

**RAINY RIVER RESOURCES LTD.**  
**CORPORATE GOVERNANCE POLICY**

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## **RAINY RIVER RESOURCES LTD.**

**(the "Company")**

### **CORPORATE GOVERNANCE POLICY**

#### **OBJECTIVE AND SCOPE**

The objective of this corporate governance policy is to set out a governance policy that the Company's board of directors (the "Board") and senior management will adopt and follow. Set forth below are guidelines for the Company's approach to governance including the constitution and independence of the Board and the functions to be performed by the Board and its committees.

#### **MANDATE OF THE BOARD OF DIRECTORS**

The Board has overall responsibility for the stewardship of the Company, including responsibility for:

- (a) adoption of a strategic planning process and approval and review, on at least an annual basis, of a strategic plan which takes into account, among other things, the opportunities for and risks to the Company's business;
- (b) identification of the principal risks of and to the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- (c) succession planning, including appointing, training and monitoring of senior management;
- (d) disclosure/communication policies for the Company, which policies should (i) address how the Company interacts with analysts, investors, other key stakeholders and the public; (ii) contain measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and (iii) be reviewed at least annually;
- (e) the integrity of the Company's internal control and management information systems;
- (f) developing the Company's approach to corporate governance issues; and
- (g) assessing the effectiveness of the Board, the recruitment of new directors and the provision of orientation and education programs for new directors.

#### **Strategic Planning**

Senior management of the Company must develop long-term strategies with respect to the Company's operations to be considered and, if deemed appropriate, adopted by the Board. The strategies are to be reviewed and updated not less than annually and otherwise as reasonably required. Included in the development of these long-term strategies will be annual strategic, exploration, operating and capital plans. The strategic plan is to take into account, among other things, the opportunities for and risks to the Company's business.

## **Identification and Management of Risks**

The Board is responsible for overseeing the processes by which the principal risks of the Company's business and operations are identified, assessed and managed and for ensuring that appropriate risk management systems are implemented and maintained by management of the Company with a view to achieving a proper balance between risks incurred and the creation of long-term sustainable value to shareholders, and ensuring that the Company is in compliance with its regulatory obligations.

## **Succession Planning and Supervision of Management**

The Board is responsible for the supervision of senior management to ensure that the operations of the Company are conducted in accordance with objectives set by the Board. The Board must approve all appointments of senior management and, as part of the Company's planning process, review and discuss succession planning for senior management positions.

The Board must determine its expectations of senior management and ensure that senior management understands these expectations. The Board must approve the corporate objectives which senior management is responsible for meeting and assess senior management against these objectives. As part of the ongoing process of monitoring the performance of management, the Board should receive operational updates on each business unit of the Company at each scheduled quarterly Board meeting. These updates will compare actual performance to the Company's annual forecast and include discussion of all significant variances from the forecast.

## **Communications Policies**

The Company has approved a Disclosure, Confidentiality and Insider Trading Policy ("DCIT Policy"). The DCIT Policy shall be reviewed not less than annually by the Corporate Governance and Nominating Committee and otherwise as required. Adhering to it will ensure, among other things, that the Company complies with its timely disclosure obligations such that material information is communicated to shareholders and other stakeholders adequately.

In addition to annual general meetings, meetings will be held from time to time in each year between management and various investors, investment analysts, credit rating agencies and financial institutions. Selective disclosure to investors and investment analysts is not permitted and the DCIT Policy contains measures to ensure this does not occur.

In addition to the information provided to shareholders in connection with the annual general meeting of shareholders and the continuous disclosure requirements of securities regulatory authorities, the Company must maintain a policy of ongoing communication with investors and representatives of the investment community. Inquiries by shareholders should be dealt with in accordance with the Company's DCIT Policy.

Trading of securities of the Company by directors, officers and employees is part of the DCIT Policy. The policy also sets out blackout periods during which trading in securities of the Company is prohibited.

## **Internal Control and Management Information Systems**

The Board, through the Audit Committee, is responsible for ensuring that management has put into place procedures that assure the integrity of the internal control and management information systems of the Company.

## **Corporate Governance**

The Board, through its Corporate Governance and Nominating Committee, is responsible for ensuring that the Company's corporate governance system is effective and satisfies its corporate governance responsibilities under applicable law.

## **Assessment of Board Effectiveness and Recruitment, Orientation and Education of Directors**

The Board, through its Corporate Governance and Nominating Committee, is responsible for establishing criteria for Board and committee membership, assessing Board performance, recruiting new directors and ensuring that appropriate orientation and education programs are in place for new directors.

## **Reporting to Shareholders**

The Board has the responsibility for:

- (a) overseeing the adoption by management of a communications policy for the Company, including adopting measures for receiving feedback from stakeholders; (b) ensuring that the financial performance of the Company is reported to shareholders on a timely, regular and non-selective basis;
- (c) ensuring that the Company's financial results are reported fairly, and in accordance with generally accepted accounting principles; and
- (d) reporting annually to shareholders on its stewardship for the preceding year.

## **OUTSIDE ADVISORS**

An individual director may engage an outside advisor at the expense of the Company in appropriate circumstances and subject to approval of the Board. The Board may impose a reasonable monetary limit on the related expenses which may be incurred.

## **COMPOSITION, SIZE AND INDEPENDENCE OF THE BOARD OF DIRECTORS**

The Board of the Company must:

- (a) examine the size of the Board with a view to determining the impact of the number of directors upon the effectiveness of the Board;
- (b) take steps to ensure that at least three of the directors and, to the extent practicable, a majority of the directors, qualify as independent directors.

- (c) determine the status of each director as either an independent or non-independent director<sup>1</sup>, based on the director's relationship with the Company; and

As required by applicable securities laws, the board must disclose annually, among other things, the identity of the directors who are independent, the identity of the directors who are not independent (and the basis for that determination) and whether or not a majority of the directors are independent.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of the Company shall appoint the four standing committees of the Board described below and it may appoint other committees as it determines appropriate.

### **Audit Committee**

The Audit Committee shall be comprised of not less than three directors, all of whom are independent directors<sup>1</sup> and financially literate<sup>2</sup>, except as may be otherwise permitted under applicable securities laws. The responsibilities of the Audit Committee are set out in the Audit Committee Charter.

### **Compensation Committee**

The Compensation Committee shall be comprised of not less than three directors, a majority of whom should be independent directors. The responsibilities of the Compensation Committee are set out in the Compensation Committee Charter.

### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee shall be comprised of not less than three directors, a majority of whom should be independent directors. The responsibilities of the Corporate Governance and Nominating Committee are set out in the Corporate Governance and Nominating Committee Charter.

### **Health, Safety, Environmental and Sustainability Committee**

The Health, Safety, Environmental and Sustainability Committee shall be comprised of not less than three directors. The responsibilities of the Health, Safety and Environmental Committee are set out in the Health, Safety and Environmental Committee Charter.

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<sup>1</sup> A director is an "independent director" if he or she would be independent within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees*, which, generally, requires that the director has no direct or indirect relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the director's independent judgment.

<sup>2</sup> A director is "financially literate" if he or she is financially literate within the meaning of section 1.6 of National Instrument 52-110 *Audit Committees*, which requires that the director have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

## **DECISIONS REQUIRING PRIOR APPROVAL BY THE BOARD OF DIRECTORS**

To the extent permitted under governing law, the Board may delegate to senior management or to a committee of the Board its responsibilities, but it must maintain policies with respect to matters that cannot be delegated and that require prior approval of the Board. These policies, and the understanding between management and the Board through previous Board practice and accepted legal and governance practices, will require that the Company's annual strategic, operating and capital plans, significant capital expenditures, the granting of stock options, the hiring of senior officers who report directly to the Chief Executive Officer, compensation payable to senior officers and all transactions or other matters of a material nature must be presented by management or appropriate Board committees for approval by the Board.

Approved by the Board of Directors on May 10, 2011.