

Charter and Terms of Reference
for the
Board of Directors of

FORTUNE MINERALS LIMITED

CHARTER AND TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

1. MANDATE

The board of directors (the “**Board**”) of Fortune Minerals Limited (the “**Company**”) is elected by the Company’s shareholders to supervise the business and affairs of the Company. The primary responsibility of the Board is to foster the long term success of the Company and to maximize shareholder value in a manner that recognizes the interests of other stakeholders including the Company’s clients and employees.

2. COMPOSITION AND BOARD ORGANIZATION

2.1 The Board will be comprised of a minimum number of directors and a maximum number of directors as specified in the articles of the Company.

2.2 Nominees for directors may be recommended by any member of the Board, will be considered and approved by the Board as a whole and will be elected annually by the shareholders of the Company. Between annual meetings, the Board may appoint additional directors to serve until the next annual meeting.

2.3 The directors will be elected by the shareholders of the Company at every annual meeting for a term expiring at the next annual meeting.

2.4 A majority of the directors comprising the Board must be “independent” directors. “Independence” is defined by securities regulations as “having no direct or indirect material relationship with the issuer.”¹

2.5 There is no retirement age for directors.

2.6 The Board will appoint its chair (the “**Chair**”) from among its members. The Chair should generally be an independent director. In the event that the Chair is also a member of management of the Company, the Board will also elect a “lead director” from among the independent directors to chair the Board at all meetings where management members are absent. The Chair’s responsibilities are outlined in terms of reference approved by the Board.

3. MEETINGS

3.1 The Board will meet at least four times a year. Special meetings may be called by the Chair, the President and Chief Executive Officer of the Company (the “**CEO**”) or any two directors as required.

3.2 The quorum for a meeting of the Board is a majority of members in attendance.

3.3 The Chair, in consultation with the CEO, will set the agenda for each Board meeting, which will be circulated to members of the Board. Each Board member is free to suggest agenda items to be discussed during the meeting.

¹ see Multilateral Policy 58-201 *Effective Corporate Governance* and Multilateral Instrument 52-110 *Audit Committees*

3.4 Directors will receive agenda materials prior to the meetings in order for the directors to have a reasonable time to review the materials prior to the meeting. The materials will assist the Board members to understand and evaluate the matters to be discussed in the agenda.

3.5 Persons who are not board members may attend Board meetings or parts of meetings at the invitation of the Chair and with agreement of the Board.

3.6 Members may attend meetings of the Board by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.

3.7 At the end of each quarterly Board meeting, the independent directors shall meet without members of management present.

3.8 Minutes of the Board meetings will be accurately recorded, with such minutes recording the decisions reached by the Board. Minutes of each meeting will be distributed to members of the Board, the CEO and the Chief Financial Officer of the Company (the “CFO”).

4. RESPONSIBILITIES OF THE BOARD AND ITS MEMBERS

4.1 The Board is required by law to manage or supervise the management of the business and affairs of the Company.² In discharging this duty, with the assistance of committees established by the Board from time to time, the Board will:

Strategic Planning and Major Transactions

- (a) oversee the strategic planning process within the Company;
- (b) review the overall corporate strategy presented by management and monitor its implementation;
- (c) approve the entering into, or withdrawing from, lines of business or activities that are or likely to be material the Company;
- (d) approve any acquisition, disposition or expenditure in excess of **[\$500,000]**;
- (e) approve any loan agreement or guarantee for an amount in excess of **[\$500,000]**;

Policies and Procedures

- (f) monitor compliance with all significant policies and procedures by which the Company is operated, including the Company’s Code of Business conduct;
- (g) review significant new corporate policies or material amendments to existing policies;

² *Business Corporations Act* (Ontario) s. 115

Business and Risk Management

- (h) identify, with management, the principal risks of the Company’s business and review, approve and monitor the implementation of appropriate systems to manage and reduce those risks;

Oversight of Management

- (i) appoint the CEO and monitor the CEO’s performance, approve the CEO’s compensation and outline the CEO’s responsibilities and duties;
- (j) review the CEO’s performance at least annually against agreed upon objectives;
- (k) establish a succession plan for the CEO and other executive officers of the Company, including programs to train and develop management;
- (l) approve decisions related to executive officers, including the:
 - (i) appointment and discharge of senior executive officers;
 - (ii) compensation and benefits for the senior executive officers; and
 - (iii) the CEO’s acceptance of public service commitments or outside directorships (other than not for profit organizations);
- (m) satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Company;
- (n) provide a source of advice to the CEO and senior management on critical issues and matters faced by the Company;

Corporate Governance

- (o) develop the Company’s approach to corporate governance, including a set of corporate governance principles and guidelines for the Company;

Financial and Corporate Issues

- (p) oversee the quality and integrity of the Company’s accounting and financial reporting systems, disclosure and internal controls and management information systems;
- (q) monitor operational and financial results;
- (r) approve annual and quarterly financial statements and MD&A disclosure;
- (s) declare dividends at such times and in such amounts as they consider advisable;

- (t) recommend for shareholder approval any changes to the Company's share structure;
- (u) approve financings including the issue and repurchase of shares, issuing of debt securities, listing of shares, and other securities;
- (v) review response strategies to any possible takeover bid in order to maximize shareholder value;

Corporate and Compliance Reporting

- (w) ensure that the Company has in place effective communications processes with shareholders and other stakeholders;
- (x) approving the annual report and annual information form of the Company and any prospectuses that may be issued;
- (y) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (z) ensure timely reporting of any developments that have a material impact on the value of Company and/or its securities;
- (aa) report annually to the shareholders on the Board's corporate governance practices in accordance with applicable regulatory guidelines;

Affairs of the Board

- (bb) assess on a regular basis:
 - (i) the effectiveness of the Board, its committees and directors in fulfilling their responsibilities;
 - (ii) the competencies and skills of the individual directors and a Board as a whole in relation to the Company's operations and strategic plan; and
 - (iii) this charter and the charters of all Board committees; and
- (cc) ensure that new directors are provided with adequate education and orientation as to their role and responsibilities.

4.2 As a member of the Board, each director will:

- (a) act honestly and in good faith with a view to the best interests of the Company³;

³ *Business Corporations Act* (Ontario) section 134(1)(a)

- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances⁴;
- (c) demonstrate high ethical standards and integrity in their personal and professional dealings;
- (d) disclose any material interest in a proposed contract or transaction that is material to the Company;
- (e) be an available resource to management and the Board;
- (f) maintain confidentiality;
- (g) advise the CEO and/or Chair when introducing significant and/or previously unknown information or material at a Board meeting;
- (h) identify potential conflict areas and ensure they are appropriately identified and reviewed; and
- (i) assist in maximization of shareholder value.

4.3 To enhance the effectiveness of the Board and committee meetings, each director will:

- (a) maintain an excellent Board and committee attendance record;
- (b) prepare for Board and committee meetings by reading the agenda and background materials prepared for each meeting prior to the meeting;
- (c) participate fully and frankly in Board deliberations and discussions;
- (d) participate as required on Board committees and become knowledgeable about the role and objectives of each Board committee;
- (e) participate in director orientation and development programs developed by the Company from time to time;
- (f) become generally knowledgeable of the Company's business and industry;
- (g) maintain an understanding of the regulatory, legislative, and business, environments within which the Company operates;
- (h) establish an effective, independent and respected presence and a collegial relationship with other directors;
- (i) remain knowledgeable about the Company's facilities and visit them when appropriate; and

⁴ *Business Corporations Act* (Ontario) section 134(1)(b)

- (j) respect that the CEO is the chief spokesperson for the Company and individual directors are only involved with external communications at the request of, and/or approval of and in coordination with, the CEO.

5. COMMITTEES

5.1 Certain of the Board's responsibilities may be delegated to Board committees. The composition, responsibilities and authority of those committees will be set forth in their charters and terms of reference as approved by the Board from time to time. Currently the Board has approved one committees being the Audit Committee.

6. COMPENSATION

6.1 The Board as a group will consider and establish from time to time the compensation and benefits for non-management directors.

6.2 The Board will review the compensation of its members based on the responsibilities and risks involved in being a director of the Company, industry standards, and ensure that compensation is align with the best interests of the Company.

7. COMMUNICATION WITH THE BOARD

7.1 Shareholders and other stakeholders may communicate with the Board and individual members by contacting the head office of the Company.

8. ACCESS TO INDEPENDENT ADVISORS

8.1 The Board will have the resources and authority appropriate to discharge its duties and responsibilities. The Board may at any time retain outside financial, legal or other advisors at the expense of the Company without approval of management.

Any director may, subject to the approval of the Chair, retain an outside advisor at the expense of the Company.

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