to minimize any conflict of interest:

(a) every director and senior officer must disclose either in writing to the board of directors or in person at the next directors' meeting, the nature and extent of any material interest they have in any material contract or proposed contract of the Issuer, as soon as the director or officer becomes aware of the agreement or the intention of the Issuer to consider or enter into the proposed agreement;

(b) the board of directors must implement procedures so that each material agreement or proposed agreement between the Issuer and any director or senior officer will be considered and approved by a majority of the disinterested directors; and

(c) the board of directors must implement procedures to ensure proper public dissemination is made of the material interest of any officer or director of the Issuer in any material agreement or proposed agreement between the Issuer and that director or senior officer. The majority of disinterested directors must consider the proper scope and nature of the disclosure.

8. General Duty of Directors and Senior Officers

8.1 Each director and senior officer of an Issuer, in exercising his or her powers and discharging his or her duties must act honestly and in good faith with a view to the best interests of the Issuer. If a director is elected or appointed by the holders of a class or series of shares or by employees or creditors or a class thereof, the director can give special, but not exclusive consideration to the interests of those who elected or appointed him.

8.2 Each director and senior officer must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

9. Unacceptable Trading

9.1 Public participation in any securities marketplace, to a great degree, depends upon the confidence of investors and potential investors in the fairness and integrity of the system of securities trading. Directors, senior officers and Insiders of an Issuer and persons engaged in Investor Relations Activities or promotion and market-making activities for an Issuer are prohibited from engaging in abusive, manipulative or deceptive trading practices. Directors and senior officers of an Issuer should ensure that all persons retained to act on behalf of the Issuer to provide investor relations, promotion or market-making services are aware of the provisions of applicable Securities Law and Exchange Requirements dealing with unacceptable trading practices. Directors and senior officers of an Issuer must advise the Exchange if they become aware that any person is engaging in unacceptable practices with respect to trading in the securities of the Issuer. *See also Policy 3.4 – Investor Relations, Promotional and Market-Making Activities*.

9.2 Without limiting the restrictions imposed by applicable Securities Law and other Exchange Requirements, activities that could reasonably be expected to create or result in a misleading appearance of trading activity in, or an artificial price for securities listed on the Exchange include:

(a) executing any transaction in a security, through the facilities of the Exchange, if the transaction does not involve a change in beneficial ownership;

(b) effecting, alone or with others, a transaction or series of transactions in a security for the purpose of inducing others to purchase or sell the same security or a related security;

(c) effecting, alone or with others, a transaction or series of transactions that has the effect of artificially raising, lowering or maintaining the bid or offering price of the security;

(d) entering one or more orders for the purchase or sale of a security that artificially raise, lower or maintain the bid or offering prices of the security;

(e) entering one or more orders for the purchase or sale of a security that could reasonably be expected to create an artificial appearance of investor participation in the market;

(f) executing, through the facilities of the Exchange, a prearranged transaction in a security that has the effect of creating a misleading appearance of active public trading or that has the effect of improperly excluding other market participants from the transaction;

(g) purchasing or making offers to purchase a security at successively higher prices, or selling or making offers to sell a security at successively lower prices, if the transactions or offers create a misleading appearance of trading or an artificial market price for the security;

(h) effecting, alone or with others, one or a series of transactions through the facilities of the Exchange where the purpose of the transaction is to defer payment for the security traded;

(i) entering an order to purchase a security without the ability and the bona fide intention to make the payments necessary to properly settle the transaction;

(j) entering an order to sell a security, except for a security sold short in accordance with applicable Securities Laws and Exchange Requirements, without the ability and the bona fide intention to deliver the security necessary to properly settle the transaction; and

(k) engaging, alone or with others, in any transaction, practice or scheme that unduly interferes with the normal forces of demand for, or supply of, a security or that artificially restricts the public float of a security in a way that could reasonably be expected to result in an artificial price for the security.

10. Corporate Power and Authority

10.1 Every Issuer must be validly incorporated or created and remain at all times a validly subsisting corporate entity pursuant to the laws of its incorporation or creation.

10.2 Every Issuer must have the corporate power and authority to carry on the business it conducts or proposes to conduct, be authorized and empowered to issue its securities to the public and to have its securities listed on the Exchange.

11. Audit Committee

11.1 Each Issuer must have an audit committee comprised of at least three directors, the majority of whom are not employees, Control Persons or members of management of the Issuer or any of its Associates or Affiliates. The board of directors of an Issuer, after each annual shareholders' meeting must appoint or re-appoint an audit committee.

11.2 The audit committee must review the annual financial statements of the Issuer before they are approved by the board of directors of the Issuer. The board of directors of each Issuer must review, and if considered appropriate, approve the annual financial statements of the Issuer before presentation to the shareholders of the Issuer.

12. Management Compensation and Compensation Committee

12.1 The board of directors of each Issuer must adopt procedures to ensure that all employment, consulting or other compensation agreements between the Issuer and any director or senior officer of the Issuer or between any Associate or Affiliate of the Issuer and any director or senior officer are considered and approved by the disinterested members of the board of directors or a committee of independent directors.

12.2 To the extent required by Policy 3.2 - Filing Requirements and Continuous Disclosure, the board of directors of the Issuer will submit all management compensation arrangements to the Exchange for review and prior acceptance.

12.3 The Exchange may refuse to accept any application that would provide remuneration, compensation or incentive to the directors, officers or Insiders of the Issuer until such time as the Issuer has complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario where the Issuer has a Significant Connection to Ontario. (See section 19, *Assessment of a Significant Connection to Ontario* of this Policy).

13. Auditors

13.1 Every Issuer must have an auditor. Subject to any additional requirements of applicable corporate law, the board of directors must appoint an auditor and place before the shareholders for consideration at each annual general meeting, the election or re-election of such auditor. An auditor must be elected or re-elected by shareholders at the Issuer's annual general meeting. The auditor must be a person who is a member or a partnership whose partners are members, in good standing with the Canadian Institute of Chartered Accountants, or another person acceptable to the applicable Securities Commission(s).

13.2 The auditor must be independent of the Issuer, its Affiliates and its Insiders.

13.3 If an Issuer wishes or is required to change its auditor, the Issuer must comply with National Policy Statement No. 31, or any successor instrument.

14. Financial Statements

14.1 The board of directors of an Issuer must ensure that the Issuer prepares, files and disseminates annual audited financial statements and interim financial statements as required by Policy 3.2 - Filing Requirements and Continuous Disclosure.

15. Shareholders' Meetings and Proxies

15.1 The board of directors of an Issuer must ensure that the Issuer holds an annual meeting of its shareholders as required by Policy 3.2 – Filing Requirements and Continuous Disclosure.

15.2 At each annual meeting of shareholders, the board of directors must:

(a) present the audited annual financial statements to the shareholders for review;

(b) permit the shareholders to vote on the appointment of an auditor; and

(c) permit the shareholders to vote on the election of directors.

15.3 The Exchange does not generally accept mechanisms to entrench existing management such as staggered elections of the board of directors or the election of a slate of directors if shareholders are not permitted to choose whether to elect the board as a slate (i.e. as a group in its entirety) or to elect directors individually.

16. Cheques

16.1 The signatures of two authorized persons must be on every cheque issued by an Issuer.

17. Proceeds from Distributions

17.1 Except to the extent disclosed in public disclosure documents, the proceeds from any distribution of securities in Canada must be retained by the Issuer in Canada. Each Issuer must implement adequate internal controls to monitor and ensure compliance with this requirement.

18. Issuers with Head Office Outside Canada

18.1 Every Issuer whose head office is outside Canada must, as long as it is listed on the Exchange, appoint and maintain an address for service within Canada and must agree to attorn to the laws of the Province of Alberta and the federal laws applicable in that province.

19. Assessment of a Significant Connection to Ontario

19.1 Effective June 30, 2001 all Issuers, that are not otherwise reporting issuers in Ontario, are required to immediately assess whether they have a Significant Connection to Ontario.

19.2 Where an Issuer, that is not otherwise a reporting issuer in Ontario, becomes aware that it has a Significant Connection to Ontario as a result of complying with subsection 19.1 above or otherwise, the Issuer is required to immediately notify the Exchange, and promptly make a bona fide application to the Ontario Securities Commission to be deemed a reporting issuer in Ontario. The Issuer must become a reporting issuer in Ontario within six months of becoming aware that it has a Significant Connection to Ontario.

19.3 All Issuers, that are not otherwise reporting issuers in Ontario, are required to assess on an annual basis, in connection with the preparation for mailing of their annual financial statements, whether they have a Significant Connection to Ontario. All Issuers must obtain and maintain for a period of three years after each annual review, evidence of the residency of the RHs and BHs of the Issuer.

19.4 If requested, Issuers must provide the Exchange with evidence of the residency of their NOBOs.