



**SILVER VALLEY  
METALS**

**SILVER VALLEY METALS CORP.**

**DIRECTOR INDEPENDENCE STANDARDS**

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## **DIRECTOR INDEPENDENCE STANDARDS**

The following standards are to be used in determining whether a director is “independent” for purposes of determining independence from Management, including for determination of independence in selecting members of Board committees. These standards have been prepared by Canadian Securities Regulators and the Toronto Stock Exchange. To be independent, a director must meet the requirements of all of the standards. Notwithstanding the foregoing, no director qualifies as an independent director unless the Board of Directors affirmatively determines that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment.

This governance manual also uses the term “outside” director. An outside director is a director who is not independent under the applicable standards but who does not have full-time (or substantially full-time) employment with the Company or a remunerated consulting services relationship of a similar nature. For greater certainty, an outside director may be classified as outside but may not be independent where, for instance, that person owns (or represents a shareholder who owns) more than 10% of the Company’s shares.

### **Sections 1.4 and 1.5 of National Instrument 52-110**

#### 1.4 Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer’s internal or external auditor,
    - (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 issuer's audit 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 issuer's internal or external auditor,
    - (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 issuer's audit 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 issuer's current executive officers 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 the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:
- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
  - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

- (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
  - (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chairperson or vice-chairperson of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

## 1.5 Additional Independence Requirements

- (1) Despite any determination made under section 1.4, an individual who
  - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chairperson or vice-chairperson of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
  - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

## Toronto Stock Exchange Company Manual Section 311

An independent director is defined as a person who:

- a) is not a member of management and is free from any interest and any business and other relationship which in the opinion of the Exchange could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company; and
- b) is a beneficial holder, directly or indirectly, or is a nominee or associate of a beneficial holder, collectively of 10% or less of the votes attaching to all issued and outstanding securities of the company.

The Exchange will consider all relevant factors in assessing the independence of the director. As a general rule, the following persons would not be considered an independent director:

- i) a person who is currently, or has been within the past three years, an officer, employee of or service provider to the company or any of its subsidiaries or affiliates; or
- ii) a person who is an officer, employee or controlling shareholder of a company that has a material business relationship with the company.