



## **Directors and Officers Code of Conduct and Obligations**

This document outlines the general obligations and liabilities of the directors and officers of Goldplay Mining Inc. (the "Company"). This document it is not guaranteed to be comprehensive in nature.

The Company is governed by the British Columbia *Business Corporations Act* S.B.C. 2002, c. 57 (the "**Corporations Act**"). Also, as the Company has distributed securities in Ontario, Alberta and other jurisdictions, it is also subject to, in part, the security legislation of those jurisdictions. This guide will point out areas of potential liability and will identify some of the legislation and common law touching on these issues. This document should **not** be considered as legal advice applicable to any particular situation or as a summary of any of the security laws of any jurisdiction other than British Columbia. Furthermore, this document does **not** go over any additional requirements or obligations that directors and officers may have due to your relationship with a significant shareholder or control person of the Company.

Although there are many similarities between the legislation in B.C. and the legislation of the other provinces, this document does not cover in detail any of the legal requirements related to the laws of the other provinces or other jurisdictions, and local counsel should be contacted in this regard. The links below provide additional relevant policies and information.

1. (1) Schedule "A" – Relevant sections of Part 5 –Management - British Columbia *Business Corporations Act* S.B.C., c. 57. Note the full version of this Act can be found online at <https://laws-lois.justice.gc.ca/eng/acts/C-44/INDEX.HTML>;
2. (2) Schedule "B" – Summary of the British Columbia *Securities Act* on secondary market liability (liability for inaccurate news releases and similar public disclosure); and
3. (3) Schedule "C" – Key sections of the B.C. Securities Act setting out general offence sections (including penalties of up to \$1 million, triple the profits made and 3 years imprisonment). The full text of the British Columbia *Securities Act* R.S.B.C, 1996, as amended, can be found at <http://www.bcsc.bc.ca/actregs.asp?id=30>.

These documents outline certain relevant corporate definitions and laws. Directors and officers should review, and be familiar with, the above.

### **The Obligations of Directors**

The obligations of directors are significant and the liabilities to which directors are now exposed have increased, in part because legislation has been enacted to widen the exposure of directors to personal liability, and because shareholders are becoming more aware of the obligations of directors and are ready to enforce those obligations.

The directors of a company are both agents and trustees of that company and have duties to it, its shareholders, its creditors and employees, fellow directors and the public. As trustees, directors are responsible for preserving the assets of the company. As agents, they are responsible for managing the assets with a view of protecting and creating shareholder value.

As trustees, directors stand in a fiduciary relationship to the company and are bound by rules of conscientious fairness, morality, honesty and purpose. They must act with the utmost good faith towards all of the shareholders and not for any individual shareholders. However, directors of companies are required to carry on the company's business and this activity necessarily involves risk.

Directors have an obligation to see that the company conducts its affairs in accordance with the law and must accept liability if the company's affairs are not so conducted. Under statute, and at common law, illegal acts initiated, condoned or acquiesced to by a director can result in personal liability to that director. Directors have a duty to be honest, diligent, prudent and to apply the whole of their ability to the best interests of the company. They must conform to standards of good faith and must avoid conflicts of interest with the company. Except for remuneration received from the company for acting as directors, they must not personally profit by reason of their position.

In the event that anyone, as a director or officer are uncertain as to whether or not a particular action would give rise to breach of a duty owed or would result in personal liability, they should contact the Company or their own legal counsel so that they can receive a full opinion on the particular facts of the situation. Below we will very briefly set out only a few of the specific laws which apply to directors of a company in British Columbia. Duties of Directors and Officers Under the British Columbia *Business Corporations Act* S.B.C. 2002, c. 57

Section 142 of the Corporations Act sets out a general statement concerning the duties of a director of a company incorporated under that Act. **It provides that every director, in exercising his power and performing his functions, shall act honestly, in good faith and in the best interests of the company, and shall exercise the care, diligence and skill of a reasonably prudent person. The duties set out in section 142 also apply to any officer of a company.**

A director must not act fraudulently. In addition, he must be open and candid about any dealings of his which affect or may affect the company. **A director is not permitted to take secret profits.**

A director is required to avoid a conflict of interest, even after having resigned as a director. If a corporate opportunity arises which a director wishes to exploit himself, he cannot avoid his duty to the company simply by resigning as a director. Officers are also subject to a **positive duty to advise the Company of any potential conflicts.**

The requirement to exercise the care, diligence and skill of a reasonably prudent person includes the requirement to make such enquiries concerning the business or affairs of the company which an ordinary person in the position of the director would make. Therefore, a director may be liable if there is unreasonable reliance on other directors or on the employees of the company. A director may, from time to time, face issues in respect of which he has no personal knowledge or ability to reach independent conclusions and will be required to rely heavily on other persons. If reliance is to be placed

on the advice and opinion of other persons, a director must make diligent enquiries and be satisfied as to the apparent ability and integrity of the advisor to give the advice.

If there is illegal or otherwise wrongful activity by the company, a director will not be excused from liability if he would have been aware of such acts after diligent enquiry. If he acquires actual knowledge of wrongful activity, the director owes a duty to the company to correct the wrong or bring it to the attention of the shareholders or appropriate authorities.

A director is not expected to exercise skill which he does not have, but, if a director acts in an incompetent manner, he may be considered to have breached his duty to take adequate care in the discharge of his duties. A director who does have particular skills or expertise will be expected to employ such skills or expertise in the discharge of his duties.

#### Fiduciary Duty

As a fiduciary, a director is in a position of trust and must therefore act honestly, in good faith, and in the best interests of the company while avoiding a conflict between his own interest and that of the company. This conflict will arise where there are transactions with the company, interlocking directorships or corporate opportunities. A director is required to have reasonable grounds for his belief that his conduct as a director is in the best interests of the company. **The Corporations Act also provides for disclosure by a director of any interest he may have in a proposed contract or transaction.**

#### Other sources

A director and officer of a company has a statutory obligation to act in the best interests of the company and may, in certain circumstances, be held liable to the company. We suggest that each new director should obtain a copy of a publication entitled "Directors' Duties in Canada - Managing Risk", published by CCH Canada Limited. Courses are also available. In the event that a director is uncertain as to whether or not a particular action would give rise to breach of a duty owed or would result in personal liability, we advise that the director contact legal counsel in order that counsel may give a full opinion on the particular facts of the situation.

#### Conclusion

The scope of this document does not permit a more detailed discussion of the role and obligations of a corporate director, and is not comprehensive, nor should be considered as legal advice. This document was drafted in an attempt to help improve your awareness of general issues that a director may encounter.