

# Company Information Sheet

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*(a company continued under the laws of British Columbia, Canada with limited liability)*  
(Stock Code: 1878)

This information sheet is provided for the purpose of giving information to the public about SouthGobi Resources Ltd. (the “Company”) as at the date specified. The information does not purport to be a complete summary of information about, or relevant to, the Company and/or its securities.

## **RESPONSIBILITY STATEMENT**

The directors of the Company as of the date hereof hereby collectively and individually accept full responsibility for the accuracy of the information contained in this information sheet and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief the information is accurate and complete in all material respects and not misleading or deceptive and that there are no other matters the omission of which would make any information inaccurate or misleading.

The directors of the Company also collectively and individually undertake to publish on a yearly basis, when the Company publishes its annual report, this information sheet reflecting the changes made.

\* For identification purposes only

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Date of this information sheet: 10 October 2014

## **PART A. SUMMARY OF WAIVERS AND EXEMPTIONS**

### **A1. LATEST VERSION AS AT 10 OCTOBER 2014**

The Company applied for, and the Stock Exchange and/or the SFC granted several waivers and exemptions relating to its International Offerings, by way of a Hong Kong Public Offering and International Placing, its prospectus dated January 15, 2010 issued in connection with the International Offerings, its actions prior to the International Offerings, and its continuing obligations following the International Offerings. This information sheet only contains details of those waivers and exemptions that relate to the Company's continuing obligations and that apply to the Company as at the date of this information sheet. Capitalised terms used but not otherwise defined in this Part A have the meaning given to those terms in Part D of this information sheet.

#### **Notifiable and connected transactions**

As the Company is incorporated in British Columbia and is listed on the TSX, the Company is already subject to a wide range of continuing obligations concerning notifiable transactions, insider and related party transactions which are broadly commensurate with the shareholder protections under Chapter 14 (Notifiable Transactions) and Chapter 14A (Connected Transactions). The Stock Exchange granted a waiver from the operation of Chapters 14 and 14A of the Listing Rules in their entirety.

For details regarding the Canadian rules and regulations relating to independent shareholders' approval or preparation of a shareholder circular on notifiable transactions and connected transactions please see Part B, "Notifiable and Connected Transactions" in this information sheet.

#### **Continuous disclosure**

The Stock Exchange granted either complete or partial waivers from the operation of the following Listing Rules requirements relating to disclosure:

- Rule 13.09(2) (an equivalent provision to the new Rule 13.10B) of the Listing Rules which would require the Company to simultaneously inform the Stock Exchange of any information released to the TSX and ensure such information will be released to the market in Hong Kong at the same time as it will be released to the other markets which may not always be possible due to closure of the submission platform in Hong Kong, on the basis that the Company will contact the Stock Exchange and request a temporary suspension of dealings in Hong Kong prior to releasing information that is, in the opinion of the Company, of a price sensitive nature to the TSX during trading hours in Hong Kong and will inform the Stock Exchange and release information to the market in Hong

Kong in the next available window for submission of documents to the Stock Exchange if the Company informed the TSX or released information during closure of the submission platform.

- Rules 13.11 to 13.22 of the Listing Rules which would require disclosure of information in relation to specified matters relevant to the Company's business, including in relation to advances to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the controlling shareholder, loan agreements with covenants relating to specific performance of the controlling shareholder, and breach of loan agreement by an issuer. The Company will instead make disclosures where these are relevant to the general obligation of disclosure under Rule 13.09(1) and (2) of the Listing Rules.

### **Share option schemes**

Under Rule 19.42 of the Listing Rules, the Stock Exchange states that it may be prepared to vary the requirements applicable to schemes if an issuer's primary listing is or is to be on another stock exchange where different requirements apply. The Stock Exchange granted a waiver from the operation of Chapter 17 of the Listing Rules in its entirety.

### **Articles of the Company**

Appendix 3 of the Listing Rules states that the articles of association or equivalent document must conform with the provisions set out in that appendix (the "Articles Requirements"). The Articles do not comply with some of the Articles Requirements. The Stock Exchange granted a waiver from strict compliance with the following Articles Requirements. In many cases, an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in the Articles. The Company did not apply for a waiver from strict compliance in these cases.

### ***As regards Transfer and Registration***

Articles Requirement 1(1) states that transfers and other documents relating to or affecting the title to any registered securities must be registered. There is no requirement in the Articles that transfers and other documents relating to or affecting the title to any registered securities must be registered. However, there is an equivalent requirement in the BCBCA which provides equivalent legislative protection. The Company has never charged a transfer fee to shareholders. In the absence of specific waivers, the Company and its Directors will be subject to the Listing Rules in respect of future transfers.

Articles Requirement 1(2) states in part that fully-paid shares must be free from all liens. Under the Articles, the Company has a lien on all shares registered in the name of a shareholder or his legal representative for any debt of that shareholder to the Company which

may be enforced by any means available by law. The Company has undertaken to the Stock Exchange not to utilise this lien for such time as the Company is a public company in Canada.

### ***As regards Definitive Certificates***

Articles Requirement 2(1) states that all certificates for capital must be under seal. Under the Articles, the directors may authorize the seal to be impressed upon the Company's share certificates. However, the compulsory affixing of seals on certificates is not required by the BCBCA as section 110 of the BCBCA only requires a share certificate to be signed by a Director. The TSX Listing Policies do not require share certificates to be affixed with a seal.

Articles Requirement 2(2) states that where power is taken to issue share warrants to bearer, no new share warrant must be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. The Articles provide that, subject to the BCBCA, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the Directors may determine. The British Columbia Securities Transfer Act provides that an issuer must issue a new certificate only under specific circumstances including provision of an indemnity bond. Bonding companies require a statutory declaration that a certificate has been lost, destroyed or wrongfully taken before issuing an indemnity bond. However, it is not customary for Canadian public companies to issue scrip or bearer securities.

### ***As regards Directors***

Articles Requirement 4(1) states that, subject to such exceptions specified in the articles of association as the Stock Exchange may approve, a director must not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor must he be counted in the quorum present at the meeting. Under the Articles, Directors with disclosable interests in a transaction which is the subject of a resolution of the board are not entitled to vote on that resolution, unless all directors hold disclosable interests, in which case they are entitled to vote. An interested director is counted in the quorum. These provisions in the Articles comply with the BCBCA.

Articles Requirement 4(3) states that where not otherwise provided by law, the issuer in general meeting must have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any material contract) before the expiration of his period of office. Under the Articles the Company may only remove a director before the expiration of his or her term by special resolution. This higher threshold is consistent with the default requirement under section 128(3) of the BCBCA and standard Canadian corporate practice.

Articles Requirement 4(4) states that the minimum length of the period during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least 7 days. The Articles do not contain such a requirement as there is no such requirement under the BCBCA or the TSX Listing Policies and such a requirement is therefore inconsistent with Canadian corporate practice.

Articles Requirement 4(5) states that the period for lodgment of the notices referred to in subparagraph 4(4) will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. The Articles do not contain such a requirement as there is no such requirement under the BCBCA or the TSX Listing Policies and such a requirement is therefore inconsistent with Canadian corporate practice.

### ***As regards Accounts***

Articles Requirement 5 states that a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account; or (ii) the summary financial report must, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. The Company undertakes to comply with this Articles Requirement only with respect to shareholders with a registered address in Hong Kong. The Articles require the Company to send notices of meeting at least 21 days before the meeting, but do not contain any requirement to send financial statements. Financial statements are available to shareholders on SEDAR and are also available for inspection at the annual general meeting.

### ***As regards Rights***

Articles Requirement 6(1) states that adequate voting rights must, in appropriate circumstances, be secured to preference shareholders. The Articles do not contain such a requirement but preferred shareholders have the right, protected under the BCBCA, to vote in cases where a special right is prejudiced. The Company considers there are adequate voting rights under the BCBCA.

Articles Requirement 6(2) states that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. Under the Articles, the quorum requirement for a meeting of holders of any class of shares is 5% of the issued shares represented by those present either in person or by proxy.

### ***As regards Notices***

Articles Requirement 7(2) states that an overseas issuer whose primary listing is or is to be on the Stock Exchange must give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with this paragraph where it would be unreasonable to do so. The Articles do not contain such a requirement. The Company has undertaken to the Stock Exchange to provide sufficient notice to Shareholders with registered addresses in Hong Kong to exercise their rights or comply with the terms of the notice.

### ***As regards Redeemable Shares***

Articles Requirement 8(2) states that if the Company has the power to purchase for redemption a redeemable share and if such a purchase is made by tender, then tenders must be available to all shareholders alike. The Articles do not contain such a requirement. However, the Company has undertaken to the Stock Exchange to make the same offer to all shareholders in the event of an issuer bid for redeemable shares by tender.

### ***As regards Non-Voting or Restricted Voting Shares***

Articles Requirement 10(1) states that where the capital of the issuer includes shares which do not carry voting rights, the words "non-voting" must appear in the designation of such shares. Although the Articles do not contain such a requirement, the designation requirement is covered under the TSX Listing Policies.

Articles Requirement 10(2) states that where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting". Although the Articles do not contain such a requirement, the designation requirement is covered under the TSX Listing Policies.

### ***As regards Proxies***

Articles Requirement 11(1) states that where provision is made in the Articles as to the form of proxy, this must be so worded as not to preclude the use of the two-way form. The Articles do not contain such requirement as Canadian Securities Laws preclude the use of two-way voting for the appointment of an auditor and the election of directors. However, any such form of proxy must comply with Part 9 of NI 51-102.

## ***As regards Voting***

Articles Requirement 14 states that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. There is no such provision in the Articles. However, the Articles Requirement is generally consistent with Canadian corporate practice. As the Company is a reporting issuer in Ontario, MI 61-101 is applicable to the Company. A shareholder may be restricted from voting in certain circumstances outlined in MI 61-101, which governs related party transactions, business combinations and insider bids. MI 61-101 sets out who is restricted from voting on these transactions, being those parties who have an interest in the transaction, and provides that these votes shall not be counted. The Company has undertaken to the Stock Exchange that votes cast by a shareholder in contravention of these requirements will not be counted.

## **Not a public company in Hong Kong**

Section 4.1 of the Takeovers Code applies to takeovers, mergers and share repurchases affecting public companies in Hong Kong and companies with a primary listing in Hong Kong. Prior to the listing of the securities of the Company on the Stock Exchange, the Company applied to SFC for, and was granted a ruling that the Company is not a “public company in Hong Kong” for the purposes of section 4.1. Therefore, the Takeovers Code did not apply to the Company. This ruling could be reconsidered by the SFC in the event of a material change in information provided to the SFC, such as the location of the Company’s head office and place of central management.

In June 2014, the Company made an application to the SFC for a confirmation of the SFC’s prior ruling that the Company is not a public company in Hong Kong for the purposes of the Takeover Code. The Company made this application so it could assess, with a greater degree of certainty, its options for sourcing of additional financing. Following the application to the SFC, the Takeovers and Merger Panel of the SFC (the “Takeover Panel”) determined on 19 June 2014 that the Company should be considered a public company in Hong Kong for the purposes of the Takeover Code. The Takeovers Code now applies to the Company.

The Takeovers Panel’s decision was based primary upon the material change in the greater number of Hong Kong shareholders as reflected in the proportions of shares held on the Hong Kong and Canadian register, in particular the relative proportions held by the public (excluding Turquoise Hill and CIC). The Takeovers Panel was also of the view that there is a material change in relation to the extent of trading in the shares in Hong Kong as reflected in the proportionate trading volumes on the SEHK and in Canada.



The Takeovers Panel's written decision dated June 24, 2014 and published on June 30, 2014 is available on the SFC's website at

[http://www.sfc.hk/web/EN/files/CF/pdf/Takeovers%20and%20Mergers%20Panel%20-%20Panel%20Decision/SouthGobi%20Panel%20Decision\\_EN\\_dated%2024%20June%202014.pdf](http://www.sfc.hk/web/EN/files/CF/pdf/Takeovers%20and%20Mergers%20Panel%20-%20Panel%20Decision/SouthGobi%20Panel%20Decision_EN_dated%2024%20June%202014.pdf)

The Company is subject to Canadian Securities Laws regarding disclosure of shareholdings, share repurchases and takeovers. See the sections headed "Summary of Key British Columbia Corporate Laws and the Articles — Disclosure of Shareholdings", "Purchase by the Company of its own securities" and "Takeover Regulation", respectively in Part B to this information sheet, for more details.

### **Other continuing obligations**

The Stock Exchange granted either complete or partial waivers from the operation of the following Listing Rules requirements:

- Rule 13.28(7) of the Listing Rules which would require that any announcement of a placement to less than six allottees include the names of the six allottees because the Company is restricted by Canadian laws from making such disclosures unless the allottees give specific consent to be named. In such circumstances, the Company will only announce the names of those allottees who give specific consent to be named and will provide the information to the Stock Exchange on a confidential basis.
- Rule 13.38 of the Listing Rules which would require that the Company send, with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting, proxy forms with provision for two-way voting on all resolutions intended to be proposed at a meeting, on the basis that in the case of the election of directors, or the appointment of auditors, the proxy forms will state that the shareholder is only able either to vote for the resolution or abstain from voting, consistent with applicable Canadian Securities Laws.
- Rule 13.39(4) of the Listing Rules which requires that any vote of shareholders at a general meeting must be taken by poll, so as to not inconvenience Shareholders by increasing the duration of the general meeting on the basis that votes will only be taken by poll where a poll is demanded in accordance with the Articles or otherwise required by law. The Company considers that there are sufficient shareholder protection safeguards in place as it requires only a single member to demand a poll.
- Rule 13.39(5) of the Listing Rules which would require that if voting at a general meeting is taken on a poll, the issuer will announce the results of the poll in accordance with the specified requirements, which may not always be possible given general meetings will be held in Vancouver, on the basis that the Company will comply with applicable

Canadian Securities Laws in announcing the results of any poll and undertakes to release information to the market in Hong Kong as soon as practicable but no later than the next available window for submission after it has disseminated the information or informed the TSX and, subject to an available window for submission, within 24 hours from the end of the meeting for which the poll is taken.

- Rule 13.44 of the Listing Rules which would, subject to exceptions, require that a director of the issuer will not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor will he be counted in the quorum present at the meeting as the Company believes that strict compliance with this Listing Rule may result in situations where the Company will be unable to approve matters put to the board. The Directors are subject to disclosure obligations under the BCBCA. For further details, please refer to Part B of this information sheet “Summary of Key British Columbia Corporate Laws and the Articles — Restrictions on Directors’ Voting”.
- Rules 13.48 and 13.46(2) of the Listing Rules which would require that the Company to send a copy or summary of its interim report and annual report to Shareholders. The requirement to send hard copies of reports is inconsistent with Canadian market practice under which the Company only sends out hard copies of the annual reports to Shareholders who have requested hard copies. The Company will only comply with these Listing Rules with respect to members with registered addresses in Hong Kong subject to Rule 2.07A of the Listing Rules under which Shareholders may agree to receive corporate communications by making them available on the Company’s website. At the Company’s annual general meeting held on May 17, 2011 the Shareholders voted to approve the electronic delivery of Annual and Interim Reports to shareholders resident in Hong Kong.

## **A2. BLACKLINE COMPARISON AGAINST THE PREVIOUS VERSION DATED 26 JULY 2013**

The Company applied for, and the Stock Exchange and/or the SFC granted several waivers and exemptions relating to its International Offerings, by way of a Hong Kong Public Offering and International Placing, its prospectus dated January 15, 2010 issued in connection with the International Offerings, its actions prior to the International Offerings, and its continuing obligations following the International Offerings. This information sheet only contains details of those waivers and exemptions that relate to the Company’s continuing obligations and that apply to the Company as at the date of this information sheet. Capitalised terms used but not otherwise defined in this Part A have the meaning given to those terms in Part D of this information sheet.

## **Notifiable and connected transactions**

As the Company is incorporated in British Columbia and is listed on the TSX, the Company is already subject to a wide range of continuing obligations concerning notifiable transactions, insider and related party transactions which are broadly commensurate with the shareholder protections under Chapter 14 (Notifiable Transactions) and Chapter 14A (Connected Transactions). The Stock Exchange granted a waiver from the operation of Chapters 14 and 14A of the Listing Rules in their entirety.

For details regarding the Canadian rules and regulations relating to independent shareholders' approval or preparation of a shareholder circular on notifiable transactions and connected transactions please see Part B, "Notifiable and Connected Transactions" in this information sheet.

## **Continuous disclosure**

The Stock Exchange granted either complete or partial waivers from the operation of the following Listing Rules requirements relating to disclosure:

- Rule 13.09(2) (an equivalent provision to the new Rule 13.10B) of the Listing Rules which would require the Company to simultaneously inform the Stock Exchange of any information released to the TSX and ensure such information will be released to the market in Hong Kong at the same time as it will be released to the other markets which may not always be possible due to closure of the submission platform in Hong Kong, on the basis that the Company will contact the Stock Exchange and request a temporary suspension of dealings in Hong Kong prior to releasing information that is, in the opinion of the Company, of a price sensitive nature to the TSX during trading hours in Hong Kong and will inform the Stock Exchange and release information to the market in Hong Kong in the next available window for submission of documents to the Stock Exchange if the Company informed the TSX or released information during closure of the submission platform.
- Rules 13.11 to 13.22 of the Listing Rules which would require disclosure of information in relation to specified matters relevant to the Company's business, including in relation to advances to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the controlling shareholder, loan agreements with covenants relating to specific performance of the controlling shareholder, and breach of loan agreement by an issuer. The Company will instead make disclosures where these are relevant to the general obligation of disclosure under Rule 13.09(1) and (2) of the Listing Rules.

## **Share option schemes**

Under Rule 19.42 of the Listing Rules, the Stock Exchange states that it may be prepared to vary the requirements applicable to schemes if an issuer's primary listing is or is to be on another stock exchange where different requirements apply. The Stock Exchange granted a waiver from the operation of Chapter 17 of the Listing Rules in its entirety.

## **Articles of the Company**

Appendix 3 of the Listing Rules states that the articles of association or equivalent document must conform with the provisions set out in that appendix (the "Articles Requirements"). The Articles do not comply with some of the Articles Requirements. The Stock Exchange granted a waiver from strict compliance with the following Articles Requirements. In many cases, an Articles Requirement may not strictly be met but is covered by a broadly commensurate provision in the Articles. The Company did not apply for a waiver from strict compliance in these cases.

### ***As regards Transfer and Registration***

Articles Requirement 1(1) states that transfers and other documents relating to or affecting the title to any registered securities must be registered. There is no requirement in the Articles that transfers and other documents relating to or affecting the title to any registered securities must be registered. However, there is an equivalent requirement in the BCBCA which provides equivalent legislative protection. The Company has never charged a transfer fee to shareholders. In the absence of specific waivers, the Company and its Directors will be subject to the Listing Rules in respect of future transfers.

Articles Requirement 1(2) states in part that fully-paid shares must be free from all liens. Under the Articles, the Company has a lien on all shares registered in the name of a shareholder or his legal representative for any debt of that shareholder to the Company which may be enforced by any means available by law. The Company has undertaken to the Stock Exchange not to utilise this lien for such time as the Company is a public company in Canada.

### ***As regards Definitive Certificates***

Articles Requirement 2(1) states that all certificates for capital must be under seal. Under the Articles, the directors may authorize the seal to be impressed upon the Company's share certificates. However, the compulsory affixing of seals on certificates is not required by the BCBCA as section 110 of the BCBCA only requires a share certificate to be signed by a Director. The TSX Listing Policies do not require share certificates to be affixed with a seal.

Articles Requirement 2(2) states that where power is taken to issue share warrants to bearer, no new share warrant must be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. The Articles provide that, subject to the BCBCA, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the Directors may determine. The British Columbia Securities Transfer Act provides that an issuer must issue a new certificate only under specific circumstances including provision of an indemnity bond. Bonding companies require a statutory declaration that a certificate has been lost, destroyed or wrongfully taken before issuing an indemnity bond. However, it is not customary for Canadian public companies to issue scrip or bearer securities.

### ***As regards Directors***

Articles Requirement 4(1) states that, subject to such exceptions specified in the articles of association as the Stock Exchange may approve, a director must not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor must he be counted in the quorum present at the meeting. Under the Articles, Directors with disclosable interests in a transaction which is the subject of a resolution of the board are not entitled to vote on that resolution, unless all directors hold disclosable interests, in which case they are entitled to vote. An interested director is counted in the quorum. These provisions in the Articles comply with the BCBCA.

Articles Requirement 4(3) states that where not otherwise provided by law, the issuer in general meeting must have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any material contract) before the expiration of his period of office. Under the Articles the Company may only remove a director before the expiration of his or her term by special resolution. This higher threshold is consistent with the default requirement under section 128(3) of the BCBCA and standard Canadian corporate practice.

Articles Requirement 4(4) states that the minimum length of the period during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least 7 days. The Articles do not contain such a requirement as there is no such requirement under the BCBCA or the TSX Listing Policies and such a requirement is therefore inconsistent with Canadian corporate practice.

Articles Requirement 4(5) states that the period for lodgment of the notices referred to in subparagraph 4(4) will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. The Articles do not contain such a requirement as there is no such requirement under the BCBCA or the TSX Listing Policies and such a requirement is therefore inconsistent with Canadian corporate practice.

### ***As regards Accounts***

Articles Requirement 5 states that a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account; or (ii) the summary financial report must, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. The Company undertakes to comply with this Articles Requirement only with respect to shareholders with a registered address in Hong Kong. The Articles require the Company to send notices of meeting at least 21 days before the meeting, but do not contain any requirement to send financial statements. Financial statements are available to shareholders on SEDAR and are also available for inspection at the annual general meeting.

### ***As regards Rights***

Articles Requirement 6(1) states that adequate voting rights must, in appropriate circumstances, be secured to preference shareholders. The Articles do not contain such a requirement but preferred shareholders have the right, protected under the BCBCA, to vote in cases where a special right is prejudiced. The Company considers there are adequate voting rights under the BCBCA.

Articles Requirement 6(2) states that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. Under the Articles, the quorum requirement for a meeting of holders of any class of shares is 5% of the issued shares represented by those present either in person or by proxy.

### ***As regards Notices***

Articles Requirement 7(2) states that an overseas issuer whose primary listing is or is to be on the Stock Exchange must give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with this paragraph where it would be unreasonable to do so. The Articles do not contain such a requirement. The Company has undertaken to the Stock Exchange to provide sufficient notice to Shareholders with registered addresses in Hong Kong to exercise their rights or comply with the terms of the notice.

### ***As regards Redeemable Shares***

Articles Requirement 8(2) states that if the Company has the power to purchase for redemption a redeemable share and if such a purchase is made by tender, then tenders must be available to all shareholders alike. The Articles do not contain such a requirement. However, the Company has undertaken to the Stock Exchange to make the same offer to all shareholders in the event of an issuer bid for redeemable shares by tender.

### ***As regards Non-Voting or Restricted Voting Shares***

Articles Requirement 10(1) states that where the capital of the issuer includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares. Although the Articles do not contain such a requirement, the designation requirement is covered under the TSX Listing Policies.

Articles Requirement 10(2) states that where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”. Although the Articles do not contain such a requirement, the designation requirement is covered under the TSX Listing Policies.

### ***As regards Proxies***

Articles Requirement 11(1) states that where provision is made in the Articles as to the form of proxy, this must be so worded as not to preclude the use of the two-way form. The Articles do not contain such requirement as Canadian Securities Laws preclude the use of two-way voting for the appointment of an auditor and the election of directors. However, any such form of proxy must comply with Part 9 of NI 51-102.

### ***As regards Voting***

Articles Requirement 14 states that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. There is no such provision in the Articles. However, the Articles Requirement is generally consistent with Canadian corporate practice. As the Company is a reporting issuer in Ontario, MI 61-101 is applicable to the Company. A shareholder may be restricted from voting in certain circumstances outlined in MI 61-101, which governs related party transactions, business combinations and insider bids. MI 61-101 sets out who is restricted from voting on these transactions, being those parties who have an interest in the transaction, and provides that these votes shall not be counted. The Company has undertaken to the Stock Exchange that votes cast by a shareholder in contravention of these requirements will not be counted.

## **Not a public company in Hong Kong**

Section 4.1 of the Takeovers Code applies to takeovers, mergers and share repurchases affecting public companies in Hong Kong and companies with a primary listing in Hong Kong. Prior to the listing of the securities of the Company on the Stock Exchange, the Company applied to SFC for, and was~~The SFC~~ granted a ruling that the Company is not a “public company in Hong Kong” for the purposes of section 4.1. Therefore, the Takeovers Code ~~did~~does not apply to the Company. This ruling could~~may~~ be reconsidered by the SFC in the event of a material change in information provided to the SFC, such as the location of the Company’s head office and place of central management.

In June 2014, the Company made an application to the SFC for a confirmation of the SFC’s prior ruling that the Company is not a public company in Hong Kong for the purposes of the Takeover Code. The Company made this application so it could assess, with a greater degree of certainty, its options for sourcing of additional financing. Following the application to the SFC, the Takeovers and Merger Panel of the SFC (the “Takeover Panel”) determined on 19 June 2014 that the Company should be considered a public company in Hong Kong for the purposes of the Takeover Code. The Takeovers Code now applies to the Company.

The Takeovers Panel’s decision was based primary upon the material change in the greater number of Hong Kong shareholders as reflected in the proportions of shares held on the Hong Kong and Canadian register, in particular the relative proportions held by the public (excluding Turquoise Hill and CIC). The Takeovers Panel was also of the view that there is a material change in relation to the extent of trading in the shares in Hong Kong as reflected in the proportionate trading volumes on the SEHK and in Canada.

The Takeovers Panel’s written decision dated June 24, 2014 and published on June 30, 2014 is available on the SFC’s website at

[http://www.sfc.hk/web/EN/files/CF/pdf/Takeovers%20and%20Mergers%20Panel%20-%20Panel%20Decision/SouthGobi%20Panel%20Decision\\_EN\\_dated%2024%20June%202014.pdf](http://www.sfc.hk/web/EN/files/CF/pdf/Takeovers%20and%20Mergers%20Panel%20-%20Panel%20Decision/SouthGobi%20Panel%20Decision_EN_dated%2024%20June%202014.pdf)

The Company is subject to Canadian Securities Laws regarding disclosure of shareholdings, share repurchases and takeovers. See the sections headed “Summary of Key British Columbia Corporate Laws and the Articles — Disclosure of Shareholdings”, “Purchase by the Company of its own securities” and “Takeover Regulation”, respectively in Part B to this information sheet, for more details.



## Other continuing obligations

The Stock Exchange granted either complete or partial waivers from the operation of the following Listing Rules requirements:

- Rule 13.28(7) of the Listing Rules which would require that any announcement of a placement to less than six allottees include the names of the six allottees because the Company is restricted by Canadian laws from making such disclosures unless the allottees give specific consent to be named. In such circumstances, the Company will only announce the names of those allottees who give specific consent to be named and will provide the information to the Stock Exchange on a confidential basis.
- Rule 13.38 of the Listing Rules which would require that the Company send, with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting, proxy forms with provision for two-way voting on all resolutions intended to be proposed at a meeting, on the basis that in the case of the election of directors, or the appointment of auditors, the proxy forms will state that the shareholder is only able either to vote for the resolution or abstain from voting, consistent with applicable Canadian Securities Laws.
- Rule 13.39(4) of the Listing Rules which requires that any vote of shareholders at a general meeting must be taken by poll, so as to not inconvenience Shareholders by increasing the duration of the general meeting on the basis that votes will only be taken by poll where a poll is demanded in accordance with the Articles or otherwise required by law. The Company considers that there are sufficient shareholder protection safeguards in place as it requires only a single member to demand a poll.
- Rule 13.39(5) of the Listing Rules which would require that if voting at a general meeting is taken on a poll, the issuer will announce the results of the poll in accordance with the specified requirements, which may not always be possible given general meetings will be held in Vancouver, on the basis that the Company will comply with applicable Canadian Securities Laws in announcing the results of any poll and undertakes to release information to the market in Hong Kong as soon as practicable but no later than the next available window for submission after it has disseminated the information or informed the TSX and, subject to an available window for submission, within 24 hours from the end of the meeting for which the poll is taken.
- Rule 13.44 of the Listing Rules which would, subject to exceptions, require that a director of the issuer will not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor will he be counted in the quorum present at the meeting as the Company believes that strict compliance with this Listing Rule may result in situations where the Company will be unable to approve matters put to the board. The Directors are subject

to disclosure obligations under the BCBCA. For further details, please refer to Part B of this information sheet “Summary of Key British Columbia Corporate Laws and the Articles — Restrictions on Directors’ Voting”.

- Rules 13.48 and 13.46(2) of the Listing Rules which would require that the Company to send a copy or summary of its interim report and annual report to Shareholders. The requirement to send hard copies of reports is inconsistent with Canadian market practice under which the Company only sends out hard copies of the annual reports to Shareholders who have requested hard copies. The Company will only comply with these Listing Rules with respect to members with registered addresses in Hong Kong subject to Rule 2.07A of the Listing Rules under which Shareholders may agree to receive corporate communications by making them available on the Company’s website. At the Company’s annual general meeting held on May 17, 2011 the Shareholders voted to approve the electronic delivery of Annual and Interim Reports to shareholders resident in Hong Kong.

## **PART B. FOREIGN LAWS AND REGULATIONS**

### **B1. LATEST VERSION AS AT 10 OCTOBER 2014**

Set out below is a summary of certain provisions of the Articles, certain provisions of Canadian corporate, securities and tax laws, certain TSX Listing Policies, and certain other laws and policies that may be relevant to investors. Also set out below is a description of shareholder protection matters that are not at least equivalent to or broadly commensurate with those afforded to shareholders of companies incorporated in Hong Kong in effect as of the date hereof. Capitalised terms used but not otherwise defined in this Part B have the meaning given to those terms in Part D of this information sheet.

#### **GENERAL**

The rights and restrictions attaching to the Shares and Preferred Shares are detailed in the Articles, the BCBCA and its regulations, the TSX Listing Policies and applicable Canadian Securities Laws. There are no restrictions on the transfer of Shares, the number of members of the Company or on invitations by the Company to the public to subscribe for its Shares which would classify the Company as a private company under section 29 of the Companies Ordinance. Set out below is a summary of some material attributes of the Company's share capital. The text of the Articles is set out in Part C of this information sheet.

#### **SHARE CAPITAL**

The authorized share capital of the Company consists of an unlimited number of Shares without par value and an unlimited number of Preferred Shares without par value. All issued Shares are recorded in the accounts of the Company at their issue price.

In addition, the Company has issued a number of incentive stock options to Directors, officers, employees, affiliates and service providers of the Company and its subsidiaries exercisable to purchase unissued Shares.

All of the Shares have been and will be issued in accordance with the laws of British Columbia as well as with the provisions of the Articles. There is generally no limit in the BCBCA on the power of the Directors to issue Shares provided that no Share may be issued unless and until it is fully paid. However, the TSX Listing Policies require that prior TSX approval be obtained by the Company for any proposed issuance of its Shares, or any securities convertible into or exchangeable for, the Shares. Furthermore, Part 6 of the TSX Listing Policies requires the approval of Shareholders for any issuance of Shares, or any securities convertible into or exchangeable for, Shares if such issuance:

- materially affects control of the listed issuer; or

- provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and has not been negotiated at arm's length.

Additionally, the TSX Listing Policies will require that security holder approval be obtained for private placements:

- for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or
- that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period.

There is no similar statutory requirement under the BCBCA or the TSX Listing Policies, as is found under Hong Kong law, providing that Shareholders have a right to be offered any Shares in the Company which are being newly issued for cash before the same can be offered to new Shareholders. Consequently, there is no requirement for Shareholders in general meetings to provide a waiver to this obligation.

Subject to the TSX Listing Policies, the Company, in accordance with the BCBCA and its Articles, may by special resolution of its Shareholders:

- consolidate and combine all or any of its outstanding Shares into Shares of a lesser number; and
- sub-divide all or any of its outstanding Shares into Shares of a greater number.

Subject to the BCBCA, the Company may give financial assistance to any person for any purpose, including the purchase by such person of the Shares on such terms and at such times as may be determined by the Directors from time to time. The Company must provide disclosure where the financial assistance is material to the Company and is given to any of (a) a person known to be a shareholder, beneficial owner of a Share, Director, officer or employee of the Company or an affiliate of the Company, (b) a person known to the Company to be an associate of the persons referred to in paragraph (a), or (c) any person for the purpose of a purchase by that person of a Share issued or to be issued by the Company or an affiliate of the Company. There are exemptions to the disclosure requirement, many of which deal with related companies. In circumstances where disclosure is required, the disclosure must contain a brief description of the financial assistance, including the nature and extent thereof, the terms of the financial assistance and the amount given.

The Directors are not required to hold any Shares in the Company.

## **SUMMARY OF KEY BRITISH COLUMBIA CORPORATE LAWS AND THE ARTICLES**

The Articles of the Company were adopted by a special resolution dated August 8, 2006. The following is a summary of some key provisions of the BCBCA, the TSX Listing Policies and the Articles.

### **Objects**

The Company does not have an objects clause in its Articles because a British Columbia company, unlike companies incorporated under the laws of Hong Kong, is not required to have an objects clause. Pursuant to section 30 of the BCBCA, the Company has the legal capacity and rights, powers and privileges of an individual of full capacity.

### **Voting rights**

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative of a body corporate. On a show of hands every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder holding a Share carrying the right to vote has one vote and on a poll every person present who is a Shareholder or proxy, attorney or representative of a Shareholder shall in respect of each Share carrying the right to vote held by him have one vote per Share.

### **Dividends**

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and time and method of payment provided that the record date for the purpose of determining Shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than two months.

A dividend may be paid wholly or partly by the distribution of cash or cash equivalents, specific assets or of fully paid Shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways. Pursuant to section 70 of the BCBCA, no dividend may be declared or paid in money or assets if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

The Articles provide that no dividend bears interest against the Company and any dividend or other distribution payable in cash in respect of Shares may be paid by cheque, made payable to the order of the person to whom it is sent. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

The Company's dividends do not lapse.

## **Liquidation**

Liquidation is the process under the BCBCA by which the Company may be wound up, as its debts and liabilities are satisfied and any remaining assets are distributed to Shareholders. The liquidation process can be voluntary or under a court order. A voluntary liquidation is initiated by the Shareholders. A court of competent jurisdiction may order liquidation on application of any one of a number of "appropriate persons" as determined in accordance with the BCBCA.

A voluntary liquidation begins when the Shareholders pass a special resolution resolving to liquidate the Company and appoint, by ordinary resolution, a liquidator. The appointment of a liquidator suspends the powers of the Directors. The liquidator has a duty, subject to the BCBCA, to use his or her own discretion in realizing the assets of the Company or distributing those assets among the creditors and Shareholders of the Company.

The liquidator must:

- dispose of the assets of the Company other than assets to be distributed in kind to the Shareholders;
- pay or make provision for all of the Company's liabilities;
- invest money in investments approved for trustees pending distribution to creditors and Shareholders; and
- after paying or providing for all liabilities, distribute the remaining assets in money or in kind among the Shareholders according to their rights and interests in the Company.

## **Transfer of Shares**

The Articles provide that, in order for a transfer of a Share to be registered, the Company or the transfer agent or registrar for the share to be transferred, must receive:

- a duly signed instrument of transfer in respect of the Share;
- if a Share certificate has been issued by the Company in respect of the Share to be transferred, that Share certificate;
- if a non-transferable written acknowledgment of the Shareholder's right to obtain a Share certificate has been issued by the Company in respect of the Share to be transferred, that acknowledgment; and

- such other evidence, if any, as the Company or the transfer agent or registrar for the Share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the Share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

The instrument of transfer in respect of any Shares must be either in the form, if any, on the back of the Share certificates or in any other form that may be approved by the Directors from time to time.

Neither the Company nor any Director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the Shareholder or by any intermediate owner or holder of the Shares, of any interest in the Shares, of any share certificate representing such Shares or of any written acknowledgment of a right to obtain a share certificate for such Shares.

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the Directors.

Except where required or permitted by law, the Listing Rules or the TSX Listing Policies, there is no restriction on the transfer of Shares.

### **Variation of rights**

If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class may be varied or abrogated in any way with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class and a special resolution passed at the Company's general meeting.

The rights conferred on the holders of the Shares of any class are deemed not to be varied by the creation or issue of further Shares ranking equally with the first-mentioned Shares unless otherwise:

- expressly provided by the terms of issue of the first-mentioned Shares; or
- required or permitted by the BCBCA.

## **Borrowing powers**

The Articles provide that the Company, if authorized by the Directors, may:

- borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- guarantee the repayment of money by any person or the performance of any obligation of any other person; and
- mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **Issue of Shares**

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares but subject to the BCBCA and the TSX Listing Policies, the Company's unissued share capital is under the control of the Directors who may issue all or any of the same to such persons at such times and on such terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the Directors may determine. A Share must not be issued until it is fully paid. A Share is fully paid when consideration is provided to the Company for the issue of the Share in past services performed for the Company, property or money. Part 6 of the TSX Listing Policies require shareholder approval for an issuance of new shares for cash on a private placement basis in an amount greater than 25% of the number of shares that are outstanding prior to such issuance if such shares are issued below market price.

## **Small Shareholder Purchase and Sale Arrangements**

Part 6 of the TSX Listing Policies provides for a procedure whereby the Company can assist Shareholders who hold a quantity of Shares that is less than a prescribed board lot ("odd lot holders") and who wish to either sell their Shares or buy enough additional Shares to increase their holding to a board lot. Participation by an odd lot holder in any odd lot sale or purchase arrangement established pursuant to Part 6 of the TSX Listing Policies is purely voluntary and under no circumstances can the Company compel an odd lot holder to sell or purchase any Shares thereunder. The Company has not, to date, established an odd lot sale or purchase arrangement.



## Remuneration of Directors

The Company pays each non-executive Director C\$25,000 per annum. Ms. Kay Gravolet Priestly, in the capacity of chairperson, and Mr. Pierre Bruno Lebel, in the capacity of Lead Director, each receive an additional fee of C\$60,000 per annum. Each chairperson of a Board committee receives an additional payment. Mr. André Henry Deepwell receives an additional payment of C\$40,000 for acting as the chairman of the Audit Committee. Mr. W. Gordon Lancaster, as chairman of the Compensation and Benefits Committee, Mr. Pierre Bruno Lebel, as chairman of the Nominating and Corporate Governance Committee, and Mr. Kelly Dean Sanders, as chair of the Health, Environment, Safety and Social Responsibility Committee, each receive an additional payment of C\$25,000 per annum for their respective duties.

Each non-executive Director receives a fee of C\$1,500 for each Board meeting and committee meeting attended in person and C\$600 for each Board or committee conference call in which he or she participates. Directors also receive a travel allowance of Cdn\$2,000 per round-trip in excess of four (4) hours travel time. In the ordinary course, non-executive Directors, other than Rio Tinto seconded employees and Turquoise Hill Resources nominees to the boards of directors of subsidiary companies, receive an annual grant of incentive stock options. As of the date of the Company Information Sheet, Messrs. André Henry Deepwell, Pierre Bruno Lebel and W. Gordon Lancaster have each received 257,352 incentive stock options which represent the annual grant of stock options for 2013.

Each Director is entitled to reimbursement for actual expenses reasonably incurred in the performance of his or her duties as a Director.

As provided by the Articles, the Directors are entitled to the remuneration for acting as Directors, if any, as the Directors may from time to time determine. If the Directors so decide, the remuneration of the Directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a Director.

As provided by the Articles, if any Director who is not an employee or officer performs any professional or other services for the Company that in the opinion of the Directors are outside the ordinary duties of a Director who is not an employee or officer, or if any Director who is not an employee or officer is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the Directors, of, at the option of that Director who is not an employee or officer, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

## Indemnification

Subject to the BCBCA, the Company must indemnify a Director or former Director and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. An “eligible penalty” is a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. An “eligible proceeding” is a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a Director or a former Director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a Director:

- is or may be joined as a party; or
- is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

The Company may not indemnify an eligible party or pay such eligible party’s expenses in certain circumstances prescribed by the BCBCA including circumstances in which:

- in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the Company or any associated corporation, as the case may be; or
- in the case of an eligible proceeding other than a civil proceeding, the eligible party did not have reasonable grounds for believing that the eligible party’s conduct in respect of which the proceeding was brought was lawful.

Subject to any restrictions in the BCBCA, the Company may indemnify any person. In addition to what is set out above, the Company must, subject to the exceptions noted above, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by:

- (i) an officer or former officer of the company, or
- (ii) an officer or former officer of another corporation (a) at a time when the corporation is or was an affiliate of the Company, or (b) at the request of the Company, in respect of that proceeding if such person (i) has not been reimbursed for those expenses, and (ii) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding.

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- is or was a Director, officer, employee or agent of the Company;
- is or was a Director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity; or
- at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

### **Pensions and gratuities for Directors**

Although not prohibited from doing so, the Company does not currently pay any gratuity or pension or allowance on retirement to any Director who has held any salaried office with the Company or to his or her spouse or dependents nor make contribution to any fund or pay premiums for the purchase or provision of any such gratuity, pension or allowance.

### **Disclosure of Directors' interests**

Pursuant to section 147 of the BCBCA, a Director or senior officer of the Company holds a disclosable interest in a contract or transaction if (a) the contract or transaction is material to the Company, (b) the Company has entered, or proposes to enter, into the contract or transaction, and (c) either of the following applies to the Director or senior officer: (i) the Director or senior officer has a material interest in the contract or transaction; or (ii) the Director or senior officer is a director or senior officer of, or has a material interest in, a person who has a material interest in the contract or transaction. Subject to the BCBCA, the Articles require that a Director or senior officer who holds a disclosable interest must disclose the nature and extent of the conflict. In the BCBCA there are certain exceptions from the disclosable interest requirements which apply specifically to wholly-owned subsidiaries and related companies.

The Articles provide that a Director or senior officer who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the Director or senior officer under or as a result of the contract or transaction, unless the procedures for disclosure and approval as provided in the BCBCA are complied with.

Subject to the BCBCA, no Director or senior officer is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the Director or senior officer holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a Director or senior officer is in any way interested is liable to be voided for that reason.

Subject to the BCBCA, a Director, senior officer, or any person in which a Director or senior officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the Director, senior officer, or such person is entitled to remuneration for professional services as if that Director or senior officer were not a Director or senior officer, as applicable.

A Director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a Director or senior officer, must disclose the nature and extent of the conflict as required by the BCBCA.

A Director may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the BCBCA, the Director is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

### **Restrictions on Directors' voting**

The Articles provide that a Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any Directors' resolution to approve that contract or transaction, unless all the Directors have a disclosable interest in that contract or transaction, in which case any or all of those Directors may vote on such resolution. These provisions in the Articles comply with the BCBCA. A situation where all Directors have a disclosable interest is extremely rare but could arise for example, if the Company ever issues shares to all Directors outside the scope of their remuneration. In this circumstance, all the Directors would declare their interest in the transaction (with such declaration being noted in the minutes or consent resolution) and would then vote on the matter. Additionally, the Directors are subject to their overriding duties to act in the best interests of the Company.

Pursuant to the Articles and BCBCA, a Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of Directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the Director votes on any or all of the resolutions considered at the meeting.

## **Number of Directors**

The Articles provide that the number of Directors of the Company will be the greater of three and the number of Directors is fixed by ordinary resolution. In the absence of any such ordinary resolution, the number of Directors of the Company will be the greater of three and the number of Directors actually elected at the last meeting of Shareholders at which an election of Directors took place. At the Company's annual general meeting held on 6 May 2014, shareholders voted to reduce the number of Directors to seven (7). The incumbent Directors may, between annual meetings of Shareholders, appoint one or more additional Directors up to a maximum of one-third of the Directors elected by the Shareholders at the last meeting of Shareholders at which an election of Directors took place. A Director is not required to hold Shares issued by the Company. Under the BCBCA, Directors must be individuals though there are no residency requirements for Directors.

## **Directors' term of office**

Unless a Director dies, resigns or is removed from office in accordance with the BCBCA, the term of office of each of the incumbent Directors ends at the conclusion of the next annual meeting of the Shareholders following his or her most recent election or appointment.

## **General meetings**

Unless an annual general meeting is deferred or waived in accordance with the BCBCA, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the date of the last annual general meeting at such time and place as may be determined by the Directors.

The Directors may, whenever and wherever they think fit, call a meeting of Shareholders. The Company can hold its general meetings at a specified location outside of British Columbia if so authorized by the Directors. At least 21 days' notice must be given to the Shareholders of a general meeting.

Pursuant to section 167 of the BCBCA, shareholders who hold in the aggregate at least 5% of the issued Shares of the Company that carry the right to vote at general meetings may requisition a meeting of Shareholders. If the Directors do not, within 21 days after the date on which the requisition is received by the Company, send notice of a general meeting, the requisitioning Shareholders, or any one or more of them holding, in the aggregate, more than 2.5% of the issued Shares of the Company that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition.

Pursuant to section 167 of the BCBCA, unless the Shareholders resolve otherwise by an ordinary resolution at the general meeting called by the requisitioning shareholders, the Company must reimburse the requisitioning Shareholders for the expenses actually and reasonably incurred by them in requisitioning, calling and holding that meeting.

## **Election of Directors**

At every annual general meeting the Shareholders entitled to vote at the annual general meeting for the election of Directors are entitled to elect a Board consisting of the number of Directors for the time being set under the Articles and all the Directors cease to hold office immediately before such election but are eligible for re-election.

If the Company fails to hold an annual general meeting on or before the date by which the annual general meeting is required to be held under the BCBCA or the shareholders fail, at the annual general meeting, to elect or appoint any Directors then each Director then in office continues to hold office until the earlier of:

- the date on which his or her successor is elected or appointed; and
- the date on which he or she otherwise ceases to hold office under the BCBCA or the Articles.

## **Disclosure of Shareholdings**

### ***Early Warning Reporting Requirements***

Canadian Securities Laws contain early warning requirements pursuant to which every person, except pursuant to a formal bid, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of the Company that, together with such person's securities of that class, would constitute 10% or more of the outstanding securities of that class must immediately issue a press release disclosing the acquisition and containing the information prescribed in Section 3.1 of NI 62-103 and within two business days file a report disclosing the acquisition and the information prescribed in Section 3.1 of NI 62-103. A copy of NI 62-103 is available at the British Columbia Securities Commission website at [www.bcsc.bc.ca/instruments.aspx](http://www.bcsc.bc.ca/instruments.aspx). The press release may omit certain information as long as it is provided in the report. A person is deemed to beneficially own such securities if the person is the beneficial owner of securities convertible within 60 days into such securities of that class, or has the right or obligation, on conditions or not, to acquire that security within 60 days.

NI 62-104 requires that a further press release (immediate) and report (within two business days) is required for each further additional 2% acquired or where there has been a change in a material fact in an earlier report. Dispositions are not expressly mandated to be reported

under the early warning requirements (although they are to be reported if such disposition constitutes a change in a material fact from an earlier report). Such dispositions are reported by insiders above the 10% threshold on insider reports.

### ***Insider Reporting Requirements***

Pursuant to Canadian Securities Laws, an “insider” of the Company includes: (a) a director or an officer of the Company, (b) a director or an officer of a person that is itself an insider or a subsidiary of the Company, (c) a person that has (i) beneficial ownership of, or control or direction over, directly or indirectly, or (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of the Company carrying more than 10% of the voting rights attached to all the Company’s outstanding voting securities.

Canadian Securities Laws contain insider reporting requirements. If, while a person is an insider of the Company, (a) the person enters into a transaction involving a security of the Company or, for any other reason, the person’s direct or indirect beneficial ownership of, or control or direction over, securities of the Company changes from that shown or required to be shown in the latest insider report filed by the person, or (b) the person enters into a transaction involving a related financial instrument, the person must, within the prescribed period, file an insider report in the required form on the SEDI website at [www.sedi.ca](http://www.sedi.ca). A detailed guide on how to make insider filings in Canada can be found at [https://www.sedi.ca/sedi/new\\_help/english/insider/welcome\\_to\\_sedi\\_online\\_help.htm?Insider=Insider](https://www.sedi.ca/sedi/new_help/english/insider/welcome_to_sedi_online_help.htm?Insider=Insider).

Canadian Securities Laws define a “related financial instrument” as: (a) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security, or (b) any other instrument, agreement or understanding that affects, directly or indirectly, a person’s economic interest in respect of a security or an exchange contract.

### **Classes of Shares**

The Company has two classes of Shares: Shares without par value and Preferred Shares without par value.

The holders of the Shares are entitled to one vote per Share at all meetings of Shareholders except meetings at which only holders of another specified class or series of Shares of the Company are entitled to vote separately as a class or series. Subject to the prior rights of the holders of Preferred Shares and any other Shares ranking senior to the Shares, the holders of Shares are entitled to receive dividends as and when declared by the Directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The Shares have no pre-emptive, redemption, purchase or conversion rights. Neither the BCBCA nor the Articles impose restrictions on the transfer of Shares on any securities register of the Company, provided that

the Company receives the certificate representing the Shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board from time to time. There are no sinking fund provisions in relation to the Shares and they are not liable to further calls or to assessment by the Company. The BCBCA provides that the rights and provisions attached to any class of Shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of Shares of that class and the Shareholders as a whole.

The Preferred Shares rank senior to the Shares as to the payment of dividends and the distribution of property and assets on the liquidation, dissolution or winding up of the Company. Holders of Preferred Shares will not be entitled to any voting rights as a class except as may be provided under the BCBCA other than those voting rights which attach to any series of Preferred Shares as determined by the Directors from time to time. The Preferred Shares are issuable in one or more series, each consisting of such number of Preferred Shares as may be fixed by the Directors. The Directors may from time to time by resolution passed before the issue of any Preferred Shares of any particular series, alter the Articles to determine the designation of the Preferred Shares of that series, to fix the number of Preferred Shares of that series and to create, define and attach special rights and restrictions to the Preferred Shares of that series.

### **Reduction of capital**

The Company may reduce its share capital if it is authorized to do so by court order or by special resolution of its Shareholders. The Company may reduce its share capital without a court order or a special resolution, subject to its Articles and the BCBCA, in order to redeem, purchase or otherwise acquire Shares, accept a surrender of Shares by way of gift or for cancellation or convert fractional Shares into whole Shares. The Company may not reduce its share capital by special resolution if there are reasonable grounds for believing that the realizable value of the Company's assets would, after the reduction, be less than the aggregate of its liabilities.

### **Share repurchases**

Subject to the BCBCA and the Articles, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. The Company may not make a payment or provide any other consideration to purchase or otherwise acquire any of its Shares if there are reasonable grounds for believing that the Company is insolvent or making the payment or providing the consideration would render the Company insolvent. TSX Listing Policies and applicable Canadian Securities Laws regulate the purchase or other acquisition by the Company of its own Shares. Subject to a limited number of exemptions, the Company must comply with a detailed body of rules with the intended purpose that all of the Company's shareholders are treated equally.



## **Statutory derivative actions**

Pursuant to section 232 of the BCBCA, a Shareholder or Director of the Company (the “complainant”) may, with leave of a court of competent jurisdiction, prosecute a legal proceeding in the name and on behalf of the Company:

- to enforce a right, duty or obligation owed to the Company that could be enforced by the Company itself; or
- to obtain damages for any breach of such a right, duty or obligation.

Pursuant to section 232 of the BCBCA, with leave of a court of competent jurisdiction, a complainant may, in the name and on behalf of the Company, defend a legal proceeding brought against the Company.

Pursuant to section 233 of the BCBCA, a court of competent jurisdiction may grant leave on terms it considers appropriate if:

- the complainant has made reasonable efforts to cause the Directors to prosecute or defend the legal proceeding;
- notice of the application for leave has been given to the Company and any other person that the court may order;
- the complainant is acting in good faith; and
- it appears to the court that it is in the best interests of the Company for the legal proceeding to be prosecuted or defended.

## **Protection of minorities**

Pursuant to section 227 of the BCBCA, a Shareholder may apply to a court of competent jurisdiction for an order on the ground:

- that the affairs of the Company are being or have been conducted, or that the powers of the Directors are being or have been exercised, in a manner oppressive to one or more of the Shareholders, including the applicant; or
- that some act of the Company has been done or is threatened, or that some resolution of the Shareholders or of the Shareholders holding Shares of a class or series of Shares has been passed or is proposed, that is unfairly prejudicial to one or more of the Shareholders, including the applicant.

On application, the court may, with a view to remedying or bringing to an end the matters complained of, make any interim or final order it considers appropriate, including an order:

- directing or prohibiting any act;
- regulating the conduct of the Company's affairs;
- appointing a receiver or receiver manager;
- directing an issue or conversion or exchange of Shares;
- appointing Directors in place of or in addition to all or any of the Directors then in office;
- removing any Director;
- directing the Company to purchase some or all of the Shares of a Shareholder and, if required, to reduce its capital in the manner specified by the court, unless the Company is insolvent or the purchase would render it insolvent;
- directing a Shareholder to purchase some or all of the Shares of any other Shareholder;
- directing the Company, unless the Company is insolvent or the payment would render it insolvent, or any other person, to pay to a Shareholder all or any part of the money paid by that Shareholder for Shares of the Company;
- varying or setting aside a transaction to which the Company is a party and directing any party to the transaction to compensate any other party to the transaction;
- varying or setting aside a resolution;
- requiring the Company, within a time specified by the court, to produce to the court or to an interested person financial statements or an accounting in any form the court may determine;
- directing the Company to compensate an aggrieved person, unless the Company is insolvent or the payment of such compensation would render it insolvent;
- directing correction of the registers or other records of the Company;
- directing that the Company be liquidated and dissolved, and appointing one or more liquidators, with or without security;
- directing that an investigation be made under the BCBCA;

- requiring the trial of any issue; or
- authorising or directing that legal proceedings be commenced in the name of the Company against any person on the terms the court directs.

### **Disposal of assets**

Under the BCBCA, the Company may not sell, lease or otherwise dispose of all or substantially all of the Company's assets and undertaking unless it does so in the ordinary course of the Company's business or it has been authorized to do so by special resolution. Otherwise, there are no specific restrictions under the BCBCA on the power of the Directors to dispose of the Company's assets. Under the BCBCA, in the exercise of those powers, the Directors must discharge their duties of care to act in good faith, for a proper purpose and in the best interests of the company.

The Company is subject to the provisions of MI 61-101. The intended purpose of MI 61-101 is to regulate business combinations, insider bids, issuers bids, and related party transactions in order to treat all security holders in a manner that is fair and that is perceived to be fair, by setting out Formal Valuation and minority approval requirements for these kinds of transactions in certain prescribed circumstances.

### **Accounting and auditing requirements**

A Canadian public company that is listed on the TSX, such as the Company, must prepare annual financial statements which must be audited, and unaudited quarterly financial statements. The annual financial statements and the auditor's report must also be presented to the annual general meeting of Shareholders and delivered to Shareholders.

### **Securities registers**

The Company must maintain, at a location designated by the Directors, a central securities register in which it registers the Shares issued by the Company, all transfers of Shares so issued and details of such issuances and transfers. The Company may also maintain one or more branch registers at locations designated by the Directors. Particulars of each issue or transfer of a Share registered in a branch securities register must also be promptly registered in the central securities register.

### **Inspection of books and records**

A Shareholder may, during statutory business hours and without charge, inspect the records of the Company, other than certain records prescribed under the BCBCA as records that a Shareholder is not entitled to inspect.

## **Special resolutions**

The BCBCA and the Articles provide that a resolution of the Company is a special resolution when it has been passed by a majority of at least 2/3 of the votes cast on the resolution.

## **Subsidiary owning Shares in parent**

Under the BCBCA, the Company may purchase or otherwise acquire shares of a corporation of which it is a subsidiary. The Company must not purchase any of the shares of its parent corporation if there are reasonable grounds for believing that the Company is insolvent, or the purchase would render the Company insolvent. Likewise, a subsidiary of the Company may purchase or otherwise acquire Shares provided that there are no reasonable grounds for believing that the subsidiary is insolvent or that the purchase would render it insolvent.

## **Arrangements and other fundamental corporate transactions**

The BCBCA provides for arrangements and other fundamental corporate transactions involving the Company, the Shareholders, creditors and other persons. The relevant provisions of the BCBCA permit fundamental changes to take place with respect to the Company affecting Shareholders, creditors and other persons if certain approvals are obtained from the affected Shareholders, creditors and other persons. In the case of arrangements, the prior approval of a court of competent jurisdiction is also required.

Arrangements are typically used for numerous forms of acquisitions, going-private transactions, substitutions of new Shares for arrears of dividends on existing Shares, exchanges of Shares for Shares or other securities of the Company or of another body corporate, exchanges of Shares or other securities for money and, in the case of creditors, debt reorganizations.

## **Dissent and Appraisal Rights**

The BCBCA provides that Shareholders of the Company are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their Shares in connection therewith. The right of dissent is applicable in respect of:

- a resolution to alter the articles to alter restrictions on the powers of the Company or on the business it is permitted to carry on;
- a resolution to adopt an amalgamation agreement or otherwise approve an amalgamation;
- a resolution to approve an arrangement, the terms of which arrangement permit dissent;

- a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the Company's undertaking;
- a resolution to authorize the continuation of the Company into a jurisdiction other than British Columbia;
- any other resolution, if dissent is authorized by the resolution; or
- any court order that permits dissent.

The BCBCA sets out the process and procedures that must be followed for a Shareholder to exercise dissent rights.

### **Stamp duty on transfers**

No Canadian or British Columbia stamp duty is payable on transfers of shares in a company that is incorporated or continued in British Columbia.

### **PURCHASE BY THE COMPANY OF ITS OWN SECURITIES**

The BCBCA and the Articles permit the Company to purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. The Company may not make a payment or provide any other consideration to purchase or otherwise acquire any of its Shares if there are reasonable grounds for believing that the Company is insolvent or that making the payment or providing the consideration would render the Company insolvent. The Articles provide that, if the Company retains a Share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the Share, but, while such Share is held by the Company, it:

- is not entitled to vote the Share at a meeting of its Shareholders;
- must not pay a dividend in respect of the Share; and
- must not make any other distribution in respect of the Share.

### ***Rules Governing Issuer Bids***

Under applicable Canadian Securities Laws, any offer to acquire or redeem any securities (other than nonconvertible debt securities) made by the Company in respect of securities of its own issue made to any person resident in a province of Canada is an "issuer bid". The legal definition of an issuer bid specifically excludes acquisitions or redemptions by a company of its own securities where:

- no valuable consideration is offered or paid for the securities; or

- the acquisition, redemption or offer is a step in an amalgamation, merger, reorganization or arrangement that requires approval in a vote of securityholders.

If the Company were to make an offer to acquire securities of its own issue, the Company would be required to make a formal issuer bid in compliance with the requirements of applicable Canadian Securities Laws, unless an exemption from these requirements is available. The requirements for making a formal issuer bid include preparing, filing and sending an issuer bid circular in the prescribed form to all holders of the class of securities that are the subject of the issuer bid. Unless exempt, the Company is required to obtain an independent formal valuation of the securities that are the subject of the bid and summaries the formal valuation in the issuer bid circular.

A formal issuer bid must remain open for acceptance for a minimum of 35 days and the Company must not take up any securities deposited under the bid until at least 35 days have elapsed. Depositing securityholders are entitled to withdraw their securities at any time before the securities are taken up by the Company. Adequate arrangements must be in place before the commencement of a bid to ensure that the required funds are available to make full payment of all cash consideration offered in respect of the securities subject to the bid.

Acquisitions of securities by the Company are restricted during the issuer bid and for the 20 business days after the expiry of the issuer bid. In addition, there is a prohibition against selling or agreeing to sell any securities subject to the bid from the date of announcement of the intention to make the bid until its expiry, except for sales in respect of dividend plans, dividend reinvestment plans, employee purchase plans and other similar plans.

In the case of a partial issuer bid, the Company is required to take up and pay for the securities proportionately according to the number of securities deposited by each securityholder. However, the Company is not required to take up securities on a pro rata basis from those securityholders who are entitled to elect a minimum price per security and elect a minimum price that is higher than the price that the Company pays for securities under the bid.

Certain issuer bids are exempt from the formal issuer bid requirements. The following is a summary of some of the principal exemptions available under applicable Canadian Securities Laws for issuer bids.

### ***Foreign Bid Exemption***

There is an exemption for issuers with minimal share ownership presence in Canada. This exemption is available where less than 10% of the securities subject to the bid are held by securityholders in Canada (including beneficial ownership) and the published market with the greatest dollar value of trading in the securities subject to the bid during the 12 months preceding the commencement of the bid is not in Canada. In order for an offeror to rely on this exemption, securityholders in Canada must be able to participate in the bid on terms at

least as favourable as the terms that apply to the general body of securityholders of the same class and the information and issuer bid materials must be filed in Canada and sent to Canadian security holders.

### ***Minimal Connection Exemption***

An exemption is also available for issuer bids where the number of registered holders of securities of the class subject to the bid in each province of Canada is fewer than 50 and securityholders in each province beneficially own less than 2% of the outstanding securities of the class. Canadian security holders must be entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class and the information and issuer bid materials must be filed in Canada and sent to Canadian security holders.

### ***Redemption or Retraction Exemption***

A company is permitted to acquire its own securities in accordance with redemption or retraction provisions in the terms and conditions attaching to the class of securities, or as required by law.

### ***Employee, Executive Officer, Director and Consultant Exemption***

A company is permitted to repurchase its own securities from its current and former employees, consultants, executive officers and directors and current and former employees, consultants, executive officers and directors of its affiliates. The exemption requires that if there is a published market for the securities, the value of the consideration paid must not be greater than the market price and that purchases not exceed 5% of the outstanding securities of the class in any 12-month period.

### ***Normal Course Issuer Bid Exemption***

An issuer bid is exempt if it is made in the normal course over the TSX or another designated exchange in accordance with the rules and regulations of that exchange.

An issuer bid made in a published market that is not a designated exchange will also be exempt if:

- the bid is for not more than 5% of the outstanding securities of the class;
- the aggregate number of securities acquired under this exemption within any 12-month period under the exemption does not exceed 5% of the outstanding securities at the beginning of the period; and

- the value of the consideration paid for any of the securities does not exceed the market price plus reasonable brokerage fees and commissions actually paid.

A company relying on this exemption is required to issue and file a news release describing the class and number of securities, the dates of the issuer bid, the consideration offered, the manner in which the securities will be acquired and the reasons for the bid.

### ***TSX Rules for Normal Course Issuer Bids***

Pursuant to the TSX Listing Policies a normal course issuer bid carried out over the facilities of the TSX is subject to the following requirements:

#### **1. *Volume Limitations***

The rules of the TSX limit the volume of purchases by the Company of its Shares in two ways.

First, the rules of the TSX limit the number of listed securities that may be purchased by an issuer under an issuer bid on any trading day, when aggregated with all other purchases by the issuer during the same trading day over the TSX, to not more than the greater of: (i) 25% of the average daily trading volume (“ADTV”) of the listed securities of that class; and (ii) 1,000 securities. An issuer may make one “block purchase” per calendar week that exceeds this daily repurchase limit. A “block” means a quantity of securities, not owned, directly or indirectly, by an insider of the issuer, that either (i) has a purchase price of C\$200,000 or more; (ii) is at least 5,000 securities and has a purchase price of at least C\$50,000; or (iii) is at least 20 board lots of the security and total 150% or more of the ADTV for that security. However, once the block purchase exception has been relied on, the issuer may not make any further purchases under the issuer bid for the remainder of that calendar day.

The “average daily trading volume” or “ADTV” means the trading volume on the TSX for the most recently completed six calendar months preceding the date of acceptance of the notice of the issuer bid by the TSX, excluding any purchases made by the issuer through the facilities of TSX under its issuer bid during such six months, divided by the number of trading days for the relevant six months.

Second, the rules of the TSX limit the number of listed securities that may be purchased in a 12-month period commencing on the date specified in the notice of the issuer bid to a number that does not exceed the greater of (i) 10% of the public float; and (ii) 5% of such class of securities issued and outstanding, in each case calculated on the first day of the 12 month period. This limitation is based on total purchases on the TSX, other stock exchanges or otherwise.



The “public float” means the number of securities which are issued and outstanding less the number of securities that are pooled, escrowed or non-transferable, and less the number of securities, known by the issuer after reasonable inquiry, beneficially owned or over which control or direction is exercised by the issuer, every senior officer or director of the issuer and every person who beneficially owns or exercises control or direction over more than 10% of the issued and outstanding securities of any class of voting securities or equity securities of the issuer.

## **2. *Price Limitations***

Purchases made pursuant to an issuer bid must be made at a price which is not higher than the last independent trade of a board lot of the securities to which the issuer bid relates. Trades that are not “independent trades” under the TSX Listing Policies include both trades, directly or indirectly, for the account of an insider of the issuer, and certain trades made by, or for the account of the broker that is engaged by the issuer in respect of the issuer bid.

## **3. *Timing Limitations***

An issuer may not make any purchases pursuant to an issuer bid at the opening of a trading session, or during the 30 minutes before the scheduled close of a trading session. However, purchases of securities under an issuer bid may be effected through the market on close facility.

## **4. *Prohibited Trades***

It is a principle of issuer bids that all transactions should be made in the open market without abnormally influencing the market price of the securities, treating all holders of identical securities in a fair and even-handed manner. Accordingly, the TSX prohibits private agreement purchases other than by means of open market transactions.

An intentional cross or pre-arranged trade is not permitted under an issuer bid, unless such trade is made in connection with the block purchase exception.

Purchases under an issuer bid may not be made from a person or company effecting a sale from a control block (from a holder of securities carrying more than 20% of the votes or in a position to affect the control of an issuer). This prohibition is intended to ensure that a large security holder is not, in effect, selling down its position in an issuer to the issuer itself. The TSX Listing Policies provide that it is the responsibility of the broker acting as agent for the issuer in respect of an issuer bid to ensure that it is not bidding in the market at the same time as a broker is offering the same class of securities under a sale from control.

An issuer may not purchase securities pursuant to an issuer bid when the issuer possesses any material information which has not been generally disclosed. However, it is open to the issuer to enter into arrangements with its broker to implement an automatic securities purchase plan that would permit that broker to make trades on the issuer's behalf on the issuer bid during blackout periods when trades in the issuer's securities by insiders would be otherwise prohibited. These arrangements must be pre-cleared by the TSX.

In addition, an issuer may not make any purchases under an issuer bid during a circular bid for those securities. This restriction applies during the period from the first public announcement of the circular bid to termination of the period during which securities may be deposited under such issuer bid.

## **5. Procedure**

The TSX procedure for the Company to make an issuer bid is as follows:

### ***Notice of Intention (the "Notice")***

The Notice must be filed with the TSX. The Notice is first filed in draft for TSX review and comment, together with a draft press release (as described below) and public float schedule (if applicable). When the Notice is in a form acceptable to the TSX, it is filed in final form duly executed by an officer or Director of the Company, together with the final form of the press release and public float schedule (if applicable).

### ***Duration***

An issuer bid may run for a period of one year from the date on which purchases are permitted to begin (the "Commencement Date" as defined below), and may be renewed on an annual basis thereafter.

### ***Press Release***

A press release must be issued indicating the intention of the issuer to make an issuer bid, and summarizing the material contents of the Notice. The press release is first filed with the TSX for its review, together with the draft Notice and public float schedule (if applicable). A final version of the press release is filed with the TSX at the time of filing the final form of Notice. This press release must be issued as soon as the Notice is finally accepted by the TSX. The issuer may also issue a press release prior to final acceptance of the executed Notice by the TSX if the press release states that the issuer bid is subject to regulatory approval.

### ***Disclosure to Shareholders***

A summary of the material information contained in an accepted Notice must be included in the next annual report, quarterly report, information circular or other document mailed to shareholders. Security holders are entitled to obtain a copy of the Notice without charge from the issuer.

### ***Commencement of Purchases***

Purchases under the issuer bid may commence two trading days after the later of the date of acceptance by the TSX of the final Notice and the date of issuance of the press release described above (the “Commencement Date”).

### ***Broker***

The issuer must appoint only one broker at any one time as its broker to make purchases (the “Broker”). If the issuer decides to change the Broker, it must obtain the written consent of the TSX.

### ***Amendment of issuer bids***

During an issuer bid, an issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum volume limitations permitted by the TSX or (ii) provided that the issuer has increased its number of issued securities that are subject to the issuer bid by at least 25% from the number of issued securities as at the date of acceptance of the Notice by the TSX, the maximum volume limitations as calculated as at the date of the amended notice. When the amended notice is in a form acceptable to the TSX, the listed issuer files the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by the TSX. The final form of the amended notice must be filed at least three clear trading days prior to the commencement of any purchases under the amended issuer bid. In addition, a draft press release must be provided to the TSX and the listed issuer must issue a press release as soon as the amended notice is accepted by the TSX. A copy of the final press release shall be filed with the TSX.

## **VOTING FOR DIRECTORS AND AUDITORS**

Canadian Securities Laws preclude two-way voting in the case of an appointment of an auditor or the election of directors. Under National instrument 51-102, a form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder’s name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors. A single resolution for the appointment of two or more directors may be put to shareholders in

circumstances where the number of nominees for director is equal to or less than the number of available director positions. However, in the event that there are more nominees for director than there are available positions, or a shareholder otherwise requests, the vote would be put to a poll and each nominee would be voted on. The nominees receiving the greatest number of votes are elected.

## **TAKEOVER REGULATION**

The Company is continued under the laws of British Columbia, where it has its head office and place of central management. Accordingly, although the Shares will trade on the Stock Exchange and the TSX, transactions involving Shares will not be subject to the provisions of the Takeovers Code, for such time as the Company is considered not to be a “public company” in Hong Kong.

Takeover bids in Canada are governed by the Canadian Securities Laws. In British Columbia, which is the principal jurisdiction in Canada in which the Company is a “reporting issuer” (as defined under applicable Canadian Securities Laws), when any person (an “offeror”), except pursuant to a formal bid, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities or any class of a reporting issuer that, together with such offeror’s securities and the securities of any person acting jointly and in concert with the offeror, would constitute 10% or more of the outstanding securities of that class, the offeror must immediately issue and file a press release announcing the acquisition, and file a report of such acquisition with the applicable securities regulatory authorities within two business days thereafter. Certain eligible institutions may elect an alternate reporting system. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time the offeror, or any person acting jointly or in concert with the offeror, acquires beneficial ownership of, or the power to exercise control over, or securities convertible into, an additional two percent or more of the outstanding securities of the applicable class or there is a change in a material fact contained in such report.

A takeover bid is generally defined as an offer to acquire a class of outstanding voting or equity securities of an issuer made to any holder of such securities and resident in such province where the securities subject to the offer, together with securities held by the offeror and any person acting in concert with the offeror, constitute in aggregate 20% or more of the outstanding securities of that class at the date of the offer. Subject to limited exemptions, a takeover bid must be made to all holders of such class of securities who are in such province, and must allow such holders 35 days to deposit securities pursuant to the bid. The offeror must deliver to the holders of the securities a takeover bid circular which describes the terms of the takeover bid and the directors of the target company must deliver to the holders of that target company a directors’ circular within 15 days of the date of the bid, making a recommendation to holders of the securities to accept or reject the bid.

However there are several exemptions from the requirement to make a formal offer to all shareholders. A significant exemption is the private agreement exemption. Pursuant to this exemption, an offeror could acquire shares from up to five persons where the value of the consideration paid does not exceed 115% of the market price of the securities, without having to make a formal bid to all securityholders. This means that all the shares of a controlling shareholder could be acquired by an offeror without securityholder approval or a formal bid being made to all securityholders.

Under Section 300 of the BCBCA, where an offer to acquire all of the shares of an issued class of a subject company has, within four months after the offer, been accepted by holders of not less than 90% of the shares subject to that offer, other than shares held at the date of the offer by or on behalf of the acquiring person, the acquiring person may give notice in the prescribed manner and within a prescribed period to any dissenting shareholder that it intends to acquire the remaining shares pursuant to Section 300 of the BCBCA. If a notice is sent to a dissenting shareholder, the acquiring person is entitled and bound to acquire all of the shares of that dissenting shareholder that were involved in the offer for the same price and on the same terms contained in the acquisition offer unless the court orders otherwise on an application made by that dissenting shareholder within 2 months after the date of the notice. On the application of a dissenting shareholder, the court may set the price and terms of payment and make consequential orders and give directions the court considers appropriate. If a notice has been sent by an acquiring person and the court has not ordered otherwise, the acquiring person must, no earlier than 2 months after the date of the notice, or, if an application to the court by the dissenting shareholder to whom the notice was sent is then pending, at any time after that application has been disposed of, send a copy of the notice to the subject company, and pay or transfer to the subject company the amount or other consideration representing the price payable by the acquiring person for the shares that are referred to in the notice. On receiving the copy of the notice and the amount or other consideration to be paid for the relevant shares, the subject company must register the acquiring person as a shareholder with respect to those shares. If the acquiring person has not, within one month after becoming entitled to do so, sent the acquisition notice, the acquiring person must send a written notice to each dissenting shareholder stating that the dissenting shareholder, within 3 months after receiving the notice, may require the acquiring person to acquire the shares of that dissenting shareholder that were involved in the acquisition offer. If a dissenting shareholder requires the acquiring person to acquire the dissenting shareholder's shares, the acquiring person must acquire those shares for the same price and on the same terms contained in the acquisition offer.

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of the Company beyond the applicable provisions of the BCBCA. The Company is not aware of any existing arrangements the operation of which may at a subsequent date result in a change in control of the Company.

There is no limitation imposed by the laws of British Columbia and the federal laws of Canada applicable therein, or the Articles, on the right of a non-Canadian to hold or vote the Shares, other than as provided in the Investment Canada Act (the “Investment Act”), which generally prohibits a reviewable investment by an entity that is not a “Canadian”, as defined, unless after review, the minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. An investment in the Shares by a non-Canadian who is not a “WTO investor” (which includes governments of, or individuals who are nationals of, member states of the WTO and corporations and other entities which are controlled by them), at a time when the Company was not already controlled by a WTO investor, would be reviewable under the Investment Act under three circumstances. First, if it was an investment to acquire control (within the meaning of the Investment Act) and the value of the Company’s assets, as determined under Investment Act regulations, was C\$5 million or more. Second, the investment would also be reviewable if an order for review was made by the federal cabinet of the Canadian government on the grounds that the investment related to Canada’s cultural heritage or national identity (as prescribed under the Investment Act), regardless of asset value. Third, the investment would also be reviewable if an order for review is made by the federal cabinet of the Canadian government on the grounds that an investment by a non-Canadian could be injurious to national security. An investment in the Shares by a WTO investor, or by a non-Canadian at a time when the Company was already controlled by a WTO investor, would be reviewable under the Investment Act if it was an investment to acquire control and the value of the Company’s assets, as determined under Investment Act regulations, was not less than a specified amount, which for 2013 is C\$344 million. The Investment Act provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of the Company for the purposes of the Investment Act if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company not controlled in fact by the acquirer. An acquisition of control for the purposes of the Investment Act could also occur as a result of the acquisition by a non-Canadian of all or substantially all of the Company’s assets. The Investment Act provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of the Company for the purposes of the Investment Act if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company not controlled in fact by the acquirer. An acquisition of control for the purposes of the Investment Act could also occur as a result of the acquisition by a non-Canadian of all or substantially all of the Company’s assets.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the “ITA”) to a Shareholder in respect of its investment in Shares. This summary is applicable to a Shareholder that, at all

relevant times, for purposes of the ITA, is neither resident nor deemed to be resident in Canada, deals at arm's length and is not affiliated with the Company, holds the Shares as capital property, does not and is not deemed to use or hold the Shares in, or in the course of, carrying on a business in Canada, does not hold Shares as part of the business property of a permanent establishment in Canada and is not a foreign affiliate of a taxpayer resident in Canada for the purpose of the ITA (a "Non-Resident Shareholder"). This discussion does not apply to an insurer that carries on business in Canada and elsewhere, to a "financial institution", a "specified financial institution", or an entity an interest in which is a "tax shelter investment" (all as defined in the ITA) or to a Shareholder that has elected to have the "functional currency" reporting rules under the ITA apply.

This summary is based on the facts set out in this information sheet, the provisions of the ITA in force on the date hereof and the Company's understanding of the current administrative policies of and assessing practices of the Canada Revenue Agency (the "CRA") made publicly available prior to the date hereof. It also takes into account all specific proposals to amend the ITA publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This discussion does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account any other federal, provincial or foreign income tax considerations, which may differ significantly from those discussed herein.

For the purposes of the ITA, each amount relating to the acquisition, holding or disposition of the Shares must be converted to Canadian dollars, in a method acceptable to the CRA, on the effective date that the amount first arose.

**This discussion is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Shares. Moreover, the income or other tax consequences of acquiring, holding or disposing of Shares will vary depending on the Shareholder's particular circumstances, including the jurisdiction or jurisdictions in which the Shareholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Shares. Shareholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Shares based on their particular circumstances.**

## **Dividends on Shares**

Dividends paid or credited or deemed to be paid or credited on the Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%. Such non-resident withholding tax may be reduced by virtue of the provisions of an income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is a resident.

## **Disposition of Shares**

A Non-Resident Shareholder will generally not be liable to Canadian income tax on a disposition or deemed disposition of a Share (other than to the Company) unless the Non-Resident Shareholder's Share is, or is deemed to be, "taxable Canadian property" to the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under the provisions of an applicable tax treaty. Conversely, to the extent that a Non-Resident Shareholder realizes a capital loss from the disposition of a Share, the amount of the capital loss may not be deductible against capital gains of a Non-Resident Shareholder for the purposes of the ITA.

Generally, a Share will not be taxable Canadian property to a Non-Resident Shareholder at a particular time provided that either: (a) at no time during the 60-month period preceding the particular time did such Share derive more than 50% of its fair market value directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties (as such terms are defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not the property exists; or (b) such Share is listed on a designated stock exchange (which currently includes the Exchange and the TSX) at that time and at no time during the 60-month period ending at that time did the Non-Resident Shareholder, persons not dealing at arm's length with such Non-Resident Shareholder or the Non-Resident Shareholder together with all such persons, own 25% or more of the issued shares of any class or series of the capital stock of the Company. Notwithstanding the foregoing, in certain circumstances set out in the ITA, Shares could be deemed to be a taxable Canadian property.

## **NOTIFIABLE AND CONNECTED TRANSACTIONS**

The Canadian and Hong Kong regulatory regimes governing notifiable and connected transactions have differences in approach.

In terms of notifiable transactions, the Hong Kong system uses asset, consideration, profit, revenue and equity capital ratios to determine whether a transaction is subject to the notifiable transaction requirements. The Canadian system does not prescribe ratios in determining whether a transaction is notifiable, but instead focuses on whether the details of a transaction constitute "material information". Material information is any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company's listed securities.

In terms of connected party transactions, both the Hong Kong and Canadian regulatory regimes have the same policy basis in terms of providing shareholder approval, independent valuation and disclosure requirements for transactions that are conducted with "connected persons" of an issuer. The definition of "related-party transaction" in MI 61-101, the



instrument governing related party transactions, is broad enough to include the transactions contemplated in the definition of “transaction” in Chapter 14A. The definition of “related party” in MI 61-101 is similar to the definition of “connected person” in Chapter 14A, but it does not include past directors, associates, promoters or supervisors.

Further details of the Canadian regulatory regime for notifiable and connected transactions are set out below.

## **Notifiable Transactions**

In British Columbia three sources of regulation govern notifiable transactions, the TSX Listing Policies, the British Columbia Securities Act and the BCBCA. The following is a summary of the regulations under each source.

### ***TSX Listing Policies***

The Company is required to immediately notify the TSX in writing of any transaction involving the issuance or potential issuance of any of its securities including exchangeable and convertible securities other than unlisted, non-voting, non-participating securities. A TSX listed issuer may not proceed with a specified transaction unless accepted by the TSX. In addition to any specific requirement for shareholders’ approval, the TSX will generally require shareholders’ approval as a condition of acceptance of a transaction if, in the opinion of the TSX, the transaction materially affects control of the TSX listed issuer; provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the TSX listed issuer and has not been negotiated at arm’s length. In addition to the general notification and shareholders’ approval requirements, the TSX imposes certain additional requirements for prospectus offerings, private placements, acquisitions which involve the issuance of securities and other corporate actions related to share issuances.

### ***British Columbia Securities Act***

There is a general requirement on all reporting issuers in Canada to make immediate disclosure of any material change in its affairs by immediately issuing and filing a news release disclosing the nature and substance of the change and no later than 10 days after the date on which the change occurred, file a material change report. There are two types of transactions that require pre-review by Canadian securities regulators, rights offerings and prospectus offerings.

### ***British Columbia Business Corporations Act***

Under the BCBCA, there are certain transactions that require the notification to, and approval of, shareholders of the Company. These transactions include article amendments, amalgamations, plans of arrangement; compulsory acquisitions; disposals of significant assets, continuances, and dissolutions and liquidations.

## **Connected Party Transactions**

The BCBCA requires directors to disclose interests and abstain from voting on matters in which they are interested while the TSX Listing Policies require shareholder approval where insiders are parties to significant transactions. However, Canadian Securities Laws impose the most comprehensive regime including heightened disclosure, independent valuation and shareholder approval obligations subject to certain exemptions. The following provides a summary of the Canadian Securities Laws relating to related party transactions.

### ***Application***

Related party transactions are widely defined as transactions between the issuer and a person or company that is a related party of the issuer at the time the transaction is agreed to, as a consequence of which either through the transaction itself or together with connected transactions, the issuer conducts any type of business with a related party. "Related party" is broadly defined to include persons with direct and indirect relationships with the issuer including control persons, persons holding greater than 10% of the voting securities of the issuer, directors or senior officers and affiliates of these persons.

### ***Disclosure Obligations***

Where minority approval is required (as discussed below), the issuer must call a shareholders' meeting and send an information circular to those shareholders. The circular must contain detailed disclosure relating to the transaction including: the background to the transaction, general details relating to every prior valuation in respect of the issuer and any bona fide offer relating to the subject, a discussion of the review and approval process adopted by the board of directors and the special committee, a summary of the Formal Valuation or an explanation on why a Formal Valuation is not required, and the holdings and identity of the shareholders excluded from voting.

### ***Formal Valuation***

Subject to certain exemptions, Canadian Securities Laws require an issuer to obtain an independent Formal Valuation for a related party transaction. If a Formal Valuation is required, the valuation must contain prescribed disclosure such as the valuator's opinion as to the fair market value of the subject matter and how the valuator arrived at the conclusion. The Formal Valuation must be publicly filed concurrently with the disclosure document.

### ***Minority Approval***

Subject to certain exemptions, minority approval of a related party transaction is required. In determining minority approval, an issuer shall exclude the votes attached to affected securities that are beneficially owned or over which control or direction is exercised by the issuer; an interested party; a related party of an interested party (unless the related party

meets that description solely in its capacity as a director or senior officer of one or more entities that are neither interested parties nor issuer insiders of the issuer) or a joint actor with a person or company referred to above.

## **CONTINUOUS DISCLOSURE OBLIGATIONS**

Canadian Securities Laws and the TSX Listing Policies (which applies to the Company as of the date hereof) contain extensive continuing disclosure obligations. To summaries, Canadian continuous disclosure obligations may be divided in two categories, routine filings and special event filings.

### ***Routine Filings***

Routine filings are prescribed filings that the Company must make on a regular basis. The principle behind routine filings is to provide shareholders with consistent, predictable disclosure relating to reporting issuers. Routine filings include annual and quarterly financial statements and related MD&A, CEO and CFO certification, shareholders' meeting material such as information circular and related party materials, annual information form and codes of business conducts and ethics.

### ***Special Event Filings***

The Company and certain persons in a special relationship with the Company must make public disclosure and filings upon the occurrence of specified events or changes. For example, any event that constitutes material information requires the Company to immediately issue a press release and, if such an event constitutes a material change, the Company must, within 10 days of the material change, file a material change report. Other examples of special events requiring specific filings include: the institution of an incentive option scheme, a significant business acquisition and distributions to shareholders.

### ***Filing***

Most filings are required to be made electronically through either the SEDAR or SEDI. Filings on SEDAR and SEDI will satisfy the relevant filing obligations in all provincial and territorial jurisdictions. In general, once a document is filed on SEDAR or SEDI, the document becomes publicly available through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or the SEDI website ([www.sedi.ca](http://www.sedi.ca)), as the case may be.

## **B2. BLACKLINE COMPARISON AGAINST THE PREVIOUS VERSION DATED 26 JULY 2013**

Set out below is a summary of certain provisions of the Articles, certain provisions of Canadian corporate, securities and tax laws, certain TSX Listing Policies, and certain other laws and policies that may be relevant to investors. Also set out below is a description of

shareholder protection matters that are not at least equivalent to or broadly commensurate with those afforded to shareholders of companies incorporated in Hong Kong in effect as of the date hereof. Capitalised terms used but not otherwise defined in this Part B have the meaning given to those terms in Part D of this information sheet.

## **GENERAL**

The rights and restrictions attaching to the Shares and Preferred Shares are detailed in the Articles, the BCBCA and its regulations, the TSX Listing Policies and applicable Canadian Securities Laws. There are no restrictions on the transfer of Shares, the number of members of the Company or on invitations by the Company to the public to subscribe for its Shares which would classify the Company as a private company under section 29 of the Companies Ordinance. Set out below is a summary of some material attributes of the Company's share capital. The text of the Articles is set out in Part C of this information sheet.

## **SHARE CAPITAL**

The authorized share capital of the Company consists of an unlimited number of Shares without par value and an unlimited number of Preferred Shares without par value. All issued Shares are recorded in the accounts of the Company at their issue price.

In addition, the Company has issued a number of incentive stock options to Directors, officers, employees, affiliates and service providers of the Company and its subsidiaries exercisable to purchase unissued Shares.

All of the Shares have been and will be issued in accordance with the laws of British Columbia as well as with the provisions of the Articles. There is generally no limit in the BCBCA on the power of the Directors to issue Shares provided that no Share may be issued unless and until it is fully paid. However, the TSX Listing Policies require that prior TSX approval be obtained by the Company for any proposed issuance of its Shares, or any securities convertible into or exchangeable for, the Shares. Furthermore, Part 6 of the TSX Listing Policies requires the approval of Shareholders for any issuance of Shares, or any securities convertible into or exchangeable for, Shares if such issuance:

- materially affects control of the listed issuer; or
- provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and has not been negotiated at arm's length.

Additionally, the TSX Listing Policies will require that security holder approval be obtained for private placements:

- for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or
- that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period.

There is no similar statutory requirement under the BCBCA or the TSX Listing Policies, as is found under Hong Kong law, providing that Shareholders have a right to be offered any Shares in the Company which are being newly issued for cash before the same can be offered to new Shareholders. Consequently, there is no requirement for Shareholders in general meetings to provide a waiver to this obligation.

Subject to the TSX Listing Policies, the Company, in accordance with the BCBCA and its Articles, may by special resolution of its Shareholders:

- consolidate and combine all or any of its outstanding Shares into Shares of a lesser number; and
- sub-divide all or any of its outstanding Shares into Shares of a greater number.

Subject to the BCBCA, the Company may give financial assistance to any person for any purpose, including the purchase by such person of the Shares on such terms and at such times as may be determined by the Directors from time to time. The Company must provide disclosure where the financial assistance is material to the Company and is given to any of (a) a person known to be a shareholder, beneficial owner of a Share, Director, officer or employee of the Company or an affiliate of the Company, (b) a person known to the Company to be an associate of the persons referred to in paragraph (a), or (c) any person for the purpose of a purchase by that person of a Share issued or to be issued by the Company or an affiliate of the Company. There are exemptions to the disclosure requirement, many of which deal with related companies. In circumstances where disclosure is required, the disclosure must contain a brief description of the financial assistance, including the nature and extent thereof, the terms of the financial assistance and the amount given.

The Directors are not required to hold any Shares in the Company.

## **SUMMARY OF KEY BRITISH COLUMBIA CORPORATE LAWS AND THE ARTICLES**

The Articles of the Company were adopted by a special resolution dated August 8, 2006. The following is a summary of some key provisions of the BCBCA, the TSX Listing Policies and the Articles.

### **Objects**

The Company does not have an objects clause in its Articles because a British Columbia company, unlike companies incorporated under the laws of Hong Kong, is not required to have an objects clause. Pursuant to section 30 of the BCBCA, the Company has the legal capacity and rights, powers and privileges of an individual of full capacity.

### **Voting rights**

Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative of a body corporate. On a show of hands every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder holding a Share carrying the right to vote has one vote and on a poll every person present who is a Shareholder or proxy, attorney or representative of a Shareholder shall in respect of each Share carrying the right to vote held by him have one vote per Share.

### **Dividends**

Subject to the BCBCA, the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and time and method of payment provided that the record date for the purpose of determining Shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than two months.

A dividend may be paid wholly or partly by the distribution of cash or cash equivalents, specific assets or of fully paid Shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways. Pursuant to section 70 of the BCBCA, no dividend may be declared or paid in money or assets if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

The Articles provide that no dividend bears interest against the Company and any dividend or other distribution payable in cash in respect of Shares may be paid by cheque, made payable to the order of the person to whom it is sent. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

The Company's dividends do not lapse.

## **Liquidation**

Liquidation is the process under the BCBCA by which the Company may be wound up, as its debts and liabilities are satisfied and any remaining assets are distributed to Shareholders. The liquidation process can be voluntary or under a court order. A voluntary liquidation is initiated by the Shareholders. A court of competent jurisdiction may order liquidation on application of any one of a number of "appropriate persons" as determined in accordance with the BCBCA.

A voluntary liquidation begins when the Shareholders pass a special resolution resolving to liquidate the Company and appoint, by ordinary resolution, a liquidator. The appointment of a liquidator suspends the powers of the Directors. The liquidator has a duty, subject to the BCBCA, to use his or her own discretion in realizing the assets of the Company or distributing those assets among the creditors and Shareholders of the Company.

The liquidator must:

- dispose of the assets of the Company other than assets to be distributed in kind to the Shareholders;
- pay or make provision for all of the Company's liabilities;
- invest money in investments approved for trustees pending distribution to creditors and Shareholders; and
- after paying or providing for all liabilities, distribute the remaining assets in money or in kind among the Shareholders according to their rights and interests in the Company.

## **Transfer of Shares**

The Articles provide that, in order for a transfer of a Share to be registered, the Company or the transfer agent or registrar for the share to be transferred, must receive:

- a duly signed instrument of transfer in respect of the Share;
- if a Share certificate has been issued by the Company in respect of the Share to be transferred, that Share certificate;
- if a non-transferable written acknowledgment of the Shareholder's right to obtain a Share certificate has been issued by the Company in respect of the Share to be transferred, that acknowledgment; and

- such other evidence, if any, as the Company or the transfer agent or registrar for the Share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the Share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

The instrument of transfer in respect of any Shares must be either in the form, if any, on the back of the Share certificates or in any other form that may be approved by the Directors from time to time.

Neither the Company nor any Director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the Shareholder or by any intermediate owner or holder of the Shares, of any interest in the Shares, of any share certificate representing such Shares or of any written acknowledgment of a right to obtain a share certificate for such Shares.

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the Directors.

Except where required or permitted by law, the Listing Rules or the TSX Listing Policies, there is no restriction on the transfer of Shares.

### **Variation of rights**

If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class may be varied or abrogated in any way with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class and a special resolution passed at the Company's general meeting.

The rights conferred on the holders of the Shares of any class are deemed not to be varied by the creation or issue of further Shares ranking equally with the first-mentioned Shares unless otherwise:

- expressly provided by the terms of issue of the first-mentioned Shares; or
- required or permitted by the BCBCA.



## **Borrowing powers**

The Articles provide that the Company, if authorized by the Directors, may:

- borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- guarantee the repayment of money by any person or the performance of any obligation of any other person; and
- mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **Issue of Shares**

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares but subject to the BCBCA and the TSX Listing Policies, the Company's unissued share capital is under the control of the Directors who may issue all or any of the same to such persons at such times and on such terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the Directors may determine. A Share must not be issued until it is fully paid. A Share is fully paid when consideration is provided to the Company for the issue of the Share in past services performed for the Company, property or money. Part 6 of the TSX Listing Policies require shareholder approval for an issuance of new shares for cash on a private placement basis in an amount greater than 25% of the number of shares that are outstanding prior to such issuance if such shares are issued below market price.

## **Small Shareholder Purchase and Sale Arrangements**

Part 6 of the TSX Listing Policies provides for a procedure whereby the Company can assist Shareholders who hold a quantity of Shares that is less than a prescribed board lot ("odd lot holders") and who wish to either sell their Shares or buy enough additional Shares to increase their holding to a board lot. Participation by an odd lot holder in any odd lot sale or purchase arrangement established pursuant to Part 6 of the TSX Listing Policies is purely voluntary and under no circumstances can the Company compel an odd lot holder to sell or purchase any Shares thereunder. The Company has not, to date, established an odd lot sale or purchase arrangement.

## Remuneration of Directors

The Company pays each non-executive Director C\$25,000 per annum. Ms. Kay Gravolet Priestly, in the capacity of chairperson, and Mr. Pierre Bruno Lebel, in the capacity of Lead Director, each receive an additional fee of C\$60,000 per annum. Each chairperson of a Board committee receives an additional payment. ~~Mr. Sean James Hinton, in the capacity of deputy chairman, receives an additional fee of C\$45,000 per annum.~~ Mr. André Henry Deepwell receives an additional payment of C\$40,000 for acting as the chairman of the Audit Committee. Mr. W. Gordon Lancaster, as chairman of the Compensation and Benefits Committee, Mr. Pierre Bruno Lebel, as chairman of the Nominating and Corporate Governance Committee, ~~Mr. Lindsay Joseph Dove, as chair of the Mergers and Acquisitions Committee~~ and Mr. Kelly Dean Sanders, as chair of the Health, Environment, Safety and Social Responsibility Committee, each receive an additional payment of C\$25,000 per annum for their respective duties.

Each non-executive Director receives a fee of C\$1,500 for each Board meeting and committee meeting attended in person and C\$600 for each Board or committee conference call in which he or she participates. Directors also receive a travel allowance of Cdn\$2,000 per round-trip in excess of four (4) hours travel time. ~~The Lead Director and the Chair of the Audit Committee receive an annual grant of incentive stock options exercisable to purchase up to 40,000 Shares of the Company, and the other Directors receive an annual grant of incentive stock options exercisable to purchase up to 35,000 Shares of the Company, such options having a five year term.~~ In the ordinary course, non-executive Directors, other than Rio Tinto seconded employees and Turquoise Hill Resources nominees to the boards of directors of subsidiary companies, receive an annual grant of incentive stock options. As of the date of the Company Information Sheet, Messrs. André Henry Deepwell, Pierre Bruno Lebel and W. Gordon Lancaster have each received 257,352 incentive stock options which represent the annual grant of stock options for 2013.

Each Director is entitled to reimbursement for actual expenses reasonably incurred in the performance of his or her duties as a Director.

As provided by the Articles, the Directors are entitled to the remuneration for acting as Directors, if any, as the Directors may from time to time determine. If the Directors so decide, the remuneration of the Directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a Director.

As provided by the Articles, if any Director who is not an employee or officer performs any professional or other services for the Company that in the opinion of the Directors are outside the ordinary duties of a Director who is not an employee or officer, or if any Director who is not an employee or officer is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the Directors, of, at the option of that

Director who is not an employee or officer, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

## **Indemnification**

Subject to the BCBCA, the Company must indemnify a Director or former Director and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. An “eligible penalty” is a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. An “eligible proceeding” is a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a Director or a former Director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a Director:

- is or may be joined as a party; or
- is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding.

The Company may not indemnify an eligible party or pay such eligible party’s expenses in certain circumstances prescribed by the BCBCA including circumstances in which:

- in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the Company or any associated corporation, as the case may be; or
- in the case of an eligible proceeding other than a civil proceeding, the eligible party did not have reasonable grounds for believing that the eligible party’s conduct in respect of which the proceeding was brought was lawful.

Subject to any restrictions in the BCBCA, the Company may indemnify any person. In addition to what is set out above, the Company must, subject to the exceptions noted above, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by:

- (i) an officer or former officer of the company, or

- (ii) an officer or former officer of another corporation (a) at a time when the corporation is or was an affiliate of the Company, or (b) at the request of the Company, in respect of that proceeding if such person (i) has not been reimbursed for those expenses, and (ii) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding.

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- is or was a Director, officer, employee or agent of the Company;
- is or was a Director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity; or
- at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

### **Pensions and gratuities for Directors**

Although not prohibited from doing so, the Company does not currently pay any gratuity or pension or allowance on retirement to any Director who has held any salaried office with the Company or to his or her spouse or dependents nor make contribution to any fund or pay premiums for the purchase or provision of any such gratuity, pension or allowance.

### **Disclosure of Directors' interests**

Pursuant to section 147 of the BCBCA, a Director or senior officer of the Company holds a disclosable interest in a contract or transaction if (a) the contract or transaction is material to the Company, (b) the Company has entered, or proposes to enter, into the contract or transaction, and (c) either of the following applies to the Director or senior officer: (i) the Director or senior officer has a material interest in the contract or transaction; or (ii) the Director or senior officer is a director or senior officer of, or has a material interest in, a person who has a material interest in the contract or transaction. Subject to the BCBCA, the Articles require that a Director or senior officer who holds a disclosable interest must disclose the nature and extent of the conflict. In the BCBCA there are certain exceptions from the disclosable interest requirements which apply specifically to wholly-owned subsidiaries and related companies.

The Articles provide that a Director or senior officer who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the Director or senior officer under or as a result of the contract or transaction, unless the procedures for disclosure and approval as provided in the BCBCA are complied with.

Subject to the BCBCA, no Director or senior officer is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the Director or senior officer holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a Director or senior officer is in any way interested is liable to be voided for that reason.

Subject to the BCBCA, a Director, senior officer, or any person in which a Director or senior officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the Director, senior officer, or such person is entitled to remuneration for professional services as if that Director or senior officer were not a Director or senior officer, as applicable.

A Director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a Director or senior officer, must disclose the nature and extent of the conflict as required by the BCBCA.

A Director may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the BCBCA, the Director is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

### **Restrictions on Directors' voting**

The Articles provide that a Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any Directors' resolution to approve that contract or transaction, unless all the Directors have a disclosable interest in that contract or transaction, in which case any or all of those Directors may vote on such resolution. These provisions in the Articles comply with the BCBCA. A situation where all Directors have a disclosable interest is extremely rare but could arise for example, if the Company ever issues shares to all Directors outside the scope of their remuneration. In this circumstance, all the Directors would declare their interest in the transaction (with such declaration being noted in the minutes or consent resolution) and would then vote on the matter. Additionally, the Directors are subject to their overriding duties to act in the best interests of the Company.

Pursuant to the Articles and BCBCA, a Director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of Directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the Director votes on any or all of the resolutions considered at the meeting.

### **Number of Directors**

The Articles provide that the number of Directors of the Company will be the greater of three and the number of Directors is fixed by ordinary resolution. In the absence of any such ordinary resolution, the number of Directors of the Company will be the greater of three and the number of Directors actually elected at the last meeting of Shareholders at which an election of Directors took place. At the Company's annual general meeting held on 6 May 2014, shareholders voted to reduce the number of Directors to seven (7). The incumbent Directors may, between annual meetings of Shareholders, appoint one or more additional Directors up to a maximum of one-third of the Directors elected by the Shareholders at the last meeting of Shareholders at which an election of Directors took place. A Director is not required to hold Shares issued by the Company. Under the BCBCA, Directors must be individuals though there are no residency requirements for Directors.

### **Directors' term of office**

Unless a Director dies, resigns or is removed from office in accordance with the BCBCA, the term of office of each of the incumbent Directors ends at the conclusion of the next annual meeting of the Shareholders following his or her most recent election or appointment.

### **General meetings**

Unless an annual general meeting is deferred or waived in accordance with the BCBCA, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the date of the last annual general meeting at such time and place as may be determined by the Directors.

The Directors may, whenever and wherever they think fit, call a meeting of Shareholders. The Company can hold its general meetings at a specified location outside of British Columbia if so authorized by the Directors. At least 21 days' notice must be given to the Shareholders of a general meeting.

Pursuant to section 167 of the BCBCA, shareholders who hold in the aggregate at least 5% of the issued Shares of the Company that carry the right to vote at general meetings may requisition a meeting of Shareholders. If the Directors do not, within 21 days after the date on which the requisition is received by the Company, send notice of a general meeting, the requisitioning Shareholders, or any one or more of them holding, in the aggregate, more than

2.5% of the issued Shares of the Company that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition.

Pursuant to section 167 of the BCBCA, unless the Shareholders resolve otherwise by an ordinary resolution at the general meeting called by the requisitioning shareholders, the Company must reimburse the requisitioning Shareholders for the expenses actually and reasonably incurred by them in requisitioning, calling and holding that meeting.

### **Election of Directors**

At every annual general meeting the Shareholders entitled to vote at the annual general meeting for the election of Directors are entitled to elect a Board consisting of the number of Directors for the time being set under the Articles and all the Directors cease to hold office immediately before such election but are eligible for re-election.

If the Company fails to hold an annual general meeting on or before the date by which the annual general meeting is required to be held under the BCBCA or the shareholders fail, at the annual general meeting, to elect or appoint any Directors then each Director then in office continues to hold office until the earlier of:

- the date on which his or her successor is elected or appointed; and
- the date on which he or she otherwise ceases to hold office under the BCBCA or the Articles.

### **Disclosure of Shareholdings**

#### ***Early Warning Reporting Requirements***

Canadian Securities Laws contain early warning requirements pursuant to which every person, except pursuant to a formal bid, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities of any class of the Company that, together with such person's securities of that class, would constitute 10% or more of the outstanding securities of that class must immediately issue a press release disclosing the acquisition and containing the information prescribed in Section 3.1 of NI 62-103 and within two business days file a report disclosing the acquisition and the information prescribed in Section 3.1 of NI 62-103. A copy of NI 62-103 is available at the British Columbia Securities Commission website at [www.bcsc.bc.ca/instruments.aspx](http://www.bcsc.bc.ca/instruments.aspx). The press release may omit certain information as long as it is provided in the report. A person is deemed to beneficially own such securities if the person is the beneficial owner of securities convertible within 60 days into such securities of that class, or has the right or obligation, on conditions or not, to acquire that security within 60 days.

NI 62-104 requires that a further press release (immediate) and report (within two business days) is required for each further additional 2% acquired or where there has been a change in a material fact in an earlier report. Dispositions are not expressly mandated to be reported under the early warning requirements (although they are to be reported if such disposition constitutes a change in a material fact from an earlier report). Such dispositions are reported by insiders above the 10% threshold on insider reports.

### ***Insider Reporting Requirements***

Pursuant to Canadian Securities Laws, an “insider” of the Company includes: (a) a director or an officer of the Company, (b) a director or an officer of a person that is itself an insider or a subsidiary of the Company, (c) a person that has (i) beneficial ownership of, or control or direction over, directly or indirectly, or (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of the Company carrying more than 10% of the voting rights attached to all the Company’s outstanding voting securities.

Canadian Securities Laws contain insider reporting requirements. If, while a person is an insider of the Company, (a) the person enters into a transaction involving a security of the Company or, for any other reason, the person’s direct or indirect beneficial ownership of, or control or direction over, securities of the Company changes from that shown or required to be shown in the latest insider report filed by the person, or (b) the person enters into a transaction involving a related financial instrument, the person must, within the prescribed period, file an insider report in the required form on the SEDI website at [www.sedi.ca](http://www.sedi.ca). A detailed guide on how to make insider filings in Canada can be found at [https://www.sedi.ca/sedi/new\\_help/english/insider/welcome\\_to\\_sedi\\_online\\_help.htm?Insider=Insider](https://www.sedi.ca/sedi/new_help/english/insider/welcome_to_sedi_online_help.htm?Insider=Insider).

Canadian Securities Laws define a “related financial instrument” as: (a) an instrument, agreement, security or exchange contract the value, market price or payment obligations of which are derived from, referenced to or based on the value, market price or payment obligations of a security, or (b) any other instrument, agreement or understanding that affects, directly or indirectly, a person’s economic interest in respect of a security or an exchange contract.

### **Classes of Shares**

The Company has two classes of Shares: Shares without par value and Preferred Shares without par value.

The holders of the Shares are entitled to one vote per Share at all meetings of Shareholders except meetings at which only holders of another specified class or series of Shares of the Company are entitled to vote separately as a class or series. Subject to the prior rights of the holders of Preferred Shares and any other Shares ranking senior to the Shares, the holders of Shares are entitled to receive dividends as and when declared by the Directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of



liquidation, dissolution or winding up of the Company. The Shares have no pre-emptive, redemption, purchase or conversion rights. Neither the BCBCA nor the Articles impose restrictions on the transfer of Shares on any securities register of the Company, provided that the Company receives the certificate representing the Shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board from time to time. There are no sinking fund provisions in relation to the Shares and they are not liable to further calls or to assessment by the Company. The BCBCA provides that the rights and provisions attached to any class of Shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of Shares of that class and the Shareholders as a whole.

The Preferred Shares rank senior to the Shares as to the payment of dividends and the distribution of property and assets on the liquidation, dissolution or winding up of the Company. Holders of Preferred Shares will not be entitled to any voting rights as a class except as may be provided under the BCBCA other than those voting rights which attach to any series of Preferred Shares as determined by the Directors from time to time. The Preferred Shares are issuable in one or more series, each consisting of such number of Preferred Shares as may be fixed by the Directors. The Directors may from time to time by resolution passed before the issue of any Preferred Shares of any particular series, alter the Articles to determine the designation of the Preferred Shares of that series, to fix the number of Preferred Shares of that series and to create, define and attach special rights and restrictions to the Preferred Shares of that series.

### **Reduction of capital**

The Company may reduce its share capital if it is authorized to do so by court order or by special resolution of its Shareholders. The Company may reduce its share capital without a court order or a special resolution, subject to its Articles and the BCBCA, in order to redeem, purchase or otherwise acquire Shares, accept a surrender of Shares by way of gift or for cancellation or convert fractional Shares into whole Shares. The Company may not reduce its share capital by special resolution if there are reasonable grounds for believing that the realizable value of the Company's assets would, after the reduction, be less than the aggregate of its liabilities.

### **Share repurchases**

Subject to the BCBCA and the Articles, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. The Company may not make a payment or provide any other consideration to purchase or otherwise acquire any of its Shares if there are reasonable grounds for believing that the Company is insolvent or making the payment or providing the consideration would render the Company insolvent. TSX Listing Policies and applicable Canadian Securities Laws regulate

the purchase or other acquisition by the Company of its own Shares. Subject to a limited number of exemptions, the Company must comply with a detailed body of rules with the intended purpose that all of the Company's shareholders are treated equally.

### **Statutory derivative actions**

Pursuant to section 232 of the BCBCA, a Shareholder or Director of the Company (the "complainant") may, with leave of a court of competent jurisdiction, prosecute a legal proceeding in the name and on behalf of the Company:

- to enforce a right, duty or obligation owed to the Company that could be enforced by the Company itself; or
- to obtain damages for any breach of such a right, duty or obligation.

Pursuant to section 232 of the BCBCA, with leave of a court of competent jurisdiction, a complainant may, in the name and on behalf of the Company, defend a legal proceeding brought against the Company.

Pursuant to section 233 of the BCBCA, a court of competent jurisdiction may grant leave on terms it considers appropriate if:

- the complainant has made reasonable efforts to cause the Directors to prosecute or defend the legal proceeding;
- notice of the application for leave has been given to the Company and any other person that the court may order;
- the complainant is acting in good faith; and
- it appears to the court that it is in the best interests of the Company for the legal proceeding to be prosecuted or defended.

### **Protection of minorities**

Pursuant to section 227 of the BCBCA, a Shareholder may apply to a court of competent jurisdiction for an order on the ground:

- that the affairs of the Company are being or have been conducted, or that the powers of the Directors are being or have been exercised, in a manner oppressive to one or more of the Shareholders, including the applicant; or

- that some act of the Company has been done or is threatened, or that some resolution of the Shareholders or of the Shareholders holding Shares of a class or series of Shares has been passed or is proposed, that is unfairly prejudicial to one or more of the Shareholders, including the applicant.

On application, the court may, with a view to remedying or bringing to an end the matters complained of, make any interim or final order it considers appropriate, including an order:

- directing or prohibiting any act;
- regulating the conduct of the Company's affairs;
- appointing a receiver or receiver manager;
- directing an issue or conversion or exchange of Shares;
- appointing Directors in place of or in addition to all or any of the Directors then in office;
- removing any Director;
- directing the Company to purchase some or all of the Shares of a Shareholder and, if required, to reduce its capital in the manner specified by the court, unless the Company is insolvent or the purchase would render it insolvent;
- directing a Shareholder to purchase some or all of the Shares of any other Shareholder;
- directing the Company, unless the Company is insolvent or the payment would render it insolvent, or any other person, to pay to a Shareholder all or any part of the money paid by that Shareholder for Shares of the Company;
- varying or setting aside a transaction to which the Company is a party and directing any party to the transaction to compensate any other party to the transaction;
- varying or setting aside a resolution;
- requiring the Company, within a time specified by the court, to produce to the court or to an interested person financial statements or an accounting in any form the court may determine;
- directing the Company to compensate an aggrieved person, unless the Company is insolvent or the payment of such compensation would render it insolvent;
- directing correction of the registers or other records of the Company;

- directing that the Company be liquidated and dissolved, and appointing one or more liquidators, with or without security;
- directing that an investigation be made under the BCBCA;
- requiring the trial of any issue; or
- authorising or directing that legal proceedings be commenced in the name of the Company against any person on the terms the court directs.

### **Disposal of assets**

Under the BCBCA, the Company may not sell, lease or otherwise dispose of all or substantially all of the Company's assets and undertaking unless it does so in the ordinary course of the Company's business or it has been authorized to do so by special resolution. Otherwise, there are no specific restrictions under the BCBCA on the power of the Directors to dispose of the Company's assets. Under the BCBCA, in the exercise of those powers, the Directors must discharge their duties of care to act in good faith, for a proper purpose and in the best interests of the company.

The Company is subject to the provisions of MI 61-101. The intended purpose of MI 61-101 is to regulate business combinations, insider bids, issuers bids, and related party transactions in order to treat all security holders in a manner that is fair and that is perceived to be fair, by setting out Formal Valuation and minority approval requirements for these kinds of transactions in certain prescribed circumstances.

### **Accounting and auditing requirements**

A Canadian public company that is listed on the TSX, such as the Company, must prepare annual financial statements which must be audited, and unaudited quarterly financial statements. The annual financial statements and the auditor's report must also be presented to the annual general meeting of Shareholders and delivered to Shareholders.

### **Securities registers**

The Company must maintain, at a location designated by the Directors, a central securities register in which it registers the Shares issued by the Company, all transfers of Shares so issued and details of such issuances and transfers. The Company may also maintain one or more branch registers at locations designated by the Directors. Particulars of each issue or transfer of a Share registered in a branch securities register must also be promptly registered in the central securities register.

## **Inspection of books and records**

A Shareholder may, during statutory business hours and without charge, inspect the records of the Company, other than certain records prescribed under the BCBCA as records that a Shareholder is not entitled to inspect.

## **Special resolutions**

The BCBCA and the Articles provide that a resolution of the Company is a special resolution when it has been passed by a majority of at least 2/3 of the votes cast on the resolution.

## **Subsidiary owning Shares in parent**

Under the BCBCA, the Company may purchase or otherwise acquire shares of a corporation of which it is a subsidiary. The Company must not purchase any of the shares of its parent corporation if there are reasonable grounds for believing that the Company is insolvent, or the purchase would render the Company insolvent. Likewise, a subsidiary of the Company may purchase or otherwise acquire Shares provided that there are no reasonable grounds for believing that the subsidiary is insolvent or that the purchase would render it insolvent.

## **Arrangements and other fundamental corporate transactions**

The BCBCA provides for arrangements and other fundamental corporate transactions involving the Company, the Shareholders, creditors and other persons. The relevant provisions of the BCBCA permit fundamental changes to take place with respect to the Company affecting Shareholders, creditors and other persons if certain approvals are obtained from the affected Shareholders, creditors and other persons. In the case of arrangements, the prior approval of a court of competent jurisdiction is also required.

Arrangements are typically used for numerous forms of acquisitions, going-private transactions, substitutions of new Shares for arrears of dividends on existing Shares, exchanges of Shares for Shares or other securities of the Company or of another body corporate, exchanges of Shares or other securities for money and, in the case of creditors, debt reorganizations.

## **Dissent and Appraisal Rights**

The BCBCA provides that Shareholders of the Company are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their Shares in connection therewith. The right of dissent is applicable in respect of:

- a resolution to alter the articles to alter restrictions on the powers of the Company or on the business it is permitted to carry on;

- a resolution to adopt an amalgamation agreement or otherwise approve an amalgamation;
- a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the Company's undertaking;
- a resolution to authorize the continuation of the Company into a jurisdiction other than British Columbia;
- any other resolution, if dissent is authorized by the resolution; or
- any court order that permits dissent.

The BCBCA sets out the process and procedures that must be followed for a Shareholder to exercise dissent rights.

### **Stamp duty on transfers**

No Canadian or British Columbia stamp duty is payable on transfers of shares in a company that is incorporated or continued in British Columbia.

### **PURCHASE BY THE COMPANY OF ITS OWN SECURITIES**

The BCBCA and the Articles permit the Company to purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time. The Company may not make a payment or provide any other consideration to purchase or otherwise acquire any of its Shares if there are reasonable grounds for believing that the Company is insolvent or that making the payment or providing the consideration would render the Company insolvent. The Articles provide that, if the Company retains a Share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the Share, but, while such Share is held by the Company, it:

- is not entitled to vote the Share at a meeting of its Shareholders;
- must not pay a dividend in respect of the Share; and
- must not make any other distribution in respect of the Share.

## ***Rules Governing Issuer Bids***

Under applicable Canadian Securities Laws, any offer to acquire or redeem any securities (other than nonconvertible debt securities) made by the Company in respect of securities of its own issue made to any person resident in a province of Canada is an “issuer bid”. The legal definition of an issuer bid specifically excludes acquisitions or redemptions by a company of its own securities where:

- no valuable consideration is offered or paid for the securities; or
- the acquisition, redemption or offer is a step in an amalgamation, merger, reorganization or arrangement that requires approval in a vote of securityholders.

If the Company were to make an offer to acquire securities of its own issue, the Company would be required to make a formal issuer bid in compliance with the requirements of applicable Canadian Securities Laws, unless an exemption from these requirements is available. The requirements for making a formal issuer bid include preparing, filing and sending an issuer bid circular in the prescribed form to all holders of the class of securities that are the subject of the issuer bid. Unless exempt, the Company is required to obtain an independent formal valuation of the securities that are the subject of the bid and summaries the formal valuation in the issuer bid circular.

A formal issuer bid must remain open for acceptance for a minimum of 35 days and the Company must not take up any securities deposited under the bid until at least 35 days have elapsed. Depositing securityholders are entitled to withdraw their securities at any time before the securities are taken up by the Company. Adequate arrangements must be in place before the commencement of a bid to ensure that the required funds are available to make full payment of all cash consideration offered in respect of the securities subject to the bid.

Acquisitions of securities by the Company are restricted during the issuer bid and for the 20 business days after the expiry of the issuer bid. In addition, there is a prohibition against selling or agreeing to sell any securities subject to the bid from the date of announcement of the intention to make the bid until its expiry, except for sales in respect of dividend plans, dividend reinvestment plans, employee purchase plans and other similar plans.

In the case of a partial issuer bid, the Company is required to take up and pay for the securities proportionately according to the number of securities deposited by each securityholder. However, the Company is not required to take up securities on a pro rata basis from those securityholders who are entitled to elect a minimum price per security and elect a minimum price that is higher than the price that the Company pays for securities under the bid.

Certain issuer bids are exempt from the formal issuer bid requirements. The following is a summary of some of the principal exemptions available under applicable Canadian Securities Laws for issuer bids.

### ***Foreign Bid Exemption***

There is an exemption for issuers with minimal share ownership presence in Canada. This exemption is available where less than 10% of the securities subject to the bid are held by securityholders in Canada (including beneficial ownership) and the published market with the greatest dollar value of trading in the securities subject to the bid during the 12 months preceding the commencement of the bid is not in Canada. In order for an offeror to rely on this exemption, securityholders in Canada must be able to participate in the bid on terms at least as favourable as the terms that apply to the general body of securityholders of the same class and the information and issuer bid materials must be filed in Canada and sent to Canadian security holders.

### ***Minimal Connection Exemption***

An exemption is also available for issuer bids where the number of registered holders of securities of the class subject to the bid in each province of Canada is fewer than 50 and securityholders in each province beneficially own less than 2% of the outstanding securities of the class. Canadian security holders must be entitled to participate in the bid on terms at least as favourable as the terms that apply to the general body of security holders of the same class and the information and issuer bid materials must be filed in Canada and sent to Canadian security holders.

### ***Redemption or Retraction Exemption***

A company is permitted to acquire its own securities in accordance with redemption or retraction provisions in the terms and conditions attaching to the class of securities, or as required by law.

### ***Employee, Executive Officer, Director and Consultant Exemption***

A company is permitted to repurchase its own securities from its current and former employees, consultants, executive officers and directors and current and former employees, consultants, executive officers and directors of its affiliates. The exemption requires that if there is a published market for the securities, the value of the consideration paid must not be greater than the market price and that purchases not exceed 5% of the outstanding securities of the class in any 12-month period.



## ***Normal Course Issuer Bid Exemption***

An issuer bid is exempt if it is made in the normal course over the TSX or another designated exchange in accordance with the rules and regulations of that exchange.

An issuer bid made in a published market that is not a designated exchange will also be exempt if:

- the bid is for not more than 5% of the outstanding securities of the class;
- the aggregate number of securities acquired under this exemption within any 12-month period under the exemption does not exceed 5% of the outstanding securities at the beginning of the period; and
- the value of the consideration paid for any of the securities does not exceed the market price plus reasonable brokerage fees and commissions actually paid.

A company relying on this exemption is required to issue and file a news release describing the class and number of securities, the dates of the issuer bid, the consideration offered, the manner in which the securities will be acquired and the reasons for the bid.

## ***TSX Rules for Normal Course Issuer Bids***

Pursuant to the TSX Listing Policies a normal course issuer bid carried out over the facilities of the TSX is subject to the following requirements:

### ***1. Volume Limitations***

The rules of the TSX limit the volume of purchases by the Company of its Shares in two ways.

First, the rules of the TSX limit the number of listed securities that may be purchased by an issuer under an issuer bid on any trading day, when aggregated with all other purchases by the issuer during the same trading day over the TSX, to not more than the greater of: (i) 25% of the average daily trading volume (“ADTV”) of the listed securities of that class; and (ii) 1,000 securities. An issuer may make one “block purchase” per calendar week that exceeds this daily repurchase limit. A “block” means a quantity of securities, not owned, directly or indirectly, by an insider of the issuer, that either (i) has a purchase price of C\$200,000 or more; (ii) is at least 5,000 securities and has a purchase price of at least C\$50,000; or (iii) is at least 20 board lots of the security and total 150% or more of the ADTV for that security. However, once the block purchase exception has been relied on, the issuer may not make any further purchases under the issuer bid for the remainder of that calendar day.

The “average daily trading volume” or “ADTV” means the trading volume on the TSX for the most recently completed six calendar months preceding the date of acceptance of the notice of the issuer bid by the TSX, excluding any purchases made by the issuer through the facilities of TSX under its issuer bid during such six months, divided by the number of trading days for the relevant six months.

Second, the rules of the TSX limit the number of listed securities that may be purchased in a 12-month period commencing on the date specified in the notice of the issuer bid to a number that does not exceed the greater of (i) 10% of the public float; and (ii) 5% of such class of securities issued and outstanding, in each case calculated on the first day of the 12 month period. This limitation is based on total purchases on the TSX, other stock exchanges or otherwise.

The “public float” means the number of securities which are issued and outstanding less the number of securities that are pooled, escrowed or non-transferable, and less the number of securities, known by the issuer after reasonable inquiry, beneficially owned or over which control or direction is exercised by the issuer, every senior officer or director of the issuer and every person who beneficially owns or exercises control or direction over more than 10% of the issued and outstanding securities of any class of voting securities or equity securities of the issuer.

## **2. *Price Limitations***

Purchases made pursuant to an issuer bid must be made at a price which is not higher than the last independent trade of a board lot of the securities to which the issuer bid relates. Trades that are not “independent trades” under the TSX Listing Policies include both trades, directly or indirectly, for the account of an insider of the issuer, and certain trades made by, or for the account of the broker that is engaged by the issuer in respect of the issuer bid.

## **3. *Timing Limitations***

An issuer may not make any purchases pursuant to an issuer bid at the opening of a trading session, or during the 30 minutes before the scheduled close of a trading session. However, purchases of securities under an issuer bid may be effected through the market on close facility.

## **4. *Prohibited Trades***

It is a principle of issuer bids that all transactions should be made in the open market without abnormally influencing the market price of the securities, treating all holders of identical securities in a fair and even-handed manner. Accordingly, the TSX prohibits private agreement purchases other than by means of open market transactions.

An intentional cross or pre-arranged trade is not permitted under an issuer bid, unless such trade is made in connection with the block purchase exception.

Purchases under an issuer bid may not be made from a person or company effecting a sale from a control block (from a holder of securities carrying more than 20% of the votes or in a position to affect the control of an issuer). This prohibition is intended to ensure that a large security holder is not, in effect, selling down its position in an issuer to the issuer itself. The TSX Listing Policies provide that it is the responsibility of the broker acting as agent for the issuer in respect of an issuer bid to ensure that it is not bidding in the market at the same time as a broker is offering the same class of securities under a sale from control.

An issuer may not purchase securities pursuant to an issuer bid when the issuer possesses any material information which has not been generally disclosed. However, it is open to the issuer to enter into arrangements with its broker to implement an automatic securities purchase plan that would permit that broker to make trades on the issuer's behalf on the issuer bid during blackout periods when trades in the issuer's securities by insiders would be otherwise prohibited. These arrangements must be pre-cleared by the TSX.

In addition, an issuer may not make any purchases under an issuer bid during a circular bid for those securities. This restriction applies during the period from the first public announcement of the circular bid to termination of the period during which securities may be deposited under such issuer bid.

## **5. Procedure**

The TSX procedure for the Company to make an issuer bid is as follows:

### ***Notice of Intention (the "Notice")***

The Notice must be filed with the TSX. The Notice is first filed in draft for TSX review and comment, together with a draft press release (as described below) and public float schedule (if applicable). When the Notice is in a form acceptable to the TSX, it is filed in final form duly executed by an officer or Director of the Company, together with the final form of the press release and public float schedule (if applicable).

### ***Duration***

An issuer bid may run for a period of one year from the date on which purchases are permitted to begin (the "Commencement Date" as defined below), and may be renewed on an annual basis thereafter.

## ***Press Release***

A press release must be issued indicating the intention of the issuer to make an issuer bid, and summarizing the material contents of the Notice. The press release is first filed with the TSX for its review, together with the draft Notice and public float schedule (if applicable). A final version of the press release is filed with the TSX at the time of filing the final form of Notice. This press release must be issued as soon as the Notice is finally accepted by the TSX. The issuer may also issue a press release prior to final acceptance of the executed Notice by the TSX if the press release states that the issuer bid is subject to regulatory approval.

## ***Disclosure to Shareholders***

A summary of the material information contained in an accepted Notice must be included in the next annual report, quarterly report, information circular or other document mailed to shareholders. Security holders are entitled to obtain a copy of the Notice without charge from the issuer.

## ***Commencement of Purchases***

Purchases under the issuer bid may commence two trading days after the later of the date of acceptance by the TSX of the final Notice and the date of issuance of the press release described above (the “Commencement Date”).

## ***Broker***

The issuer must appoint only one broker at any one time as its broker to make purchases (the “Broker”). If the issuer decides to change the Broker, it must obtain the written consent of the TSX.

## ***Amendment of issuer bids***

During an issuer bid, an issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum volume limitations permitted by the TSX or (ii) provided that the issuer has increased its number of issued securities that are subject to the issuer bid by at least 25% from the number of issued securities as at the date of acceptance of the Notice by the TSX, the maximum volume limitations as calculated as at the date of the amended notice. When the amended notice is in a form acceptable to the TSX, the listed issuer files the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by the TSX. The final form of the amended notice must be filed at least three clear trading days prior to the commencement of any purchases under the

amended issuer bid. In addition, a draft press release must be provided to the TSX and the listed issuer must issue a press release as soon as the amended notice is accepted by the TSX. A copy of the final press release shall be filed with the TSX.

## **VOTING FOR DIRECTORS AND AUDITORS**

Canadian Securities Laws preclude two-way voting in the case of an appointment of an auditor or the election of directors. Under National instrument 51-102, a form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors. A single resolution for the appointment of two or more directors may be put to shareholders in circumstances where the number of nominees for director is equal to or less than the number of available director positions. However, in the event that there are more nominees for director than there are available positions, or a shareholder otherwise requests, the vote would be put to a poll and each nominee would be voted on. The nominees receiving the greatest number of votes are elected.

## **TAKEOVER REGULATION**

The Company is continued under the laws of British Columbia, where it has its head office and place of central management. Accordingly, although the Shares will trade on the Stock Exchange and the TSX, transactions involving Shares will not be subject to the provisions of the Takeovers Code, for such time as the Company is considered not to be a "public company" in Hong Kong.

Takeover bids in Canada are governed by the Canadian Securities Laws. In British Columbia, which is the principal jurisdiction in Canada in which the Company is a "reporting issuer" (as defined under applicable Canadian Securities Laws), when any person (an "offeror"), except pursuant to a formal bid, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities or any class of a reporting issuer that, together with such offeror's securities and the securities of any person acting jointly and in concert with the offeror, would constitute 10% or more of the outstanding securities of that class, the offeror must immediately issue and file a press release announcing the acquisition, and file a report of such acquisition with the applicable securities regulatory authorities within two business days thereafter. Certain eligible institutions may elect an alternate reporting system. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time the offeror, or any person acting jointly or in concert with the offeror, acquires beneficial ownership of, or the power to exercise control over, or securities convertible into, an additional two percent or more of the outstanding securities of the applicable class or there is a change in a material fact contained in such report.

A takeover bid is generally defined as an offer to acquire a class of outstanding voting or equity securities of an issuer made to any holder of such securities and resident in such province where the securities subject to the offer, together with securities held by the offeror and any person acting in concert with the offeror, constitute in aggregate 20% or more of the outstanding securities of that class at the date of the offer. Subject to limited exemptions, a takeover bid must be made to all holders of such class of securities who are in such province, and must allow such holders 35 days to deposit securities pursuant to the bid. The offeror must deliver to the holders of the securities a takeover bid circular which describes the terms of the takeover bid and the directors of the target company must deliver to the holders of that target company a directors' circular within 15 days of the date of the bid, making a recommendation to holders of the securities to accept or reject the bid.

However there are several exemptions from the requirement to make a formal offer to all shareholders. A significant exemption is the private agreement exemption. Pursuant to this exemption, an offeror could acquire shares from up to five persons where the value of the consideration paid does not exceed 115% of the market price of the securities, without having to make a formal bid to all securityholders. This means that all the shares of a controlling shareholder could be acquired by an offeror without securityholder approval or a formal bid being made to all securityholders.

Under Section 300 of the BCBCA, where an offer to acquire all of the shares of an issued class of a subject company has, within four months after the offer, been accepted by holders of not less than 90% of the shares subject to that offer, other than shares held at the date of the offer by or on behalf of the acquiring person, the acquiring person may give notice in the prescribed manner and within a prescribed period to any dissenting shareholder that it intends to acquire the remaining shares pursuant to Section 300 of the BCBCA. If a notice is sent to a dissenting shareholder, the acquiring person is entitled and bound to acquire all of the shares of that dissenting shareholder that were involved in the offer for the same price and on the same terms contained in the acquisition offer unless the court orders otherwise on an application made by that dissenting shareholder within 2 months after the date of the notice. On the application of a dissenting shareholder, the court may set the price and terms of payment and make consequential orders and give directions the court considers appropriate. If a notice has been sent by an acquiring person and the court has not ordered otherwise, the acquiring person must, no earlier than 2 months after the date of the notice, or, if an application to the court by the dissenting shareholder to whom the notice was sent is then pending, at any time after that application has been disposed of, send a copy of the notice to the subject company, and pay or transfer to the subject company the amount or other consideration representing the price payable by the acquiring person for the shares that are referred to in the notice. On receiving the copy of the notice and the amount or other consideration to be paid for the relevant shares, the subject company must register the acquiring person as a shareholder with respect to those shares. If the acquiring person has not, within one month after becoming entitled to do so, sent the acquisition notice, the acquiring person must send a written notice to each dissenting shareholder stating that the dissenting shareholder, within 3 months after receiving the notice, may require the acquiring

person to acquire the shares of that dissenting shareholder that were involved in the acquisition offer. If a dissenting shareholder requires the acquiring person to acquire the dissenting shareholder's shares, the acquiring person must acquire those shares for the same price and on the same terms contained in the acquisition offer.

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of the Company beyond the applicable provisions of the BCBCA. The Company is not aware of any existing arrangements the operation of which may at a subsequent date result in a change in control of the Company.

There is no limitation imposed by the laws of British Columbia and the federal laws of Canada applicable therein, or the Articles, on the right of a non-Canadian to hold or vote the Shares, other than as provided in the Investment Canada Act (the "Investment Act"), which generally prohibits a reviewable investment by an entity that is not a "Canadian", as defined, unless after review, the minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. An investment in the Shares by a non-Canadian who is not a "WTO investor" (which includes governments of, or individuals who are nationals of, member states of the WTO and corporations and other entities which are controlled by them), at a time when the Company was not already controlled by a WTO investor, would be reviewable under the Investment Act under three circumstances. First, if it was an investment to acquire control (within the meaning of the Investment Act) and the value of the Company's assets, as determined under Investment Act regulations, was C\$5 million or more. Second, the investment would also be reviewable if an order for review was made by the federal cabinet of the Canadian government on the grounds that the investment related to Canada's cultural heritage or national identity (as prescribed under the Investment Act), regardless of asset value. Third, the investment would also be reviewable if an order for review is made by the federal cabinet of the Canadian government on the grounds that an investment by a non-Canadian could be injurious to national security. An investment in the Shares by a WTO investor, or by a non-Canadian at a time when the Company was already controlled by a WTO investor, would be reviewable under the Investment Act if it was an investment to acquire control and the value of the Company's assets, as determined under Investment Act regulations, was not less than a specified amount, which for 2013 is C\$344 million. The Investment Act provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of the Company for the purposes of the Investment Act if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company not controlled in fact by the acquirer. An acquisition of control for the purposes of the Investment Act could also occur as a result of the acquisition by a non-Canadian of all or substantially all of the Company's assets. The Investment Act provides detailed rules to determine if there has been an acquisition of control. For example, a non-Canadian would acquire control of the Company for the purposes of the Investment Act if the non-Canadian acquired a majority of the Shares. The acquisition of less than a majority, but one-third or more, of the Shares would be presumed to be an acquisition of control of the Company

unless it could be established that, on the acquisition, the Company not controlled in fact by the acquirer. An acquisition of control for the purposes of the Investment Act could also occur as a result of the acquisition by a non-Canadian of all or substantially all of the Company's assets.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the Income Tax Act (Canada) (the "ITA") to a Shareholder in respect of its investment in Shares. This summary is applicable to a Shareholder that, at all relevant times, for purposes of the ITA, is neither resident nor deemed to be resident in Canada, deals at arm's length and is not affiliated with the Company, holds the Shares as capital property, does not and is not deemed to use or hold the Shares in, or in the course of, carrying on a business in Canada, does not hold Shares as part of the business property of a permanent establishment in Canada and is not a foreign affiliate of a taxpayer resident in Canada for the purpose of the ITA (a "Non-Resident Shareholder"). This discussion does not apply to an insurer that carries on business in Canada and elsewhere, to a "financial institution", a "specified financial institution", or an entity an interest in which is a "tax shelter investment" (all as defined in the ITA) or to a Shareholder that has elected to have the "functional currency" reporting rules under the ITA apply.

This summary is based on the facts set out in this information sheet, the provisions of the ITA in force on the date hereof and the Company's understanding of the current administrative policies of and assessing practices of the Canada Revenue Agency (the "CRA") made publicly available prior to the date hereof. It also takes into account all specific proposals to amend the ITA publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This discussion does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account any other federal, provincial or foreign income tax considerations, which may differ significantly from those discussed herein.

For the purposes of the ITA, each amount relating to the acquisition, holding or disposition of the Shares must be converted to Canadian dollars, in a method acceptable to the CRA, on the effective date that the amount first arose.

**This discussion is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Shares. Moreover, the income or other tax consequences of acquiring, holding or disposing of Shares will vary depending on the Shareholder's particular circumstances, including the jurisdiction or jurisdictions in which the Shareholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to**



**be legal or tax advice to any prospective purchaser of Shares. Shareholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Shares based on their particular circumstances.**

### **Dividends on Shares**

Dividends paid or credited or deemed to be paid or credited on the Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%. Such non-resident withholding tax may be reduced by virtue of the provisions of an income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is a resident.

### **Disposition of Shares**

A Non-Resident Shareholder will generally not be liable to Canadian income tax on a disposition or deemed disposition of a Share (other than to the Company) unless the Non-Resident Shareholder's Share is, or is deemed to be, "taxable Canadian property" to the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under the provisions of an applicable tax treaty. Conversely, to the extent that a Non-Resident Shareholder realizes a capital loss from the disposition of a Share, the amount of the capital loss may not be deductible against capital gains of a Non-Resident Shareholder for the purposes of the ITA.

Generally, a Share will not be taxable Canadian property to a Non-Resident Shareholder at a particular time provided that either: (a) at no time during the 60-month period preceding the particular time did such Share derive more than 50% of its fair market value directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties (as such terms are defined in the ITA), and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not the property exists; or (b) such Share is listed on a designated stock exchange (which currently includes the Exchange and the TSX) at that time and at no time during the 60-month period ending at that time did the Non-Resident Shareholder, persons not dealing at arm's length with such Non-Resident Shareholder or the Non-Resident Shareholder together with all such persons, own 25% or more of the issued shares of any class or series of the capital stock of the Company. Notwithstanding the foregoing, in certain circumstances set out in the ITA, Shares could be deemed to be a taxable Canadian property.

### **NOTIFIABLE AND CONNECTED TRANSACTIONS**

The Canadian and Hong Kong regulatory regimes governing notifiable and connected transactions have differences in approach.

In terms of notifiable transactions, the Hong Kong system uses asset, consideration, profit, revenue and equity capital ratios to determine whether a transaction is subject to the notifiable transaction requirements. The Canadian system does not prescribe ratios in determining whether a transaction is notifiable, but instead focuses on whether the details of a transaction constitute “material information”. Material information is any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company’s listed securities.

In terms of connected party transactions, both the Hong Kong and Canadian regulatory regimes have the same policy basis in terms of providing shareholder approval, independent valuation and disclosure requirements for transactions that are conducted with “connected persons” of an issuer. The definition of “related-party transaction” in MI 61-101, the instrument governing related party transactions, is broad enough to include the transactions contemplated in the definition of “transaction” in Chapter 14A. The definition of “related party” in MI 61-101 is similar to the definition of “connected person” in Chapter 14A, but it does not include past directors, associates, promoters or supervisors.

Further details of the Canadian regulatory regime for notifiable and connected transactions are set out below.

## **Notifiable Transactions**

In British Columbia three sources of regulation govern notifiable transactions, the TSX Listing Policies, the British Columbia Securities Act and the BCBCA. The following is a summary of the regulations under each source.

### ***TSX Listing Policies***

The Company is required to immediately notify the TSX in writing of any transaction involving the issuance or potential issuance of any of its securities including exchangeable and convertible securities other than unlisted, non-voting, non-participating securities. A TSX listed issuer may not proceed with a specified transaction unless accepted by the TSX. In addition to any specific requirement for shareholders’ approval, the TSX will generally require shareholders’ approval as a condition of acceptance of a transaction if, in the opinion of the TSX, the transaction materially affects control of the TSX listed issuer; provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the TSX listed issuer and has not been negotiated at arm’s length. In addition to the general notification and shareholders’ approval requirements, the TSX imposes certain additional requirements for prospectus offerings, private placements, acquisitions which involve the issuance of securities and other corporate actions related to share issuances.

## ***British Columbia Securities Act***

There is a general requirement on all reporting issuers in Canada to make immediate disclosure of any material change in its affairs by immediately issuing and filing a news release disclosing the nature and substance of the change and no later than 10 days after the date on which the change occurred, file a material change report. There are two types of transactions that require pre-review by Canadian securities regulators, rights offerings and prospectus offerings.

## ***British Columbia Business Corporations Act***

Under the BCBCA, there are certain transactions that require the notification to, and approval of, shareholders of the Company. These transactions include article amendments, amalgamations, plans of arrangement; compulsory acquisitions; disposals of significant assets, continuances, and dissolutions and liquidations.

## **Connected Party Transactions**

The BCBCA requires directors to disclose interests and abstain from voting on matters in which they are interested while the TSX Listing Policies require shareholder approval where insiders are parties to significant transactions. However, Canadian Securities Laws impose the most comprehensive regime including heightened disclosure, independent valuation and shareholder approval obligations subject to certain exemptions. The following provides a summary of the Canadian Securities Laws relating to related party transactions.

### ***Application***

Related party transactions are widely defined as transactions between the issuer and a person or company that is a related party of the issuer at the time the transaction is agreed to, as a consequence of which either through the transaction itself or together with connected transactions, the issuer conducts any type of business with a related party. "Related party" is broadly defined to include persons with direct and indirect relationships with the issuer including control persons, persons holding greater than 10% of the voting securities of the issuer, directors or senior officers and affiliates of these persons.

### ***Disclosure Obligations***

Where minority approval is required (as discussed below), the issuer must call a shareholders' meeting and send an information circular to those shareholders. The circular must contain detailed disclosure relating to the transaction including: the background to the transaction, general details relating to every prior valuation in respect of the issuer and any bona fide offer relating to the subject, a discussion of the review and approval process

adopted by the board of directors and the special committee, a summary of the Formal Valuation or an explanation on why a Formal Valuation is not required, and the holdings and identity of the shareholders excluded from voting.

### ***Formal Valuation***

Subject to certain exemptions, Canadian Securities Laws require an issuer to obtain an independent Formal Valuation for a related party transaction. If a Formal Valuation is required, the valuation must contain prescribed disclosure such as the valuator's opinion as to the fair market value of the subject matter and how the valuator arrived at the conclusion. The Formal Valuation must be publicly filed concurrently with the disclosure document.

### ***Minority Approval***

Subject to certain exemptions, minority approval of a related party transaction is required. In determining minority approval, an issuer shall exclude the votes attached to affected securities that are beneficially owned or over which control or direction is exercised by the issuer; an interested party; a related party of an interested party (unless the related party meets that description solely in its capacity as a director or senior officer of one or more entities that are neither interested parties nor issuer insiders of the issuer) or a joint actor with a person or company referred to above.

## **CONTINUOUS DISCLOSURE OBLIGATIONS**

Canadian Securities Laws and the TSX Listing Policies (which applies to the Company as of the date hereof) contain extensive continuing disclosure obligations. To summaries, Canadian continuous disclosure obligations may be divided in two categories, routine filings and special event filings.

### ***Routine Filings***

Routine filings are prescribed filings that the Company must make on a regular basis. The principle behind routine filings is to provide shareholders with consistent, predictable disclosure relating to reporting issuers. Routine filings include annual and quarterly financial statements and related MD&A, CEO and CFO certification, shareholders' meeting material such as information circular and related party materials, annual information form and codes of business conducts and ethics.

### ***Special Event Filings***

The Company and certain persons in a special relationship with the Company must make public disclosure and filings upon the occurrence of specified events or changes. For example, any event that constitutes material information requires the Company to immediately issue a press release and, if such an event constitutes a material change, the

Company must, within 10 days of the material change, file a material change report. Other examples of special events requiring specific filings include: the institution of an incentive option scheme, a significant business acquisition and distributions to shareholders.

### ***Filing***

Most filings are required to be made electronically through either the SEDAR or SEDI. Filings on SEDAR and SEDI will satisfy the relevant filing obligations in all provincial and territorial jurisdictions. In general, once a document is filed on SEDAR or SEDI, the document becomes publicly available through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or the SEDI website ([www.sedi.ca](http://www.sedi.ca)), as the case may be.

## PART C. CONSTITUTIONAL DOCUMENTS

### ARTICLES OF CONTINUATION

#### PART 1 – INTERPRETATION

##### 1.1 Definitions

Without limiting Article 1.2 in these Articles, unless the context otherwise requires:

“**board of directors**”, “**directors**” and “**board**” mean the directors or sole director of the Company for the time being;

“**Business Corporations Act**” means the Business Corporations Act (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

“**Interpretation Act**” means the Interpretation Act (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

“**legal personal representative**” means the personal or other legal representative of a shareholder;

“**registered address**” of a shareholder means the shareholder’s address as recorded in the central securities register; and

“**seal**” means the seal of the Company, if any.

##### 1.2 Business Corporations Act and Interpretation Act Definitions Applicable

The definitions in the Business Corporations Act and the definitions and rules of construction in the Interpretation Act, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the Business Corporations Act and a definition or rule in the Interpretation Act relating to a term used in these Articles, the definition in the Business Corporations Act will prevail in relation to the use of the term in these Articles. If there is a conflict or inconsistency between these Articles and the Business Corporations Act, the Business Corporations Act will prevail.

## **PART 2 – SHARES AND SHARE CERTIFICATES**

### **2.1 Authorized Share Structure**

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

### **2.2 Form of Share Certificate**

Each share certificate issued by the Company must comply with, and be signed as required by, the Business Corporations Act.

### **2.3 Shareholder Entitled to Certificate or Acknowledgment**

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

### **2.4 Delivery by Mail**

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

### **2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement**

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit

- (a) order the share certificate or acknowledgment, as the case may be, to be cancelled; and
- (b) issue a replacement share certificate or acknowledgment, as the case may be.

## **2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment**

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

- (a) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and
- (b) any indemnity the directors consider adequate.

## **2.7 Splitting Share Certificates**

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

## **2.8 Certificate Fee**

There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the Business Corporations Act, determined by the directors.

## **2.9 Recognition of Trusts**

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

## **2.10 Lien on Shares**

The Company has a lien on any share or shares registered in the name of a shareholder or his legal representative for any debt of that shareholder to the Company.



## **2.11 Enforcement of Lien**

The lien referred to in Article 2.10 may be enforced by any means permitted by law and:

- (a) where the share or shares are redeemable pursuant to the articles of the Company by redeeming such share or shares and applying the redemption price to the debt;
- (b) subject to the Business Corporations Act, by purchasing the share or shares for cancellation for a price equal to the book value of such share or shares and applying the proceeds to the debt;
- (c) by selling the share or shares to any third party whether or not such party is at arm's length to the Company, and including, without limitation, any officer or director of the Company, for the best price which the directors consider to be obtainable for such share or shares; or
- (d) by refusing to register a transfer of such share or shares until the debt is paid.

## **PART 3 – ISSUE OF SHARES**

### **3.1 Directors Authorized**

Subject to the Business Corporations Act and the rights, if any, of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

### **3.2 Commissions and Discounts**

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

### **3.3 Brokerage**

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

### **3.4 Conditions of Issue**

Except as provided for by the Business Corporations Act, no share may be issued until it is fully paid. A share is fully paid when:

- (1) consideration is provided to the Company for the issue of the share by one or more of the following:
  - (a) past services performed for the Company;
  - (b) property;
  - (c) money; and
- (2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.

### **3.5 Share Purchase Warrants and Rights**

Subject to the Business Corporations Act, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

### **3.6 Fractional Shares**

The Company may issue fractional shares, and the holders of fractional shares of the Company shall be entitled to exercise the rights of a shareholder for such fractional share in proportion to the fraction of the share held.

## **PART 4 – SHARE REGISTERS**

### **4.1 Central Securities Register**

As required by and subject to the Business Corporations Act, the Company must maintain in British Columbia a central securities register. The directors may, subject to the Business Corporations Act, appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

## **PART 5 – SHARE TRANSFERS**

### **5.1 Registering Transfers**

A transfer of a share of the Company must not be registered unless the Company or the transfer agent or registrar for the class or series of share to be transferred has received:

- (1) a duly signed instrument of transfer in respect of the share;
- (2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate;
- (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment; and
- (4) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

### **5.2 Form of Instrument of Transfer**

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

### **5.3 Transferor Remains Shareholder**

Except to the extent that the Business Corporations Act otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

### **5.4 Signing of Instrument of Transfer**

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

- (1) in the name of the person named as transferee in that instrument of transfer, or

- (2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

## **5.5 Enquiry as to Title Not Required**

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

## **5.6 Transfer Fee**

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

## **PART 6 – TRANSMISSION OF SHARES**

### **6.1 Legal Personal Representative Recognized on Death**

In case of the death of a shareholder, the legal personal representative of the shareholder, or in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

### **6.2 Rights of Legal Personal Representative**

The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the Business Corporations Act and the directors have been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

## **PART 7 – PURCHASE OF SHARES**

### **7.1 Company Authorized to Purchase Shares**

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the Business Corporations Act, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

### **7.2 Purchase When Insolvent**

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

- (1) the Company is insolvent; or
- (2) making the payment or providing the consideration would render the Company insolvent.

### **7.3 Sale and Voting of Purchased Shares**

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it

- (1) is not entitled to vote the share at a meeting of its shareholders;
- (2) must not pay a dividend in respect of the share; and
- (3) must not make any other distribution in respect of the share.

## **PART 8 – BORROWING POWERS**

The Company, if authorized by the directors, may:

- (1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
- (2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- (3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

- (4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

## **PART 9 – ALTERATIONS**

### **9.1 Alteration of Authorized Share Structure**

Subject to Article 9.2 and the Business Corporations Act, the Company may by special resolution:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (4) if the Company is authorized to issue shares of a class of shares with par value:
  - (a) decrease the par value of those shares; or
  - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the Business Corporations Act;

and, if applicable, alter its Notice of Articles and, if applicable, its Articles, accordingly.

## **9.2 Special Rights and Restrictions**

Subject to the Business Corporations Act, the Company may by special resolution:

- (1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- (2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued;

and alter its Articles and Notice of Articles accordingly.

## **9.3 Change of Name**

The Company may by special resolution authorize an alteration of its Notice of Articles in order to change its name and may, by ordinary resolution or directors' resolution, adopt or change any translation of that name.

## **9.4 Other Alterations**

If the Business Corporations Act does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

## **PART 10 – MEETINGS OF SHAREHOLDERS**

### **10.1 Annual General Meetings**

Unless an annual general meeting is deferred or waived in accordance with the Business Corporations Act, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

### **10.2 Resolution Instead of Annual General Meeting**

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous

resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

### **10.3 Place of Meetings**

Meetings of the shareholders shall be held at the place where the registered office of the Company is situated or, if the directors shall so determine, at some other place within or outside British Columbia.

### **10.4 Calling of Meetings of Shareholders**

The directors may, whenever and wherever they think fit, call a meeting of shareholders. The Company can hold its general meetings at a specified location outside of British Columbia if so authorized by a resolution of its directors.

### **10.5 Notice for Meetings of Shareholders**

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

### **10.6 Record Date for Notice**

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Business Corporations Act, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

- (1) if and for so long as the Company is a public company, 21 days;
- (2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.



## **10.7 Record Date for Voting**

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Business Corporations Act, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

## **10.8 Failure to Give Notice and Waiver of Notice**

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or may agree to reduce the period of that notice. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **10.9 Notice of Special Business at Meetings of Shareholders**

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

- (1) state the general nature of the special business; and
- (2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders
  - (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and
  - (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

## **PART 11 – PROCEEDINGS AT MEETINGS OF SHAREHOLDERS**

### **11.1 Special Business**

At a meeting of shareholders, the following business is special business:

- (1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (2) at an annual general meeting, all business is special business except for the following:
  - (a) business relating to the conduct of or voting at the meeting;
  - (b) consideration of any financial statements of the Company presented to the meeting;
  - (c) consideration of any reports of the directors or auditor;
  - (d) the setting or changing of the number of directors;
  - (e) the election or appointment of directors;
  - (f) the appointment of an auditor;
  - (g) the setting of the remuneration of an auditor;
  - (h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;
  - (i) any other business which, under these Articles or the Business Corporations Act, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

### **11.2 Special Majority**

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

### **11.3 Quorum**

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

### **11.4 One Shareholder May Constitute Quorum**

If there is only one shareholder entitled to vote at a meeting of shareholders:

- (1) the quorum is one person who is, or who represents by proxy, that shareholder; and
- (2) that shareholder, present in person or by proxy, may constitute the meeting.

### **11.5 Other Persons May Attend**

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, and such other persons entitled to attend under the Business Corporations Act and any other persons invited by the directors or with the consent of the meeting are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

### **11.6 Requirement of Quorum**

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

### **11.7 Lack of Quorum**

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and
- (2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

## **11.8 Lack of Quorum at Succeeding Meeting**

If, at the meeting to which the meeting referred to in Article 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

## **11.9 Chair**

The following individual is entitled to preside as chair at a meeting of shareholders:

- (1) the chair of the board, if any; or
- (2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

## **11.10 Selection of Alternate Chair**

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

## **11.11 Adjournments**

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from (timed) time and from place to place, but no business may be transacted at any meeting reconvened after an adjournment other than the business left unfinished at the meeting from which the adjournment took place.

## **11.12 Notice of Adjourned Meeting**

It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

### **11.13 Decisions by Show of Hands or Poll**

Subject to the Business Corporations Act, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy.

### **11.14 Declaration of Result**

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

### **11.15 Motion Need Not be Seconded**

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

### **11.16 Casting Vote**

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

### **11.17 Manner of Taking Poll**

Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:

- (1) the poll must be taken:
  - (a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
  - (b) in the manner, at the time and at the place that the chair of the meeting directs.
- (2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded and

(3) the demand for the poll may be withdrawn by the person who demanded it.

#### **11.18 Demand for Poll on Adjournment**

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

#### **11.19 Chair Must Resolve Dispute**

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

#### **11.20 Casting of Votes**

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

#### **11.21 Demand for Poll Not to Prevent Continuance of Meeting**

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

#### **11.22 Retention of Ballots and Proxies**

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

### **PART 12 – VOTES OF SHAREHOLDERS**

#### **12.1 Number of Votes by Shareholder or by Shares**

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

- (2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

## **12.2 Votes of Persons in Representative Capacity**

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

## **12.3 Votes by Joint Holders**

If there are joint shareholders registered in respect of any share:

- (1) any one of the joint shareholders may vote at any meeting of shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or
- (2) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

## **12.4 Legal Personal Representatives as Joint Shareholders**

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

## **12.5 Representative of a Corporate Shareholder**

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

- (1) for that purpose, the instrument appointing a representative must:
  - (a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or
  - (b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;
- (2) if a representative is appointed under this Article 12.5:
  - (a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
  - (b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

## **12.6 Proxy Provisions Do Not Apply to All Companies**

Articles 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.



## **12.7 Appointment of Proxy Holders**

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled – to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

## **12.8 Alternate Proxy Holders**

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

## **12.9 When Proxy Holder Need Not Be Shareholder**

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;
- (2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or
- (3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

## **12.10 Deposit of Proxy**

A proxy for a meeting of shareholders must:

- (1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting or
- (2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting or adjourned meeting

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

### 12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or
- (2) by the chair of the meeting or adjourned meeting, before the vote is taken.

### 12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

***[name of company]*** (the “Company”)

The undersigned, being a shareholder of the Company, hereby appoints ***[name]*** or, failing that person, ***[name]***, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on ***[month, day, year]*** and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned):

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Signed ***[month, day, year]***

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***[Signature of shareholder]***

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***[Name of shareholder—printed]***

### **12.13 Revocation of Proxy**

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is

- (1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used or
- (2) provided, at the meeting or any adjourned meeting, to the chair of the meeting, before any vote in respect of which the proxy has been given has been taken.

### **12.14 Revocation of Proxy Must Be Signed**

An instrument referred to in Article 12.13 must be signed as follows:

- (1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;
- (2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

### **12.15 Production of Evidence of Authority to Vote**

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

## **PART 13 – DIRECTORS**

### **13.1 First Directors; Number of Directors**

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the Business Corporations Act. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

- (1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;

- (2) if the Company is a public company, the greater of three and the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4;
- (3) if the Company is not a public company, the most recently set of:
  - (a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and
  - (b) the number of directors set under Article 14.4.

### **13.2 Change in Number of Directors**

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

- (1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;
- (2) subject to Article 14.8, if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

### **13.3 Directors' Acts Valid Despite Vacancy**

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

### **13.4 Qualifications of Directors**

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the Business Corporations Act to become, act or continue to act as a director.

### **13.5 Remuneration of Directors**

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

### **13.6 Reimbursement of Expenses of Directors**

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

### **13.7 Special Remuneration for Directors**

If any director who is not an employee or officer performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director who is not an employee or officer, or if any director who is not an employee or officer is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director who is not an employee or officer, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

### **13.8 Gratuity, Pension or Allowance on Retirement of Director**

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

## **PART 14 – ELECTION AND REMOVAL OF DIRECTORS**

### **14.1 Election at Annual General Meeting**

At every annual general meeting and in every unanimous resolution in lieu of an annual general meeting as contemplated by Article 10.2:

- (1) the shareholders entitled to vote at the annual general meeting for the election of directors are entitled to elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

- (2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

#### **14.2 Consent to be a Director**

No election, appointment or designation of an individual as a director is valid unless

- (1) that individual consents to be a director in the manner provided for in the Business Corporations Act;
- (2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (3) with respect to first directors, the designation is otherwise valid under the Business Corporations Act.

#### **14.3 Failure to Elect or Appoint Directors**

If:

- (1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the Business Corporations Act; or
- (2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (3) the date on which his or her successor is elected or appointed; and
- (4) the date on which he or she otherwise ceases to hold office under the Business Corporations Act or these Articles.

#### **14.4 Places of Retiring Directors Not Filled**

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of

directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

#### **14.5 Directors May Fill Casual Vacancies**

Any casual vacancy occurring in the board of directors may be filled by the directors.

#### **14.6 Remaining Directors Power to Act**

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of calling a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the Business Corporations Act, for any other purpose.

#### **14.7 Shareholders May Fill Vacancies**

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

#### **14.8 Additional Directors**

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at anytime exceed:

- (1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the, next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

## **14.9 Ceasing to be a Director**

A director ceases to be a director when:

- (1) the term of office of the director expires;
- (2) the director dies;
- (3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company, or
- (4) the director is removed from office pursuant to Articles 14.10 or 14.11.

## **14.10 Removal of Director by Shareholders**

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

## **14.11 Removal of Director by Directors**

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

## **PART 15 – POWERS AND DUTIES OF DIRECTORS**

### **15.1 Powers of Management**

The directors must, subject to the Business Corporations Act and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the Business Corporations Act or by these Articles, required to be exercised by the shareholders of the Company.

### **15.2 Appointment of Attorney of Company**

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those



vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

## **PART 16 – DISCLOSURE OF INTEREST OF DIRECTORS**

### **16.1 Obligation to Account for Profits**

A director or senior officer who holds a disclosable interest (as that term is used in the Business Corporations Act) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Business Corporations Act.

### **16.2 Restrictions on Voting by Reason of Interest**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

### **16.3 Interested Director Counted in Quorum**

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

### **16.4 Disclosure of Conflict of Interest or Property**

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the Business Corporations Act.

## **16.5 Director Holding Other Office in the Company**

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

## **16.6 No Disqualification**

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

## **16.7 Professional Services by Director or Officer**

Subject to the Business Corporations Act, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

## **16.8 Director or Officer in Other Corporations**

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the Business Corporations Act, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

## **PART 17 – PROCEEDINGS OF DIRECTORS**

### **17.1 Meetings of Directors**

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

### **17.2 Voting at Meetings**

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

### **17.3 Chair of Meetings**

The following individual is entitled to preside as chair at a meeting of directors:

- (1) the chair of the board, if any;
- (2) in the absence of the chair of the board, the president, if any, if the president is a director; or
- (3) any other director chosen by the directors if:
  - (a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;
  - (b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or
  - (c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

### **17.4 Meetings by Telephone or Other Communications Medium**

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the Business Corporations Act and these Articles to be present at the meeting and to have agreed to participate in that manner.

### **17.5 Calling of Meetings**

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

## **17.6 Notice of Meetings**

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 17, 1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

## **17.7 When Notice Not Required**

It is not necessary to give notice of a meeting of the directors to a director if:

- (1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or
- (2) the director has waived notice of the meeting.

## **17.8 Meeting Valid Despite Failure to Give Notice**

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director, does not invalidate any proceedings at that meeting.

## **17.9 Waiver of Notice of Meetings**

Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director. Attendance of a director at a meeting of the directors is a waiver of notice of the meeting unless that director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **17.10 Quorum**

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be a majority of the number directors, provided that where the number of directors of the Company is two directors, both directors must be present to constitute a meeting.

### **17.11 Validity of Acts Where Appointment Defective**

Subject to the Business Corporations Act, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

### **17.12 Consent Resolutions in Writing**

A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Article 17.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the Business Corporations Act and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

## **PART 18 – EXECUTIVE AND OTHER COMMITTEES**

### **18.1 Appointment and Powers of Executive Committee**

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

- (1) the power to fill vacancies in the board of directors;
- (2) the power to remove a director;
- (3) the power to change the membership of, or fill vacancies in, any committee of the directors; and
- (4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

## **18.2 Appointment and Powers of Other Committees**

The directors may, by resolution:

- (1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;
- (2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except
  - (a) the power to fill vacancies in the board of directors;
  - (b) the power to remove a director;
  - (c) the power to change the membership of, or fill vacancies in, any committee of the directors; and
  - (d) the power to appoint or remove officers appointed by the directors; and
- (3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

## **18.3 Obligations of Committees**

Any committee appointed under Articles 18.1 or 18.2, in the exercise of the powers delegated to it, must

- (1) conform to any rules that may from time to time be imposed on it by the directors and
- (2) report every act or thing done in exercise of those powers at such times as the directors may require.

## **18.4 Powers of Board**

The directors may, at any time; with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (2) terminate the appointment of, or change the membership of the committee; and

- (3) fill vacancies in the committee.

## **18.5 Committee Meetings**

Subject to Article 18.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 18.1 or 18.2:

- (1) the committee may meet and adjourn as it thinks proper;
- (2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (3) a majority of the members of the committee constitutes a quorum of the committee; and
- (4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

## **PART 19 – OFFICERS**

### **19.1 Directors May Appoint Officers**

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

### **19.2 Functions, Duties and Powers of Officers**

The directors may, for each officer:

- (1) determine the functions and duties of the officer;
- (2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and
- (3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

### **19.3 Qualifications**

No officer may be appointed unless that officer is qualified in accordance with the Business Corporations Act. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

### **19.4 Remuneration and Terms of Appointment**

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors think fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

## **PART 20 – INDEMNIFICATION**

### **20.1 Definitions In this Article 20:**

- (1) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of an eligible proceeding;
- (2) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director or a former director of the Company (an “eligible party”) or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of the Company:
  - (a) is or may be joined as a party; or
  - (b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;
- (3) “expenses” has the meaning set out in the Business Corporations Act.

### **20.2 Mandatory Indemnification of Eligible Parties**

Subject to the Business Corporations Act, the Company must indemnify a director or former director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and



reasonably incurred by such person in respect of that proceeding. Each director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.2.

### **20.3 Indemnification of Other Persons**

Subject to any restrictions in the Business Corporations Act, the Company may indemnify any person.

### **20.4 Non-Compliance with Business Corporations Act**

The failure of a director or officer of the Company to comply with the Business Corporations Act or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

### **20.5 Company May Purchase Insurance**

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (1) is or was a director, officer, employee or agent of the Company;
- (2) is or was a director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- (3) at the request of the Company, is or was a director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (4) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, officer, employee or agent or person who holds or held such equivalent position.

## **PART 21 – DIVIDENDS**

### **21.1 Payment of Dividends Subject to Special Rights**

The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

## **21.2 Declaration of Dividends**

Subject to the Business Corporations Act, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

## **21.3 No Notice Required**

The directors need not give notice to any shareholder of any declaration under Article 21.2.

## **21.4 Record Date**

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

## **21.5 Manner of Paying Dividend**

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of cash or cash equivalents, specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

## **21.6 Settlement of Difficulties**

If any difficulty arises in regard to a distribution under Article 21.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

## **21.7 When Dividend Payable**

Any dividend may be made payable on such date as is fixed by the directors.

## **21.8 Dividends to be Paid in Accordance with Number of Shares**

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

## **21.9 Receipt by Joint Shareholders**

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

## **21.10 Dividend Bears No Interest**

No dividend bears interest against the Company.

## **21.11 Fractional Dividends**

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

## **21.12 Payment of Dividends**

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

## **21.13 Capitalization of Retained Earnings or Surplus**

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus so capitalized or any part thereof.

## **PART 22 – DOCUMENTS, RECORDS AND REPORTS**

### **22.1 Recording of Financial Affairs**

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the Business Corporations Act.

### **22.2 Inspection of Accounting Records**

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

## **PART 23 – NOTICES**

### **23.1 Method of Giving Notice**

Unless the Business Corporations Act or these Articles provides otherwise, a notice, statement report or other record required or permitted by the Business Corporations Act or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
  - (a) for a record mailed to a shareholder, the shareholder's registered address;
  - (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the mailing address of the intended recipient;
- (2) delivery at the applicable address for that person as follows, addressed to the person:
  - (a) for a record delivered to a shareholder, the shareholder's registered address;
  - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

- (c) in any other case, the delivery address of the intended recipient;
- (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- (4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (5) physical delivery to the intended recipient.

### **23.2 Deemed Receipt**

A notice, statement, report or other record that is:

- (1) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing;
- (2) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed; and
- (3) e-mailed to a person to the e-mail address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was e-mailed on the day it was e-mailed.

### **23.3 Certificate of Sending**

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 23.1 is conclusive evidence of that fact.

### **23.4 Notice to Joint Shareholders**

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

## **23.5 Notice to Legal Representatives and Trustees**

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by

- (1) mailing the record, addressed to them
  - (a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
  - (b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

## **23.6 Undelivered Notices**

If any record sent to a shareholder pursuant to Article 23.1 is returned on two consecutive occasions because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

## **PART 24 – SEAL**

### **24.1 Who May Attest Seal**

The Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of any one or more duly authorized directors or officers or other persons as may be determined by the directors from time to time.

### **24.2 Sealing Copies**

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 24.1, the impression of the seal may be attested by the signature of any director or officer or the signature of any other person as may be determined by the directors.

### **24.3 Mechanical Reproduction of Seal**

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the Business Corporations Act or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

## **PART 25 – PROHIBITIONS**

### **25.1 Definitions**

In this Article 25:

- (1) “designated security” means:
  - (a) a voting security of the Company;
  - (b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or
  - (c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);
- (2) “security” has the meaning assigned in the Securities Act (British Columbia);
- (3) “voting security” means a security of the Company that:
  - (a) is not a debt security, and
  - (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

## **25.2 Application**

Article 25.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

## **25.3 Consent Required for Transfer of Shares or Designated Securities**

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

## **PART 26 – SPECIAL RIGHTS AND RESTRICTIONS COMMON SHARES**

### **26.1 Voting**

The holders of the Common Shares shall be entitled to one vote at any meeting of the members of the Company in respect of each Common Share held and shall be entitled to receive notice of and attend all general meetings of the shareholders of the Company.

### **26.2 Dividends**

Subject to the prior rights of the holders of Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board of directors of the Company out of moneys properly applicable to the payment of dividends, in such amount and in such form as the board of directors of the Company may from time to time determine and all dividends which the board of directors of the Company may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

### **26.3 Dissolution, Liquidation or Winding Up**

In the event of the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, subject to the prior rights of the holders of the Preferred Shares and any other Shares ranking senior to the Common Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of the Company.



## **PART 27 – SPECIAL RIGHTS AND RESTRICTIONS PREFERRED SHARES**

### **27.1 Voting**

The holders of the Preferred Shares shall not, as such, have any right to receive notice of, or to attend or to vote at, any general meeting of the Company.

### **27.2 Priority**

No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer upon that series a priority in respect of dividends or return of capital over any other series of Preferred Shares then outstanding.

The Preferred Shares shall be entitled to priority over the Common Shares of the Company and over any other Shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

### **27.3 Dividends**

After payment to the holders of Preferred Shares of the amounts of dividends and capital payable in accordance with these provisions and the rights, privileges and restrictions attached to each series of Preferred Shares, the holders of Preferred Shares shall not be entitled to share in any further distribution of the property and assets of the Company. The Preferred Shares of any series may also be given such other preferences, not inconsistent with the articles, over the Common Shares and over any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

### **27.4 Liquidation, Dissolution or Winding Up**

If, upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, there are insufficient assets to satisfy in full all claims with respect to unpaid dividends and return of capital in respect of all Preferred Shares outstanding, all such Preferred Shares shall participate rateably in the assets available to satisfy such claims based on the total amount of all such claims relative to the total amount of the assets available.

## **27.5 Issuable in Series**

The board of directors of the Company may issue the Preferred Shares at any time and from time to time in one or more series and, before the first shares of any particular series are issued, shall fix the number of Preferred Shares in such series and, determine, subject to the limitations in the articles, the designation, rights, privileges, restrictions and conditions attached to the shares of such series including without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the priorities thereof in relation to other shares or the priorities of other shares in relation thereto, if any, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights, if any, the conversion or exchange rights attached thereto, if any, the voting rights attached thereto, if any, and the terms and conditions of any share purchase plan or sinking fund with respect thereto.

## **PART 28 – OTHER**

### **28.1 Translation of Company Name**

The Company has adopted a Chinese translation of its name that it intends to use outside of Canada which, set out in letters from the English alphabet, is “SouthGobi Resources Limited”.

## PART D. DEFINITIONS

### DEFINITIONS

In Parts A and B of this information sheet, unless the context otherwise requires, the following terms shall have the meanings set out below.

C\$	Canadian dollars, the lawful currency of Canada
Articles	the Articles of Continuance of the Company dated May 29, 2007
associate(s)	has the meaning ascribed thereto under the Listing Rules
Audit Committee	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company
B.C.	British Columbia, Canada
BCBCA	the British Columbia Business Corporations Act, as amended and supplemented from time to time
Board	the board of Directors of the Company
British Columbia Securities Act	the British Columbia Securities Act, as amended and supplemented from time to time
British Columbia Securities Transfer Act	the British Columbia Securities Transfer Act, as amended and supplemented from time to time
Canadian Securities Administrators	the securities regulators of each province and territory of Canada
Canadian Securities Laws	the securities acts of each of the provinces and territories of Canada and the rules and regulations made thereunder, together with instruments and policies of the Canadian Securities Administrators, as amended from time to time, to which the Company is subject
Companies Ordinance	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time

Company	SouthGobi Resources Ltd., a company continued under the laws of British Columbia, Canada with limited liability
Compensation and Benefits Committee	a committee of the Board formed to assist the Board with discharging its responsibilities relating to the compensation and benefits of the executive officers and Directors of the Company.
connected person(s)	has the meaning ascribed thereto under the Listing Rules
Director(s)	director(s) of the Company
Formal Valuation	a formal valuation prepared in accordance with Part 6 of MI 61-101
Group	the Company together with its subsidiaries
Health, Environment, Safety and Social Responsibility Committee	a committee of the Board formed to review and oversee the Company's established safety, health and environmental policies and procedures at the Company's project sites. The committee also reviews any incidents that occur and provides guidance on how to prevent recurrences
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Public Offering	the offer by the Company of Shares for subscription to the public in Hong Kong for cash at an offer price and on the terms and conditions stated in the Company's prospectus dated 15 January 2010 and the application forms referenced therein
International Placing	the conditional placing of Shares by the Company outside Canada and the U.S. (including to professional investors and excluding retail investors in Hong Kong) in reliance on Regulation S, or in the U.S. in reliance on Rule 144A under the U.S. Securities Act as further described in the Company's prospectus dated 15 January 2010
International Offerings	The Hong Kong Public Offering and the International Placing
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

MI 61-101	Multilateral Instrument 61-101 Protection of Minority Shareholders in Special Transactions of the Canadian Securities Administrators
NI 62-103	National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues of the Canadian Securities Administrators
Nominating and Corporate Governance Committee	a committee of the Board formed to assist the Board in fulfilling its oversight responsibilities with respect to appointment and election of individuals to the Board and developing corporate governance guidelines for the Company
PRC	the People's Republic of China, and references in this information sheet to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Preferred Shares	preferred shares without par value in the capital of the Company
Regulation S	Regulation S under the U.S. Securities Act
Rule 144A	Rule 144A under the U.S. Securities Act
SEDAR	the System for Electronic Document Analysis and Retrieval, a document filing and retrieval system operated on behalf of the Canadian Securities Administrators
SEDI	the System for Electronic Disclosure by Insiders, Canada's on-line, browser-based service for the filing and viewing of insider trading reports in Canada
SFC	the Securities and Futures Commission of Hong Kong
Share(s)	common share(s) in the capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Takeovers Code	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases

TSX	the Toronto Stock Exchange
TSX Listing Policies	the TSX Company Manual, its appendices and Staff Notices to Applicants, Listed Issuers, Securities Lawyers and Participating Organizations, as amended from time to time
we, us, our, our Company	our Company or our Group (as the context may require)
U.S.	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
U.S. Securities Act	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
WTO	World Trade Organization
“%”	per cent