OVERVIEW OF CORPORATE AND SECURITIES LAWS APPLICABLE TO PUBLIC COMPANIES IN BRITISH COLUMBIA

DATED AS OF OCTOBER 27, 2009

This memorandum contains a general overview of British Columbia corporate law and securities regulatory requirements which apply to the Company under British Columbia securities legislation. **This memorandum does not provide, nor is it intended to provide, an exhaustive list of all the corporate and securities regulatory requirements in British Columbia. As the Company is reporting in other jurisdictions ("other reporting jurisdictions") and its securities trade on a stock exchange, it is also subject to their legislation, rules and policies. This memorandum does not deal with the requirements of those other reporting jurisdictions or the stock exchange.** The corporate requirements and the securities regulatory requirements discussed in this memorandum reflect those that are in effect as of the date of this memorandum. We would be pleased to discuss and elaborate upon any aspect of this memorandum or any other applicable securities related issues with you.

The stock exchange on which the Company's shares are listed and the securities regulatory authorities in British Columbia and in the other reporting jurisdictions are separate regulatory bodies with separate rules and policies that are not always consistent. The Company is obliged to meet continuous disclosure obligations of all of these regulatory bodies.

The *Business Corporations Act* (British Columbia) (the "**BCBCA**") and the Business Corporations Regulations may be accessed through the British Columbia Government's website at http://www.qp.gov.bc.ca/bca/

The *Securities Act* (British Columbia) (the "**Securities Act**"), rules and regulations made pursuant to the Securities Act (the "**Rules**") and national instruments ("**National Instruments**") referenced herein may be accessed through the BC Securities Commission's website at http://www.bcsc.bc.ca.

GENERAL OVERVIEW

The responsibilities of directors are governed by common law principles, corporate legislation and securities legislation. In British Columbia the applicable corporate legislation is the BCBCA and regulations made pursuant thereto. The applicable securities legislation in British Columbia is the Securities Act, the Rules and National Instruments.

The Company is governed by securities legislation in the other reporting jurisdictions which is similar to British Columbia securities legislation in many respects; however, there are important differences. To the extent the Company is reporting in the United States, or is required to file documents in the United States, for example pursuant to the 12g3-2(b) exemption from U.S. registration, it is also subject to the legislation of that jurisdiction. The Company and its directors may also be subject to obligations and liabilities under other legislation such as workers' compensation, employment standards, environmental, income and other tax legislation. This memorandum does not include a discussion of directors' responsibilities under this other legislation.

CORPORATE REQUIREMENTS

1. Fiduciary Duty and Duty of Care

The primary principle applicable to directors is that of fiduciary duty which is generally described as a duty to act "honestly and in good faith with a view to the best interests of the company". The fiduciary responsibility proscribes self-dealing, self-interest and bad faith on the part of its directors and officers. The concept also requires the directors to exercise their powers in the best interest of the company as a whole. In determining whether or not a director has met his fiduciary duty, one of the tests used is the "proper purpose test" which contemplates that powers are given to directors for a specific purpose and if directors exercise those powers for any other purpose, they are guilty of an abuse of power. There must be reasonable grounds for a director's belief that he is acting in good faith.

A further aspect of the fiduciary duty is the requirement to avoid a conflict of duty and self-interest. If a director does act in conflict with his duties to the corporation, under common law a contract may be invalid and the director may be accountable to the Company for any profit earned as a result of his action. A director or officer must not use confidential information, which he obtains of by virtue of his position as a director or officer of the Company, for his own personal benefit or in circumstances which give rise or might reasonably give rise to a conflict of interest.

Under the BCBCA, these general principles against acting while in a conflict of interest are maintained such that a director is liable to account for profit, in respect of a transaction that is material to both the Company and the director, unless the director discloses to the board his interest in the transaction that would give rise to the conflict prior to approval of the transaction by the board of directors. The director also must not vote on the directors' resolution to approve that transaction. Similarly, if a director holds any office or possesses any property, right or interest that could result, directly or indirectly in a conflict, then such director must disclose the nature and extent of the conflict promptly to the other directors.

The second principle is the duty of care which is generally described as the duty to exercise the "care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances". A higher standard of care is expected of those with particular expertise such as lawyers, accountants or geologists when addressing matters to which expertise is relevant. The principles of fiduciary duty and duty of care have been codified in Section 142 of the BCBCA which also contains certain exceptions to the conflict rules which are beyond the scope of this memorandum. There is also a potential for civil liability in addition to the penalties imposed by the BCBCA.

2. Other Obligations under the BCBCA

Directors are required to comply with the articles of the Company and ensure that the Company complies with the BCBCA. The Company is obligated to file with the registrar changes to the authorized share capital, its directors or its registered & records office. Changes to the articles must be recorded in the minute book but are no longer filed with the registrar. Corporate changes such as a change of name, amalgamation and continuance must be completed through filings with the registrar. Annual returns must be filed with the registrar on an annual basis. If the Company is or becomes extra-provincially registered in another province, there will be additional filing requirements in that jurisdiction.

Failure to comply with certain of the provisions may lead to penalties. Under section 154 of the BCBCA, directors of the Company would be jointly and severally liable to restore to the Company any amount paid or distributed as a result of certain actions, including:

a. exercising any power that the Company is restricted by its notice of articles or articles from exercising;

b. paying a commission or allowing a discount with respect to the purchase of shares that is not reasonable;

c. paying a dividend if the Company is insolvent or payment of the dividend would render the Company insolvent;

d. purchasing, redeeming or otherwise acquiring shares if the Company is insolvent or such payment would render the Company insolvent;

e. providing an indemnity if prohibited from doing so by its notice of articles or articles or if the indemnified person did not act honestly and in good faith with the view to the best interests of the Company or the indemnified person did not have reasonable grounds for believing his or her conduct was lawful; and

f. issuing shares contrary to the Company's notice of articles or articles or if such shares are not fully paid, either in cash or in fair market value of services or property.

A director who is present at a meeting of directors is deemed to have consented to the resolution which approves one of the above transactions unless his dissent is recorded in the minutes of the meeting or provided in writing at or promptly after the end of the meeting. A director who is not present at the meeting of directors is deemed to have consented to the resolution unless he delivers, in the manner set forth in the BCBCA (section 154 (8)), a written dissent within 7 days after becoming aware of the passing of such resolution.

A director may, under section 157 of the BCBCA, avoid liability in connection with the above matters if he relied in good faith on certain documents or confirmations provided by an officer of the Company or other professional person such as a lawyer, accountant, engineer or appraisal or if he did not know and could not have known that the act authorized by the resolution was contrary to the BCBCA. A court may also determine that a contract or transaction was fair and reasonable and order that the director is not liable to account for any profit accruing to such director as a result of the contract or transaction. If found liable for a breach of section 154, the director may be entitled to contribution from other directors.

Directors may also be entitled to receive indemnification from the Company. Under the BCBCA the Company must pay a director's expenses reasonably incurred arising out of his services as director, in which the director is found to be not wholly or substantially liable. The Company may, if not precluded by its articles and provided the director acted honestly, in good faith and with a view to the best interests of the Company, also indemnify the director against applicable penalties.

There are numerous offences under the BCBCA, including a failure to promptly amend financial statements to correct misstatements and acting as a director or officer when not qualified to do so under the BCBCA. There are other offences for failing to maintain or provide corporate procedures, records and filings required under the BCBCA.

Penalties can range from $2,000 to $10,000 in the case of an individual and from $5,000 to $25,000 in the case of a person other than an individual for example, a company. If a person makes a false or misleading statement in a record that is required or permitted to be made by or for the purposes of the BCBCA or omits any material fact, the omission of which makes the statement false or misleading, such person is liable to a fine of not more than $10,000 unless the person did not know the statement was false or misleading and with

the exercise of reasonable diligence could not have known that the statement was false or misleading.

3. Protection of Directors

In addition to the matters discussed above, directors can take other steps to protect themselves and the Company from liability both under corporate law and under the securities laws discussed later in this memorandum.

Some of these steps are:

a. be familiar with directors' obligations under the BCBCA, securities legislation, the Company's constating documents and other applicable law and comply with same;

b. be familiar with the Company's obligations under the BCBCA, securities legislation, the Company's constating documents and other law applicable to the Company and monitor the Company's compliance;

c. ensure that the Company establishes and follows appropriate corporate governance practices, which practices should be set out in written policies with review procedures to ensure compliance;

d. be active, vigilant directors by participating in directors' meetings, reading and understanding materials provided, asking questions of management, and when appropriate seeking advice of experts (auditors, lawyers, engineers etc.);

e. insist on agendas being provided in advance of directors' meetings and, if necessary, explanatory material so that the directors can make informed decisions;

f. review minutes of directors' meetings carefully to ensure that the minutes accurately reflect the matters discussed, resolutions considered and any disclosures, dissents and abstentions;

g. if unable to participate in a meeting, review the matters covered in such meeting within the time frame required by the BCBCA to record a dissenting vote and record such dissent if appropriate; and

h. where directors might be liable for a specific statutory offence of the Company, take appropriate steps to ensure the Company complies with requirements.

The ultimate step is resignation when a director is in disagreement with the Company's actions. Resignation will not, however, protect the director from liability incurred prior to the resignation nor will it remove responsibility in respect of a fiduciary duty owed to the Company prior to the resignation. In addition, in the event of liability, a director may be covered by directors & officers liability insurance if the Company has purchased such coverage. These policies are often very restrictive in the coverage they provide to directors.

SECURITIES REQUIREMENTS

Securities related statutory duties and liabilities of companies and directors are contained in the current Securities Act and the Securities Rules, as well as the National Instruments and policies made pursuant to the Securities Act. The following sections canvass the securities laws currently in place in British Columbia.

1. General

Directors have the obligation to ensure that the various documents and filings required by securities legislation are prepared, filed and delivered on a timely basis and comply with the content requirements and that the documents do not contain misrepresentations.

To comply with its ongoing reporting requirements, the Company must prepare and file its annual and interim financial statements, management discussion and analysis, annual information forms (if required), change of auditor notices, business acquisition reports, material change reports, reports of distributions and information circulars, proxies and reports of voting results in connection with shareholder meetings. The Company must observe provisions applicable to related party transactions and comply with information requirements in the event of certain material events such as amalgamations, arrangements, and takeover and issuer bids. Issuances of securities must either fall within an exemption from the prospectus and registration requirements of securities legislation or be qualified by the issuance of a prospectus. Mining companies are required to file technical reports in respect of material properties and comply with very specific guidelines when disclosing any of their exploration or development results. Material contracts and constating documents must also be filed. Most of these filings must follow a prescribed format and be filed with regulatory authorities on SEDAR and/or delivered to shareholders within specific time frames. Certain of these requirements are reviewed in greater detail in this memorandum.

Failure to comply with the British Columbia securities legislation can lead to court-imposed fines of not more than $1,000,000 and/or imprisonment of not more than 3 years being imposed under the legislation. The court may also mandate, for breaches of the Securities Act, an accounting for profits or of losses avoided as a result of the breach; impose general or punitive damages; require restitution of shareholders and other stakeholders; or order that a security be issued, cancelled, purchased, disposed of, exchanged or that a securities transaction be set aside. In the event of infractions of the Securities Act, the B.C. Securities Commission can separately impose administrative fines of up to $250,000 in the case of an individual and $500,000 in the case of a company or other entity and, in addition to any other penalty, can seek a compliance order, impose a cease trading order, remove exemptions which would have the effect of not permitting a company or individual to trade shares, order a person to resign as a director or officer of a company and prohibit the person from acting as a director or officer of a company. A person convicted of an offence under the Securities Act may also be held liable for the costs of the investigation of the offence. Securities legislation in other jurisdictions may also impose penalties.

2. Trades in Securities

All trades in securities, to the extent that any part of the trade occurs in British Columbia, are governed by the Securities Act. The definitions of "trade" and "security" in the Securities Act are very broad and are construed by the securities commissions and the courts with a view to protection of the interests of investors. A “trade” in a security involves a sale for valuable consideration and includes any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of a trade.

Before an issuer can issue shares or other form of security, it must either qualify the security for issuance by way of prospectus or fall within the terms of an exemption from prospectus requirements. In addition, the distribution of the security must either be done through a person registered under the Securities Act or through an available exemption from registration. The terms of the exemptions may require the preparation of an offering memorandum or short form offering document or may require that the purchaser meet certain qualifications in order to acquire the securities. National Instrument 45-106 *Prospectus and Registration Exemptions*, contains all significant existing exemptions found in securities legislation across Canada, including British Columbia.

Distributions of securities require approval of the stock exchange and generally require reports of the distribution to be filed with the securities commissions in jurisdictions in which the trade has occurred. In addition, the securities usually must have a legend attached which restricts the further sale or transfer of the securities for a period of four months plus one day from the date of distribution.

3. Misrepresentations /Failure to Disclose a Material Fact

Issuers are required to file certain documents in order to issue securities or comply with ongoing reporting requirements. In addition to Press Releases, prescribed disclosure documents such as prospectuses, takeover bid circulars, issuer bid circulars, information circulars in connection with annual or special general meetings of shareholders, annual information forms and financial statements must contain certain specified information. In addition, certain of these documents must not contain misrepresentations.

The Securities Act defines a "misrepresentation" to mean:

a. an untrue statement of a material fact; or

b. an omission to state a material fact that (i) is required to be stated, or (ii) is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

“Material fact” means, where used in relation to securities issued or proposed to be issued, a fact that significantly affects, or could reasonably be expected to significantly affect, the market price or value of those securities.

Under the Securities Act, liability may arise for a misrepresentation contained in a prospectus, take over bid circular, issuer bid circular, director’s circular and an offering memorandum. (Liability may also arise for a misrepresentation contained in a short form offering document filed with a stock exchange.)

A person who purchases a security offered by a prospectus or offering memorandum during the period of distribution or who receives a circular, has rights of rescission against the issuer, the underwriter or the offeror or may sue for damages against the issuer, underwriter, the offeror, directors, and every person that signed the disclosure document.

Some of the defences of issuers, directors and other persons (“defendants”) to actions for misrepresentations, as set forth in sections 131 to 133 of the Securities Act, are as follows:

a. knowledge of misrepresentation: if the defendant can show that the person bringing the action had knowledge of the misrepresentation.

b. parts of disclosure document relating to expert: with respect to any part of the disclosure document purporting to be made on the authority of an expert or to be a copy of a report or statement of an expert, if the defendant had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the disclosure document did not fairly represent the report or statement of the expert or was not a fair copy of a report or statement of the expert. This defence is not available to the issuer.

c. parts of disclosure document not relating to expert: with respect to any part of the disclosure document not purporting to be made on the authority of an expert or to be a copy of a report or statement of an expert, unless the defendant (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a

misrepresentation. This defence is not available to the issuer.

d. action for misrepresentation based on an expert's opinion or report: with respect to any part of a prospectus or circular purporting to be made on the defendant's own authority as an expert or to be a copy of or extract from the defendant's own report or statement as an expert, unless the defendant/expert (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

e. disclosure document filed or delivered without defendant's knowledge: the disclosure document was filed or delivered (as the case may be) without the defendant's knowledge or consent and that, upon becoming aware of its filing, the person gave reasonable general notice (or in the case of an offering memorandum, written notice to the issuer) that it was so filed or delivered. This defence is not available to the issuer.

f. discovery of misrepresentation – prospectus: after the issue of a receipt for the prospectus and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the prospectus, the defendant withdrew the defendant's consent to it and gave reasonable general notice of the withdrawal and the reason for it. This defence is not available to the issuer.

g. discovery of misrepresentation – circular: after sending of the circular and on becoming aware of any misrepresentation therein, the defendant withdrew the defendant's consent to it and gave reasonable general notice of the withdrawal and the reason for it. This defence is not available to the issuer.

h. discovery of misrepresentation – offering memorandum: on becoming aware of any misrepresentation in the offering memorandum, the defendant withdrew the defendant's consent to it and gave written notice to the issuer of the withdrawal and the reason for it.

i. liability for depreciation in value of the security: the defendant will not be liable for all or any part of claimed damages that the defendant shows does not represent the depreciation in value of the security resulting from the misrepresentation.

The Securities Act further provides that in determining what is a "reasonable investigation" or what are "reasonable grounds" for belief for purposes of the above defences (where relevant), the standard of reasonableness must be that required of a prudent person in the circumstances of the particular case.

The most important aspect of these defences is that they reinforce the need for directors to use due diligence in the course of their duties so that, in any particular case, they can show they conducted a "reasonable investigation" and had "reasonable grounds" for belief.

Civil Liability For Secondary Market Disclosure

On December 31, 2005, Ontario implemented a new provision in its Securities Act, creating Civil Liability for the Issuer and certain related parties in the event of misrepresentation, or failure to disclose a material change. This extends to public oral statements. All other Provinces have since adopted this scheme. In British Columbia the Act provides: "Where a responsible issuer or a person with actual, implied or apparent authority to act on behalf of a responsible issuer releases a document that contains a misrepresentation, a person who acquires or disposes of the issuer's security during the period between the time when the document was released and the time when the

misrepresentation contained in the document was publicly corrected has, without regard to whether the person relied on the misrepresentation, a right of action for damages against

a. the responsible issuer,

b. each director of the responsible issuer at the time the document was released,

c. each officer of the responsible issuer who authorized, permitted or acquiesced in the release of the document,

d. each influential person, and each director and officer of an influential person, who knowingly influenced

   i. the responsible issuer or any person acting on behalf of the responsible issuer to release the document, or

   ii. a director or officer of the responsible issuer to authorize, permit or acquiesce in the release of the document, and

e. each expert where

   i. the misrepresentation is also contained in a report, statement or opinion made by the expert,

   ii. the document includes, summarizes or quotes from the report, statement or opinion of the expert, and

   iii. if the document was released by a person other than the expert, the expert consented in writing to the use of the report, statement or opinion in the document."

The Act adds a new defence against civil liability for a misrepresentation in forward-looking information in a prospectus, take over or issuer bid document, or offering memorandum. The defence is worded as follows:

"A person is not liable for a misrepresentation in forward-looking information if the person proves that the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and i) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information."

The Act defines the term 'forward-looking information' and 'material fact', as

"forward-looking information" means disclosure regarding possible events, conditions or results of operations that is based on assumptions and includes prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection;

"material fact" means, a fact that would reasonably be expected to have a significant effect on the market price or value of the securities;

The result is increased liability exposure of public companies, along with their directors, officers and advisors, based on misrepresentations regardless of whether or not the investor relied on, or was even aware of, same.

Liability Limit

Damages payable will be the lesser of:

(i) the aggregate damages assessed in the action; and

(ii) the “liability limit” (described below) for the defendant.

The liability limit for a responsible issuer or an influential person who is not an individual is the greater of $1 million and five per cent of its market capitalization. For individuals, other than experts, the liability limit is the greater of $25,000 and half of that person's total compensation from the responsible issuer and its affiliates. For experts, the liability limit is the greater of $1 million and the revenue that the expert and its affiliates have earned from the responsible issuer and its affiliates during the 12 months preceding the misrepresentation. These liability limits will not apply to directors, officers, influential persons or experts if they authorized, permitted, acquiesced in or influenced the making of the continuous disclosure violation while knowing it was a violation.

Protective Acts

Adopt a Written Disclosure Policy

The Securities Acts outline the factors to be considered by a court in assessing liability under the new regime. These factors include the existence and nature of any system of an issuer designed to ensure that the issuer meets its disclosure obligations and the reasonableness of the reliance by the defendant on such system. Accordingly, the Company has in place a Disclosure Policy, which must be adhered to in order to minimize the potential for exposure.

Timing of Public Disclosure

Because the failure to make timely disclosure of a material change when required to do so can lead to liability, additional importance is on the determination of when to disclose material information. When in doubt about whether an issue is a material change, consult the Company’s Legal counsel or corporate secretary.

Review of News Releases

Whenever a board of directors approves a significant matter or material transaction, it should ensure that an accurate and complete press release is issued promptly and that, if applicable, a material change report is filed. Each press release not reviewed by the board (or a particular director) will be sent to the board members (or such director) promptly after its release. Directors who believe that a disclosure document may contain a misrepresentation should take immediate action to clarify or correct the inaccuracy.

Public Presentations

Public presentations require careful planning and documentation. Presentations should be scripted and, where possible, a transcript or electronic record of the presentation should be retained. Particular care will have to be taken in fielding questions from analysts and others.

Forward-looking Statements

As outlined above, a defence is available against any allegation that there was a misrepresentation contained in forward-looking information so long as the disclosures outlined above are made and it is permissible to refer readers to another publicly available document which sets out the material factors that could cause actual results to differ and the assumptions made in formulating the forward-

looking information. Risk factors contained in the annual information form or annual report need to set out all appropriate factors and assumptions so they can be relied upon in connection with future forward-looking statements.

Due Diligence Defence

A due diligence defence is available for all potential defendants (unlike the prospectus context where the issuer has no due diligence defence) if they can demonstrate that they used reasonable care and had no reasonable grounds to believe that there was a misrepresentation or a failure to make timely disclosure. In the case of the Company, this will require strict adherence to its internal disclosure policy. Individual directors and officers need to know the contents of the Company's disclosure policy, ensure that it adheres to the policy and review and inquire into the contents of the Company's public disclosure. Directors and officers (other than those authorized to make statements on behalf of the issuer) should take care not to make public statements regarding the Company.

4. Insider Obligations

Insider trading rules are designed to (i) prevent insiders and other persons who are in a "special relationship" (as defined below) with an issuer from trading on the basis of a material fact (as defined on page 8 above) or a "material change" (as defined below) prior to the information having been made public and from disclosing such inside information to others; and (ii) inform the public when trading has taken place. Insiders are directors and senior officers of the issuer or of a company that is itself an insider of the issuer, and persons or companies that beneficially own or exercise control or direction over 10% of the voting securities of the issuer.

"Material change" means, if used in relation to the affairs of an issuer, a change in the business, operations, assets or ownership of the issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer, and includes a decision to implement that change made by (i) senior management of the issuer who believe that confirmation of the decision by the directors is probable, or (ii) the directors of the issuer.

A person is in a "special relationship" with an issuer if the person:

a. is an insider, affiliate or associate of the issuer or of a person (a "Business Party") that is a party to a proposed transaction with the issuer (such as a take over bid or a merger or other business combination or the disposition of a substantial portion of the property of the issuer);

b. is engaging or is proposing to engage in any business or professional activity with or on behalf of the issuer or with or on behalf of a Business Party;

c. is a director, officer or employee of the issuer or of a Business Party or a person described in b. above;

d. knows of a material fact or of a material change with respect to the issuer, having acquired the knowledge while in a special relationship with the issuer; or

e. is a "tippee" who receives inside information from a person in a special relationship with the issuer and the tippee knew or reasonably ought to have known of the special relationship.

Penalties – For a breach of the insider trading and reporting rules, British Columbia penalties include possible civil damages to sellers or purchasers of shares, imprisonment for up to three years and fines of up to the greater of $1 million and three times the profit received on the trade. In addition,

cease trading orders may be issued against the offending person and late filing fees of $50 per day can be imposed. Persons in a special relationship may have a defence if the person can show that, at the time of the purchase, sale or "tipping", as the case may be, the person reasonably believed that the inside information had been generally disclosed.

Reporting Obligation of Insider – All insiders must disclose, upon becoming an insider, any direct or indirect beneficial ownership of, or control or direction over, the securities of the issuer and thereafter any changes in such ownership or control. Insider reporting is the obligation of the insider and is not the obligation of the Company. In practice, however, issuers often provide advice and assistance to insiders required to file insider reports.

Securities – The insider report must refer to all securities of the Company, including shares, stock options, warrants and debt securities.

Initial Insider Reports – A nil report is not required to be filed by an insider who does not own or control securities of the Company. Accordingly, a new insider who holds no securities of the issuer will not be required to file an insider report until the insider first acquires securities of the issuer. The deadline for filing the initial report is ten days from the date the insider acquired the securities. The insider should ensure that an "insider profile" has been created through the SEDI system (discussed below) before the insider report is filed.

Subsequent Insider Reports – If there are any changes in ownership or control of the securities held by the insider subsequent to a previously filed insider report, an updated insider report must be filed by the insider within ten days of the change.

Sales by Control Persons – If a control person of an issuer wishes to sell any securities of that issuer, the control person as defined in the Act will generally be required to file a "notice of intent to sell" form on SEDAR (specifying the number of securities proposed to be sold) at least seven days before the proposed sale and then file an insider report within three days of the sale.

Early Warning Reporting - Pursuant to the Securities Act and National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, if a person acquires 10% of the securities of the Company (which includes any right to acquire securities such as warrants which if exercised would provide the holder with greater than 10% of the securities), such person is required to disseminate a news release containing certain prescribed information and file a report of the acquisition on SEDAR within 2 days of the trade. In addition, each increase of 2% or more will require the person to disseminate a further news release and file another acquisition report.

Exemptions for Certain Directors and Senior Officers – In certain circumstances (as specified in National Instrument 55-101 *Insider Reporting Exemptions*), certain directors and senior officers of a subsidiary or affiliate of an issuer may be exempted from the insider reporting obligations for example where a director or senior officer does not in the ordinary course receive or have access to material information concerning the issuer before such information is generally disclosed.

Filing of Insider Reports – Instructions for the completion and filing of insider reports are found in National Instrument 55-102 – *System for Electronic Disclosure by Insiders (SEDI)*, found at http://www.bcsc.bc.ca/insiders.asp.
Insiders are required to file their insider reports in electronic format via the SEDI website at https://www.sedi.ca. In order to effect such filings an insider must be registered as, or arrange to have reports filed through, a "SEDI user" with access to the SEDI filing system. By filing an insider report on SEDI an insider will satisfy the securities laws of British Columbia and the other reporting jurisdictions.

SEDI Profile and Issuer Event Reports - The Company is required to maintain an up-to-date profile on SEDI to facilitate the filing of the insider reports and must update its SEDI profile

immediately following certain events, including a name change or any change in the designation of any security or class of securities of the Company disclosed or required to be disclosed in its profile. In addition, the Company must file through SEDI a prescribed report no later than one business day following an "issuer event", which is defined as a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of the Company in the same manner on a per share basis.

Other Jurisdictions – It is necessary to comply with the insider provisions including filing and early warning in all jurisdictions where the issuer is reporting.

5. Continuous Disclosure Obligations

Continuous disclosure obligations applicable to British Columbia reporting issuers such as the Company are contained in the Securities Act and Rules as well as various national and multilateral instruments adopted by Canadian securities regulatory authorities. This area of securities law, especially in relation to corporate governance, has been the subject of much discussion of late and has seen many recent changes or proposed changes, partly in response to changes and initiatives in the US.

Financial Statements

For a complete understanding of the financial statement requirements, it is necessary to review in detail the requirements relating to preparation, approval, filing and delivery of interim financial statements, annual financial statements and auditor's reports on annual financial statements set forth in National Instruments 51-102 *Continuous Disclosure Obligations*; 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*; 52-108 *Auditor Oversight*; National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and National Instrument 52-110 *Audit Committees* as well as notices, "Frequently Asked Questions" and companion policies. The following discussion highlights some of the major items with which the Company and its directors need to comply.

National Instrument 51-102 provides for the delivery and filing of financial statements and MD&A. If an issuer is listed only on the TSX Venture Exchange, it is classified as a "venture issuer". As such, annual financial statements must be filed within 120 days from year-end and interim financial statements must be filed within 60 days of the end of the interim period. If an issuer is listed on the Toronto Stock Exchange (or if the Company is listed on the TSX Venture Exchange and any other stock exchange), annual financial statements must be filed within 90 days from year-end and interim financial statements must be filed within 45 days of the end of the interim period. MD&A must be filed within similar time frames, see "Management Discussion & Analysis" below.

Issuers must annually send a request form to their shareholders respecting delivery of financial statements and MD&A. If shareholders do not return the request form requesting annual and/or interim financial statements, the particular financial statements do not have to be sent to them for the subsequent period. Annual and interim financial statements and MD&A must be sent to shareholders who have requested them on or before the later of the date that the financial statements and MD&A are required to be filed as set forth above and 10 days after any such request. An issuer that elects to send its annual financial statements to all of its shareholders is not required to send the annual request form or to separately send annual financial statements to a shareholder who has requested them.

The Company should not disclose any financial results until the financial statements have been approved by directors and should review National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* in preparing the news release (see also the discussion below relating to National Instrument 52-110). National Policy 51-201 *Disclosure Standards* recommends as a best practice that, where feasible, a company should issue its earnings news release concurrently with the filing of the corresponding interim or annual financial

statements. If the news release discloses historical or prospective results of operations or financial conditions, it must be filed on SEDAR with the securities commissions in all the reporting jurisdictions.

It is essential that the Company complies with the deadlines for filing financial statements as failure to do so will result in the Company being placed on the "defaulting issuer" list maintained by the securities commissions. Failure to promptly remedy the default will then lead to a cease trading order being issued against the Company.

National Instrument 51-102 *Continuous Disclosure Obligations* provides that, before being filed, the financial statements and MD&A (discussed below) must be approved by the board of directors although with respect to interim financial statements this function may be delegated to the audit committee. National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* specifies the applicable accounting principles, auditing standards and currency reporting requirements. National Instrument 52-108 *Auditor Oversight* provides that reporting issuers must use auditors who are registered with the Canadian Public Accountability Board to sign the auditor's report which accompanies the audited financial statements.

National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* requires that annual and interim financial statements be accompanied by a specific form of certificate of the chief executive officer and the chief financial officer. Pursuant to recent amendments made to this National Instrument, certifying officers are now permitted to omit the certifications relating to establishing internal controls over financial reporting in respect of certificates filed for financial years ending on or before June 29, 2006 and for interim periods ending prior to the issuer's first financial year ending after June 29, 2006. This Instrument currently applies to the Company as it is reporting in other Canadian jurisdictions where the Instrument is in effect.

Under National Instrument 52-110 *Audit Committees*, subject to limited exceptions, the audit committee of a public company must consist of three directors, each of whom must be independent and financially literate. A company which is a venture issuer must have at least one member who is independent and, for the purposes of good governance, one member should be financially literate. National Instrument 52-110 provides the tests for determining whether a member of an audit committee is independent and sets forth the audit committee responsibilities. An audit committee must have a written charter that sets out its mandate and responsibilities. The audit committee is required to review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly releases the information. Annual financial statements must be reviewed by the Company's auditor. Interim financial statements do not have to be reviewed by an auditor, however, if they are not reviewed, the Company must file a notice on SEDAR to that effect and provide further details if the auditor was not able to complete a review or the review led to a reservation in the auditor's report. A non-venture company must provide information respecting the audit committee in the form prescribed by Form 52-110F1 in such company's annual information form and a cross-reference to such information in its management information circular. Venture issuers must provide prescribed audit committee information in Form 52-110F2 in their information circulars, annual information forms or annual MD&A.

Under proposed Multilateral Instrument 52-111 *Reporting on Internal Control over Financial Reporting*, management of an issuer would be required to evaluate the effectiveness of the issuer's internal controls over financial reporting as of the end of the issuer's financial year. Issuers would be required to maintain evidence providing reasonable support for management's assessment of the issuer's internal controls over financial reporting. In addition, an issuer would be required to file a report of management that describes management's assessment of the effectiveness of the issuer's internal controls over financial reporting and a report of the issuer's auditor prepared in accordance with the CICA's auditing standard for internal control audit engagements. Due to recent US developments in this area and the many submissions and concerns raised by stakeholders regarding the proposed Multilateral Instrument, the Canadian

Securities Administrators have recently advised that the earliest an internal control reporting instrument would apply is in respect of financial years ending on or after June 30, 2007 (the proposed Multilateral Instrument also provides for a gradual implementation, based on an issuer's market capitalization, over four years).

Management's Discussion & Analysis

National Instrument 51-102 *Continuous Disclosure Obligations* sets out the requirement to file MD&A as the earlier of the filing deadline for the financial statements and the actual filing date for the financial statements. The content of the MD&A is specified by Form 51-102F1. The instrument specifies additional disclosure that is required for venture issuers without significant revenue and requires disclosure of share capital data for all issuers. The MD&A must be approved by the board of directors and, under National Instrument 52-110 *Audit Committees*, be reviewed by the audit committee. MD&A need only be sent to those persons who return a request form for the financial statements to which the MD&A relate.
Issuers should review the requirements of Form 51-102F1, preferably with their auditors, to ensure full compliance.

*Annual Information Form ("**AIF**")*

The Company must file an AIF if it (i) is listed on the Toronto Stock Exchange; (ii) is listed on the TSX Venture Exchange and listed or quoted on certain other exchanges; or (iii) wishes to issue securities in reliance on a short form offering under TSX Venture Exchange policies or the short form prospectus system under securities legislation.
If the Company is required to file an AIF, the AIF must be filed on or before the 90th day after the end of the Company's most recently completed financial year. At the same time, all documents which have been incorporated by reference and have not been previously filed must be filed on SEDAR. The content of the AIF is specified by Form 51-102F2.

Material Change Reports and Timely Disclosure of Material Information

In the event of a material change, the Company is required to immediately issue a press release and then file a material change report in the form of Form 51-102F3 as soon as practicable and in any event within 10 days of the date a material change occurs. See above under the heading "Insider Obligations" for the definition of "material change". As noted in National Policy 51-201 *Disclosure Standards*, the policies of the Toronto Stock Exchange and the TSX Venture Exchange require the timely disclosure (through the issue of news releases) of "material information", which is defined as both "material facts" and "material changes" (as defined under securities laws) relating to the business and affairs of a company. Issuers listed on one of these exchanges, such as the Company, should be familiar with the policies of the particular stock exchange relating to the timely disclosure of material information as they are in addition to the material change reporting requirements under securities laws discussed above.

In certain circumstances set forth in National Instrument 51-102 *Continuous Disclosure Obligations*, an issuer may file a material change report on a confidential basis, including where in the opinion of the issuer, acting reasonably, public disclosure of the material change would be unduly detrimental to the interests of the issuer. However, an issuer that has filed a confidential report must promptly generally disclose the material change upon the issuer becoming aware, or having reasonable grounds to believe, that persons are trading the issuer's securities with knowledge of the material change that has not been generally disclosed. The policies of the stock exchanges also provide for the delayed release of material information in similar circumstances where the exchange is provided with the material information on a confidential basis.

Business Acquisition Reports

If the Company completes a significant acquisition as defined in National Instrument 51-102 *Continuous Disclosure Obligations*, subject to certain exceptions, it must file a business acquisition report (which includes a requirement for audited financial statements) within 75 days of the completion of the acquisition.

Proxy Solicitation and Information Circulars

The obligation to deliver an information circular and proxy to shareholders, and file a copy on SEDAR, is set forth in National Instrument 51-102 *Continuous Disclosure Obligations*. The content of the information circular is prescribed by Form 51-102F5. A statement of executive compensation following the disclosure in Form 51-102F6 must also be contained in the meeting materials. The content of the proxy is prescribed by National Instrument 51-102 *Continuous Disclosure Obligations*. The process and requirements relating to the delivery of meeting materials to registered and beneficial shareholders is prescribed by National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The general timing requirements for meetings are to fix a record date of not less than 30 days nor more than 60 days prior to the meeting date; to give notice of the meeting and record dates to all depositories, securities regulatory authorities and the applicable stock exchange at least 25 days before the record date; to distribute the meeting materials to depositories at least 4 business days before 21 days prior to the meeting date and to distribute to registered shareholders at least 21 clear days before the meeting date (i.e. excluding the date of mailing and the meeting date). Companies which are **not** venture issuers must file a report on SEDAR disclosing the results of a vote of their securityholders.

Additional Filing Requirements

National Instrument 51-102 also provides specific notice requirements in the event of a change in year-end; changes in corporate structure (for example any amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or other transaction that will change reporting status, year-end or the Company's name); a change from being a venture issuer; and a change of auditor. In addition, an issuer must file on SEDAR a copy of any documents affecting rights of securityholders, including the notice of articles, articles, shareholder rights plans and warrant indentures. The Company must also file on SEDAR each material contract, that it (or a subsidiary) entered into within the last financial year (or a prior year if the contract is still in effect but excluding contracts that are more than 2 years old) and to which it is a party, other than a contract entered into in the ordinary course of business. The times for filing such documents are set forth in the instrument.

National Policy 51-201 - Disclosure Standards

This policy provides guidance on timely disclosure, tipping and insider trading, selective and unintentional disclosure, materiality, chat rooms and other electronic communication, risks associated with private briefings with analysts, institutional investors and other market professionals and with use of analyst reports. In addition, the policy deals with earnings guidance, future oriented financial information and best disclosure practices. It recommends that companies establish a corporate disclosure policy and sets forth some suggestions for such a policy.

Corporate Governance

National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 *Corporate Governance Guidelines* came into force on June 30, 2005. The National Policy provides guidelines on corporate governance practices for issuers to consider in developing their own corporate governance practices. The National Instrument requires issuers to disclose their

corporate governance practices in Form 58-101F1 (for non-venture issuers) or in Form 58-101F2 (for venture issuers) in their information circulars or annual information forms which are filed following financial years ending on or after June 30, 2005. These requirements will replace the corporate governance guidelines of the Toronto Stock Exchange applicable to issuers listed on that Exchange. The National Instrument also requires an issuer that has adopted a code of business conduct and ethics to file such code or amended code on SEDAR no later than the date on which the issuer's next financial statements must be filed. A material departure from an issuer's code (e.g., by an inside director) may constitute a material fact or material change requiring immediate public disclosure.

The National Instrument requires an issuer to disclose (in Form 58-101F1 or 58-101F2) the issuer's corporate governance practices in response to specified items which generally track the recommended best practices set out in the National Policy. Where an issuer does not comply with a particular recommended practice, the issuer must explain how it addresses the objective of the recommended practice. Some of the new disclosure items for non-venture issuers, as compared to the current Toronto Stock Exchange guidelines, relate to: board composition; written board mandate; continuing education for directors; code of business conduct and ethics and monitoring compliance; nominating committee charter; and compensation committee and charter. The disclosure items for a venture issuer are less extensive than for a non-venture issuer. In addition, the National Instrument and Policy adopt the definition of "independent director" contained in National Instrument 52-110 *Audit Committees.*

The Company will be required to provide the prescribed disclosure on corporate governance practices in its next annual information circular (venture issuer) or annual information form (non-venture issuer).

National Instrument 43-101 - Standards of Disclosure for Mineral Projects

This instrument requires the filing of a technical report in connection with material properties of the Company. A report must also be filed in connection with the following: the filing of a preliminary prospectus; an information circular to be sent to shareholders in connection with the acquisition of a material mineral property if the consideration for the property includes shares; an offering memorandum; a rights offering circular; an AIF containing material information not contained in a previously filed report; and where any written disclosure contains first time disclosure of a preliminary assessment, mineral resources or reserves or a material change in the disclosure of resources or reserves. A report must be filed within 30 days of the disclosure of mineral resources or reserves. The report must be prepared by a person who meets the test of a "qualified person" under the instrument and in certain circumstances the qualified person must be independent of the issuer. The report must follow the prescribed Form 43-101F1 *Technical Report* and be accompanied by a consent and certificate of qualifications of the author.

Any written disclosure of a scientific or technical nature (which terms are broadly interpreted by the regulatory authorities) such as in a news release must be based upon a technical report or other information prepared by or under the supervision of a qualified person. The requirements of this Instrument respecting disclosure should be carefully reviewed as the securities commissions are reviewing issuers' disclosure. Except for news releases, all other written information must name the qualified person. Disclosure of resources and reserves and preliminary assessments is restricted and disclosure of historical estimates is prohibited except in certain circumstances.

It should be noted that proposed amendments to this Instrument, companion policy and form have been circulated for public comment. The amendments have not been adopted and are therefore not addressed in this memorandum.

6. Miscellaneous

SEDAR Profile – The Company should ensure that its SEDAR profile is kept up to date as this is the first source of information about the Company when a person (including a regulatory authority) goes to the SEDAR website.

Company Website – Disclosure of information on the Company's website must comply with the disclosure requirements of the regulatory authorities and should be factual and accurate. In particular, there should not be any references to or links to sites or reports from securities analysts as the Company will be taken to have adopted the reports of such analyst and could potentially be liable for any false or misleading information contained therein. The securities commissions periodically review the websites of issuers to ensure compliance with securities legislation.