

TSX Venture Exchange Inc. Board of Directors Independence Standards

The Board of Directors has adopted these standards to determine whether individual members of the Board are independent from TSX Venture. These standards are derived from the rules of the Alberta Securities Commission, the British Columbia Securities Commission and the Canadian Securities Administrators and the Recognition Orders of TSX Venture Exchange Inc. The Board will update these standards from time to time as required. These standards were reviewed and approved by the Board on July 26, 2005.

1. Composition

At least fifty per cent (50%) of members of the Board shall be independent within the meaning of and as required by Multilateral Instrument 52-110—Audit Committees (“MI 52-110”). In addition, TSX Venture will take steps to ensure that each member of the Board is a fit and proper person and the past conduct of the member affords reasonable grounds for belief that the member will perform his or her duties with integrity.

2. Determination by Board

A director is considered independent only where the Board affirmatively determines that the director has no material relationship with TSX Venture.¹ A “material relationship” is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director’s independent judgement.² The Board shall make a determination concerning the independence of a director each year at the time the Board approves director nominees for inclusion in TSX Group Inc.’s information circular. Where a director joins the Board mid-year, the Board will make a determination at that time.

3. General Independence Standards

In determining whether a director is independent, the following individuals are considered to have a material relationship with TSX Venture and are therefore considered NOT to be independent:

- (a) an individual who is, or has been within the last three years, an employee or executive officer³ of TSX Venture or any of its affiliates;
- (b) an individual whose immediate family member⁴ is, or has been within the last three years, an executive officer of TSX Venture or any of its affiliates (past or present employment of the individual or immediate family member, on a part-time basis, as the chair or vice-chair of the board or any board committee does not disqualify the individual from being independent);

¹ MI 52-110, section 1.4(1).

² MI 52-110, section 1.4(2).

³ “Executive officer” means a chair, vice-chair, president, any vice-president in charge of a principal business unit, division or function (including sales, finance or production), any officer of the company or its subsidiaries who performs a policy-making function, or any other individual who performs a policy-making function.

⁴ “Immediate family member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of the individual or the individual’s immediate family member) who shares the individual’s home.

- (c) an individual who:
 - (i) is a partner of a firm that is the internal or external auditor of TSX Venture or any of its affiliates,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the audit of TSX Venture or any of its affiliates within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the internal or external auditor of TSX Venture or any of its affiliates,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the audit of TSX Venture or any of its affiliates within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the current executive officers of TSX Venture or its affiliates serves or served at that same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of TSX Venture or any of its affiliates received, more than \$75,000 in direct compensation from TSX Venture or any of its affiliates during any 12 month period within the last three years (other than director or board committee fees and retirement plan payments or other deferred compensation for prior service, provided the compensation is not contingent in any way on continued service).

4. Additional TSX Venture Independence Standards

In determining whether a director is independent, the following individuals are considered to have a material relationship with TSX Venture and are therefore considered NOT to be independent:

- (a) an individual who is an employee, associate (within the meaning of TSX Venture's by-law), or executive officer of an entity that is a Participating Organization or Member⁵; and

⁵ A "Participating Organization" is a person whose application for access to the trading facilities of TSX Venture Exchange has been accepted by, and remains in effect with, TSX Venture Exchange, and does not include a Member. A "Member" is a person who has executed the TSX Venture Exchange Member's Agreement and is accepted as, becomes and still remains a member of TSX Venture Exchange under the Exchange Requirements (as defined in TSX Venture's by-law).

- (b) an individual who is an employee, associate (within the meaning of TSX Venture's by-law), or executive officer of an entity that has a Participating Organization or a Member as a significant affiliate⁶, who is responsible for or is actively or significantly engaged in the day-to-day operations or activities of the Participating Organization or the Member.

5. Determination by the Board and Notice to the Alberta Securities Commission and the British Columbia Securities Commission

- (a) The Board may determine that an individual who is considered to have a material relationship under Section 4 is nonetheless independent, if the Board is satisfied that the material relationship under Section 4 will not, in the view of the Board, reasonably interfere with the exercise of the individual's independent judgment.
- (b) If the Board makes the determination referred to in clause 5(a), TSX Group Inc. must disclose in a written statement in its management information circular delivered to shareholders in connection with its annual meeting of shareholders:
 - (i) the nature of the relationship of the individual with TSX Venture; and
 - (ii) the explanation of the Board's determination as to why the individual should be considered independent.
- (c) TSX Venture will notify the Executive Director for the Alberta Securities Commission and the Director of Capital Markets Regulation for the British Columbia Securities Commission in writing of the Board's intention to make the determination referred to in clause 5(a) as soon as practicable, and in any event no less than 15 business days before the written statement in clause 5(b) is made.

⁶ A Participating Organization or a Member is a "significant affiliate" of another entity if the Participating Organization or the Member is an affiliate of that entity (as defined in the *Business Corporations Act* (Alberta)) and if the annual revenues of the Participating Organization or the Member for its most recently completed fiscal year represent more than 10% of the consolidated revenues of its group parent.