



## **SOMBRERO RESOURCES INC. BOARD GUIDELINES**

(effective January 7, 2021)

### **1. INTRODUCTION**

1.1 The board of directors (the “**Board**”) of Sombrero Resources Inc. (the “**Company**”) believes a principal objective of the Company is to generate acceptable returns for its security holders. It believes good corporate governance practices provide an important framework for a timely response by the Board to situations that may directly affect share value.

1.2 The Board wishes to emphasize that the substance of good corporate governance is more important than its form; adoption of a set of guidelines or principles or any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.

### **2. BOARD GUIDELINES**

2.1 The mandate of the Board defines the role of the Board. These guidelines govern how the Board will operate to carry out its duties of stewardship and accountability.

#### **(a) The Board-Management Relationship**

(i) While the Board is called upon to “manage” the business by law, this is done by proxy through the CEO, who is charged with the day-to-day leadership and management of the Company.

(ii) The CEO’s prime responsibility is to lead the Company. The CEO formulates Company policies, strategic plans and goals in conjunction with the Board. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Company’s progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

(iii) Once the Board has approved the goals, strategies and policies, it acts in a unified and cohesive manner in supporting and guiding the CEO, subject to its duty to act in the best interests of the Company.

#### **(b) Corporate Strategy**

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board’s role is to ensure there is a strategic planning process, and then review, question, validate, and ultimately approve the strategy and monitor its implementation.

#### **(c) Business Risks**

The Board should have a continuing understanding of the principal risks associated with the business. It is the responsibility of management to ensure the Board and its committees are kept

well-informed of changing risks. The principal mechanisms through which the Board reviews risks are:

- (i) on-going reports by the CEO;
- (ii) the strategic planning process; and
- (iii) the Audit Committee.

**(d) Board Contact with Senior Management**

- (i) All directors have open access to the Company's senior management. It is expected that directors will exercise judgment to ensure that their contact with management will not distract from the Company's business operations.
- (ii) Written communications between directors and members of management will be copied to the Board Chair and the CEO.
- (iii) The Board encourages individual directors to make themselves available for consultation with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

**(e) Succession Planning**

The Board considers succession planning and management development to be an ongoing process, including periodic reports to the Board by the CEO. The CEO's views as to a successor in the event of unexpected incapacity should be discussed annually with the Compensation Committee.

**(f) Board Independence**

The Board must have the capacity, independently of management, to fulfill the Board's responsibilities and must be able to make an objective assessment of management and assess the merits of management initiatives. Therefore, the Company is committed to the following practices:

- (i) the recruitment of strong, independent directors, with the objective that upon graduation to a more senior exchange, the Board shall be composed of such number of independent directors as may be required by the policies of such exchange;
- (ii) any director who is deemed independent and whose circumstances change such that he or she might be considered to no longer be an independent director, shall promptly advise the Board of the change in circumstances;
- (iii) the Nomination and Governance Committee leads the director selection/evaluation process;
- (iv) the Compensation Committee leads the CEO evaluation process;
- (v) each of the Audit Committee, Compensation Committee, and Nomination and Governance Committee is composed of a majority of independent directors; and

(g) **Board Size and Composition**

(i) The Board is committed to reviewing its size periodically and currently considers between 5 and 8 directors to be an appropriate number, given the size of the Company, and sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Company.

(ii) At its meeting to approve the Information Circular for each Annual General Meeting of the shareholders of the Company, the Board shall consider and determine whether each director or director nominee is independent.

(h) **Criteria for Board Membership**

(i) The Nomination and Governance Committee will annually review the general and specific criteria applicable to candidates to be considered for nomination to the Board.

(ii) The objective of this review will be to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and business operations of the Company.

(iii) This review will take into account the desirability of maintaining a reasonable diversity of background skills and experience and personal characteristics among the directors, along with the key common characteristics required for effective Board participation.

(iv) Each director and director nominee must possess and exhibit the highest degree of integrity, professionalism, and values.

(i) **Selection of New Directors**

(i) The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders.

(ii) The Nomination and Governance Committee, in consultation with the Board Chair, is responsible for gathering the names of potential nominees, screening their qualifications against the current skill and experience needs of the Board and making recommendations to the Board for nomination.

(iii) All directors are encouraged to identify potential candidates.

(iv) The CEO will provide additional direct input to the process.

(v) An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Board Chair.

(j) **Directors' Outside Board Memberships**

(i) Interlocking Boards

(A) No two directors shall sit together on two or more public company boards, inclusive of the Company, without the approval of the Board.

(B) If such a situation does exist, the Governance and Nominating Committee shall annually review the continued appropriateness of the situation and make a recommendation to the Board.

(ii) **Multiple Board Memberships**

(A) No director shall sit on four or more public company boards, inclusive of the Company, without the approval of the Board.

(B) If any director does sit on four or more public company corporate boards (inclusive of the Company), the Nomination and Governance Committee shall annually review the appropriateness of that director's continued membership on the Company's Board and make a recommendation to the Board.

The Board recognizes that participation on a board of directors requires a commitment of time on the part of any director. The person best able to determine whether he or she has sufficient time available to participate as a director of a company is the director in question. Many factors impact the amount of time a director may have to devote to board duties. In circumstances where a director has full time employment in addition to his or her duties as a director, that time may be more limited than that of a director without a full time position. Certain board assignments carry requirements for varying amounts of time, often depending on the size of a company or the complexity of its operations. In determining whether to grant approval for an individual to sit on more than four public company boards, the Nomination and Governance Committee will enter into discussions with the director involved to ensure that he or she has the time available to discharge his or her responsibilities appropriately.

(k) **Director Retirement Age**

There is no retirement policy for directors.

(l) **New Director Orientation**

(i) The Nomination and Governance Committee, in conjunction with the Chair and the CEO, is responsible for ensuring that new directors are provided with an orientation and education program, which will include:

(A) written information about the duties and obligations of directors;

(B) the business and operations of the Company;

(C) documents from recent Board meetings; and

(D) opportunities for meetings and discussion with senior management and other directors.

(ii) The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.

**(m) Ongoing Director Education**

- (i) The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process.
- (ii) To facilitate ongoing education the Nomination and Governance Committee will:
  - (A) periodically canvas the directors to determine their training and education needs and interests;
  - (B) arrange ongoing visitation by directors to Company facilities and operations; and
  - (C) encourage and facilitate presentations by outside experts to the Board or committees on matters of particular import or emerging significance.

**(n) Administrative Support for Directors**

The Board's Chair's assistant or his or her delegate will provide all required administrative services for directors in the pursuit of their Board responsibilities.

**(o) Assessing the Board's Performance**

The current practice of the Board is for the Nomination and Governance Committee and the Board Chair to annually assess the performance of the Board, committees and individual directors.

**(p) Director Compensation**

The Compensation Committee will review director compensation annually and in connection therewith may consult with the Nomination and Governance Committee. The Compensation Committee will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

**(q) Loans**

The Company will not make any personal loans or extensions of credit to directors or executive officers.

**(r) Internal Controls and Management Information Systems**

- (i) Integral to the Board's overall responsibilities is the existence of control systems that ensure the effective discharge of these responsibilities. A balance must be achieved between imposing controls that give the Board reasonable assurance that its responsibilities are being discharged and avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms.
- (ii) Through the CEO, management will establish systems to ensure that an appropriate and responsible level of internal controls are in place for the Company. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

(s) **Succession Planning and Management Development**

The Board considers succession planning to be an ongoing process that includes annual reports to the Board by the CEO. The CEO's views as to a successor in the event of unexpected incapacity should be discussed regularly with the Compensation Committee.

(t) **Board Communications Policy**

(i) The Board approves the content of the Company's major communications to shareholders and the investing public, including the interim and annual reports, the Management Proxy Circular, the Annual Information Form, any prospectuses that may be issued and significant press releases.

(ii) The Board believes that it is the function of management, led by the CEO, to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the Board Chair or other individual directors may, from time to time, be requested by management to assist with such communications.

(iii) It is expected that when communications from stakeholders are made to individual directors, management will be informed and consulted to determine any appropriate response to be made by the Board or management, as the case may be.

(u) **Evaluation of the Chief Executive Officer**

The Compensation Committee annually leads the Board in assessing the CEO's performance against objectives and other relevant criteria established the previous year by the Board and the CEO.

(v) **Code of Business Conduct and Ethical Behavior**

(i) All directors, officers and employees are bound by the Company's Code of Business Conduct and Ethics. All who are affected by the Code review it and directors and officers acknowledge their support and understanding of the Code by signing it annually.

(ii) Directors must never be in an undisclosed conflict of interest with the Company. A director who has a real, perceived or potential conflict of interest regarding any particular matter under consideration should advise the Board, refrain from debate on the matter and abstain from any vote regarding that matter.

(iii) The Nomination and Governance Committee is responsible for monitoring compliance with the Code of Business Conduct.

(w) **Board Meetings and Agendas**

(i) The Board meets a minimum of four times per year, usually every quarter.

(ii) The independent members of the Board will meet as often as necessary to fulfill their responsibilities and will meet in executive session at least once per year without the presence of non-independent directors and management.

(iii) The Board Chair, in consultation with the CEO, develops the agenda for each Board meeting. All directors may, and are encouraged to, provide input to the agenda.

(iv) Under normal circumstances, the date, time and place of a regular meeting of the Board shall be fixed and notified not less than five business days in advance of the meeting. In extenuating circumstances, the date, time and place of a meeting of the Board shall be fixed and notified in writing not less than 24 hours, exclusive of Saturdays, Sundays and holidays, in advance of the date when it shall occur, unless notice is waived by all directors.

(v) Under normal circumstances, the agenda and the material will be distributed to directors not less than four business days before the meeting.

(vi) The Board may adopt the use of consent resolutions for its convenience from time to time.

(vii) Subject to the by-laws of the Company, a majority of the number of directors fixed or elected by the shareholders from time to time constitutes a quorum for the transaction of business at a meeting and a quorum of directors may exercise all the powers of directors at a meeting. No business shall be transacted by the directors at a meeting unless a quorum is present.

(viii) A director may participate in a Board meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

(ix) Directors will maintain the absolute confidentiality of Board deliberations and decisions and information received at meetings, except as may be specified by the Chair, if the information is publicly disclosed by the Company, or as required by applicable law. The views or opinions of individual directors or managers shall be treated with an appropriate level of respect and confidence.

(x) At Board and Committee meetings there exists an open atmosphere that encourages discussion of alternative views. From time to time, informal offsite sessions may be held to further enhance/encourage discussion of ideas, strategies and issues.

(xi) Directors are expected to attend all meetings of the Board and the Committees upon which they serve, to come to such meetings fully prepared (including full review of all documentation sent prior to the meeting), and to remain in attendance for the duration of the meeting. Where a director's absence from a meeting is unavoidable, the director should, as soon as practicable after the meeting, contact the Board Chair, the CEO or the Corporate Secretary for a briefing on the substantive elements of the meeting.

(x) **Special Meetings of the Board**

(i) Special meetings of the Board may be held at any time at the call of the Board Chair alone, or any two directors together.

(ii) Notice of a special meeting of the Board shall be given to all directors. Such notice shall be sent at least 24 hours, exclusive of Saturdays, Sundays and holidays,

before the time fixed for the meeting. If all of the directors are present at such meeting, notice thereof may be waived by them. If notice of the meeting is waived, all directors must sign a waiver.

(y) **Non-Directors at Board Meetings**

(i) The Board appreciates the value of having non-directors attend Board meetings to provide information and opinions to assist the directors in their deliberations.

(ii) The Board, through the Chair, will determine non-director attendees at Board meetings. For issues that fall within the terms of reference of a committee, a committee Chair may also recommend non-director attendees to the Board Chair.

(iii) No non-directors shall attend or table material at a meeting of the Board or a committee without prior approval of the Chair of such meeting.

(z) **Board Minutes**

The Board Chair, the CEO and the directors shall be provided with the draft minutes of each meeting of the Board prior to the commencement of the next meeting. The approved minutes serve as the official record of the Board meeting.

(aa) **Information for Board Meetings**

(i) All materials submitted for consideration by the Board or by a committee become part of the record of the Board and shall be deposited with the Corporate Secretary for maintenance, safekeeping and access.

(ii) Materials assembled in support of Board meetings will be coordinated by the CEO and the Corporate Secretary or their delegates, who will distribute it with the Board meeting agenda, not less than four business days prior to the meeting.

(iii) Material distributed to the directors in advance of Board meetings shall be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered.

(iv) Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings shall briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.

(v) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

(vi) Matters that are brought to the Board for a decision, particularly those of a strategic or financial matter, will be in a format and at a level and type of information that enables the Board to make a decision. The Board and management will agree on the format and the checklist of information items required for the Board to make a decision.



(bb) **Committees**

- (i) Committees analyze policies and strategies developed by management that are consistent with their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
- (ii) The committee structure may be subject to change as the Board considers from time-to-time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.
- (iii) The current committee structure includes;
  - (A) Audit Committee;
  - (B) Compensation Committee;
  - (C) Nomination and Governance Committee; and
- (iv) The Nomination and Governance Committee, in conjunction with the Board Chair, is responsible to the Board for annually proposing the leadership and membership of each committee. In preparing its recommendations they will take into account the skills, experience and preferences of the individual directors.
- (v) The Board favours a periodic rotation in committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.
- (vi) Each committee operates according to a Board approved written mandate outlining its duties and responsibilities. Each committee shall have a committee timetable, as part of its terms of reference, which outlines when the committee plans to address each of its duties and responsibilities during the course of the year.
- (vii) All Board committees operate under the following guidelines:
  - (A) Each committee will meet at least once each year, or more frequently as set forth in the applicable committee charter or as deemed necessary by the committee. In general, committee meetings will be scheduled each year in advance. However, the Chair alone, or any two members of a committee acting together, may call a meeting of the committee with notice in writing of not less than 48 hours, exclusive of Saturdays, Sundays and holidays, unless notice is waived by all members of the committee.
  - (B) Committee chairs, in consultation with committee members and management, will set the frequency and length of Committee meetings.
  - (C) Each committee Chair, in consultation with the appropriate members of management, develops the agenda for committee meetings. Any member of a committee may request an agenda item.

(D) If a committee Chair is not present at any meeting of a committee, one of the other members of the committee present at the meeting shall be chosen by the committee to preside at the meeting.

(E) A committee member may participate in a committee meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

(F) A committee may invite such directors or, in consultation with the CEO, such employees of the Company as may be considered desirable to attend meetings and assist in the discussion and consideration of the business of the committee.

(G) Each committee has the authority to delegate issues for review to any member or subcommittee.

(H) A committee may, from time to time, require the expertise of outside resources. Each committee has the authority to engage, set the terms of and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

(I) Quorum for the transaction of business at any committee meeting shall be a majority of the number of members of the committee or such greater number as the committee shall by resolution determine.

(J) At the next Board meeting following each meeting of a committee, each committee Chair reports to the Board on the committee's activities. Minutes of committee meetings are made available to all directors and copies should be filed with the Corporate Secretary.

(K) Each committee shall conduct an annual performance self-evaluation and shall report to the Board the results of the self-evaluation.

(L) Each committee shall annually assess the adequacy of its charter and recommend any changes to the Board for approval.

(M) The Corporate Secretary or his or her designate shall act as secretary to each committee.

(cc) **Committee Chairs**

The Chair of each Board committee shall:

- (i) lead the committee in undertaking the duties and responsibilities that it is charged with by the Board, as outlined in its terms of reference;
- (ii) ensure that committee members receive all the information they require in timely fashion;

- (iii) ensure the committee has adequate access to all members of management necessary for it to undertake its responsibilities;
- (iv) set agendas for committee meetings;
- (v) chair committee meetings at which the committee Chair is in attendance;
- (vi) lead the committee in an annual review of its performance; and
- (vii) ensure the committee is composed of members with the skill, experience and/or necessary training relative to the committee's responsibilities.

**(dd) Outside Advisors for Individual Directors**

Occasionally, individual directors may need the services of an advisor to assist on matters involving their responsibilities. Any director who wishes to engage an outside advisor (including a legal advisor) at the expense of the Company, must obtain the approval of the Board Chair, generally in consultation with the CEO.

**(ee) Board Guideline Review**

The Nominating and Governance Committee shall review these Guidelines periodically and any recommended changes will be submitted to the Board for approval.