



# **CORPORATE GOVERNANCE POLICIES**

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## **BOARD OF DIRECTORS MANDATE**

### **1. Board's Purpose**

The duties and responsibilities of Directors follow from applicable corporate laws, as well as those duties and responsibilities generally agreed and approved by the Board of Directors. The intent is that the duties and responsibilities guide the Board in complying with all applicable Canadian legal and regulatory requirements and the regulatory requirements of jurisdictions in which the Company operates. Directors are accountable to the shareholders of the Company.

### **2. Board's Mandate**

The Board of Directors shall further the objectives of the Company by directing, supervising and otherwise reviewing and approving the stewardship of the Company.

All material transactions must be reviewed and approved by the Board prior to implementation. Any responsibility that is not delegated to senior management, or a Board committee, remains with the full Board. One of the Board's responsibilities is to review and, if thought fit, to approve opportunities as presented by management and to provide guidance to management. The Board relies on management for the preparation of periodic reports, and to provide the support and information necessary to enable the Board to fulfill its obligations effectively.

The Board has the responsibility to participate with management in developing and approving the mission of the business, its objectives and goals, the strategic plans arising therefrom, and monitoring subsequent performance against said plans. Strategic issues are reviewed with management and addressed by the full Board at regularly scheduled Board meetings and at meetings specifically called for this purpose. The Board's strategic planning process involves having regular Board meetings to review reports on the Company's operations, exploration and development programs, and permits meeting with management on a regular basis, and reviewing business opportunities as presented by management.

The Board also meets to:

- plan for the future growth of the Company;
- identify risks of the Company's business, thus ensuring the implementation of appropriate systems to manage these risks;
- monitor senior management; and
- ensure timely disclosure of material transactions through the issuance of news releases and financial statements

The Board reviews financial performance quarterly. Frequency of meetings, as well as the nature of agenda items, change depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. When necessary and appropriate, issues may be approved and adopted by the Board by way of written resolutions.

### **3. Composition**

The Board of Directors shall be comprised with a majority of individuals who qualify as "unrelated" Directors.

In deciding whether a particular Director is a “related Director” or an “unrelated Director”, the Board of Directors shall examine the factual circumstances of each Director and consider them in the context of factors considered to be relevant.

Under the TSX Guidelines, an “unrelated Director” means a Director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the Director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

Under the TSX Guidelines, a “significant shareholder” means a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors. The Board considers that it is constituted with an appropriate number of Directors who are not related to either the Company or a significant shareholder.

#### **4. Independence from Management**

All committees of the Board shall be made up of a majority of non-management Directors.

The Company’s Audit & Risk Management Committee, Compensation Committee and Corporate Governance and Nominating Committee are authorised to approve, in circumstances that they consider appropriate, the engagement of outside advisers at the Company’s expense.

#### **5. Specific Responsibilities and Duties**

The Board’s mandate includes the following duties and responsibilities, any of which may be delegated by the Board to the Audit & Risk Management Committee, Compensation Committee or Corporate Governance and Nominating Committee:

1. Reviewing and approving any proposed changes to the Company’s memorandum or articles.
2. Be responsible for, and take appropriate action with respect to, any take-over bid, proposed merger, amalgamation, arrangement, acquisition of all or substantially all of the assets or any similar form of business combination, including the approval of any agreements, circulars or other documents in connection therewith.
3. Approving payment of distributions to shareholders.
4. Approving any offerings, issuances or repurchases of share capital or other securities.
5. Approving the establishment of credit facilities and any other long-term commitments.
6. Satisfying 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 organisation.
7. Selecting and appointing, evaluation of and (if necessary) termination of the CEO and CFO, and approving the hiring of any other senior executive or officer.
8. Succession planning and other human resource issues. The appointment of all corporate officers requires Board authorisation.

9. Approving the compensation of the senior executive officers, including performance bonus plans and stock options.
10. Adopting a strategic planning process, approving annual strategic plans, and monitoring performance against plans.
11. Reviewing and approving annual operational budgets, capital expenditures and corporate objectives, and monitoring performance on each of the above.
12. Reviewing policies and procedures to identify business risks, and ensure that systems and actions are in place to monitor them.
13. Reviewing policies and processes to ensure that the Company's internal control and management information systems are operating properly.
14. Approving the financial statements and MD&A, and making a recommendation to shareholders for the appointment of auditors.
15. Approving the Company's code of business ethics, which includes a communications policy for the Company, and monitoring its application.
16. Developing the Company's approach to corporate governance, including the development of corporate governance principles and guidelines.
17. Assessing the contribution of the Board, committees and all Directors annually, and planning for succession of the Board.
18. Arranging formal orientation programs for new Directors, where appropriate.

The Board (and each individual director) is entitled to seek independent professional advice at the Company's expense, subject to reasonableness of the costs and Board consents, in the conduct of their duties for the Company.

## **6. Directors' Remuneration and Expenses**

The Directors' remuneration is fixed by the Board upon the recommendation of the Compensation Committee. The Directors are also entitled to be reimbursed for reasonable traveling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof or in connection with their services as Directors.

## **7. Attendance at Meetings**

The Directors shall be expected to attend as many of the meetings of the Directors as is possible, but no fewer than one meeting of the Directors each quarter. Any materials to be reviewed by the Directors in advance of the meeting shall be delivered to the Directors by the CEO, CFO or Corporate Secretary no later than five days in advance of the meeting date.

## **8. Stakeholder Feedback**

The Company shall provide contact details to allow stakeholders to reach Directors or management to provide feedback on the Company's website.

# **CHARTER FOR THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS (the "Board")**

(Adopted by the Board on September 18, 2008)

## **1. Purpose of the Committee**

- 1.1 The purpose of the Corporate Governance and Nominating Committee is to assist the Board in developing and monitoring the Company's approach to corporate governance issues.

## **2. Members of the Committee**

- 2.1 The Corporate Governance and Nominating Committee shall consist of a minimum of three individuals, a majority of whom shall be Directors. At least two members of the Committee shall be "independent" as defined under Multilateral Instrument 52-110, while the Company is in the developmental stage of its business. The members of the Committee shall be selected annually by the Board and shall serve at the pleasure of the Board.

The members of the committee are Peter Lynch, Howard Stack and Andrew Wilson. Howard Stack and Andrew Wilson are considered to be "independent" as defined under Multilateral Instrument 52-110.

## **3. Meeting Requirements**

- 3.1 The Committee shall meet as necessary, but at least once each year, to enable it to fulfill its responsibilities. Without a meeting, the Committee may act by unanimous written consent of all members.
- 3.2 The Committee may meet by telephone conference call or by any other means permitted by law or the Company's by-laws. A majority of the members of the Committee shall constitute a quorum.
- 3.3 Minutes will be kept of each meeting of the Committee.

## **4. Committee Responsibilities**

- 4.1 The Committee shall be responsible for:
- (a) the Company's response to applicable rules, policies and guidelines respecting corporate governance matters;
  - (b) assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors on a periodic basis, which will include monitoring the quality of the relationship between management and the Board and recommending any improvements, if necessary;

- (c) ensuring that, where necessary, appropriate structures and procedures are in place to ensure that the Board can function independently of management;
- (d) preparing or reviewing any disclosure that must be made or approved by the Board that relates to corporate governance matters;
- (e) periodically examining the size and composition of the Board, with a view to determining the impact of the number of directors upon effectiveness, and making recommendations where appropriate to the Board as to any programs the Committee determines to be appropriate to reduce or increase the number of directors to a number which facilitates more effective decision making;
- (f) developing, with the assistance of management, an orientation and education program for new recruits to the Board, where necessary;
- (g) proposing new nominees to the Board and for assessing directors on an ongoing basis;
- (h) recommending to the Board candidates for election or re-election to the Board at each annual meeting of shareholders of the Company or to fill vacancies occurring on the Board;
- (i) considering nominees to the Board recommended by shareholders of the Company;
- (j) considering questions as to the appropriateness of a director engaging an outside advisor at the expense of the Company in the circumstances required by applicable policies of the Board;
- (k) succession planning, including appointing senior management and periodically receiving and considering recommendations from the CEO regarding succession at the CEO and other senior officer levels;
- (l) the adoption of a strategic planning process;
- (m) the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- (n) developing an investor relations and shareholder communications policy for the Company;
- (o) reviewing the charters of the Company's Compensation Committee and Audit Committee, and the Company's code of business conduct and ethics and approving any changes thereto; and
- (p) reviewing its charter from time to time and approving any changes thereto.

## **5. Miscellaneous**

- 5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

# **CHARTER FOR THE AUDIT & RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS (the "Board")**

(Adopted by the Board on September 18, 2008)

## **1. Purpose of the Committee**

- 1.1 The Audit & Risk Management Committee represents the Board in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries, and has general responsibility for oversight of risk, internal controls, accounting and auditing activities and legal compliance of the Company and its subsidiaries.

## **2. Members of the Committee**

- 2.1 The Audit & Risk Management Committee shall consist of no less than three Directors a majority of whom shall be "independent" as defined under Multilateral Instrument 52-110, while the Company is in the developmental stage of its business. The members of the Committee shall be selected annually by the Board and shall serve at the pleasure of the Board.
- 2.2 At least one Member of the Audit & Risk Management Committee must be "financially literate" as defined under Multilateral Instrument 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the 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.

The members of the committee are Shaun Maskerine, Nick Mather and Andrew Wilson. Andrew Wilson has been appointed as Chairman of the Audit & Risk Management Committee. Nick Mather and Andrew Wilson are considered to be "independent" as defined under Multilateral Instrument 52-110.

## **3. Meeting Requirements**

- 3.1 The Committee will, where possible, meet on a regular basis at least once every quarter, and will hold special meetings as it deems necessary or appropriate in its judgment. Without meeting, the Committee may act by unanimous written consent of all members which shall constitute a meeting for the purposes of this charter.
- 3.2 Meetings may be held in person or telephonically, and shall be at such times and places as the Committee determines. A majority of the members of the Committee shall constitute a quorum.
- 3.3 Minutes will be kept of each meeting of the Audit & Risk Management Committee.

#### 4. Duties and Responsibilities

The Audit & Risk Management Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and conditions or the responsibilities of the external auditors relating to the audit or review of financial statements. Specifically, the Audit & Risk Management Committee will:

##### ***Audit Related***

- (a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform the annual audit in accordance with applicable securities laws, including arrangements for the rotation of the audit engagement partner on a regular basis, and who shall be ultimately accountable to the Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and approve hiring policies of the Company regarding partners, employees and former partners and employees of the present and former external auditor
- (e) review and discuss with management and the auditors the Company's audited financial statements and accompanying Management's Discussion and Analysis of Financial Conditions ("MD&A"), including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;
- (f) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;
- (f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board;
- (h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;
- (j) oversee and annually review the Company's Code of Business Conduct and Ethics;

- (k) approve material contracts where the Board of Directors determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;
- (m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;
- (n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (o) review and monitor all related party transactions which may be entered into by the Company; and
- (p) periodically review the adequacy of its charter and recommending any changes thereto to the Board.

***Risk Related***

- (q) ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- (r) defining and periodically reviewing risk management as it applies to the Company and clearly identify all stakeholders;
- (s) ensuring the Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;
- (t) ensuring that Directors and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- (u) reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- (v) making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures;
- (w) considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities.

The Committee will ensure that the necessary controls are in place for risk management policies to be maintained by:

- (a) devising a means of analysing the effectiveness of risk management and internal compliance and control system and of the effectiveness of their implementation; and
- (b) reviewing, at least annually, the effectiveness of the Company's implementation of the risk management system.

**5. Miscellaneous**

- 5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the Directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

# CHARTER FOR THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS (the "Board")

(Adopted by the Board on September 18, 2008)

## 1. Purpose of the Committee

- 1.1 The purpose of the Compensation Committee is to assist the Board in discharging its duties relating to compensation of the executive officers of the Company.

## 2. Members of the Committee

- 2.1 The Compensation Committee shall consist of no less than three Directors, a majority of whom shall be "independent" as defined under Multilateral Instrument 52-110, while the Company is in the developmental stage of its business. The members of the Committee shall be selected annually by the Board and shall serve at the pleasure of the Board.

The members of the committee are Nick Mather, Howard Stack and Andrew Wilson. Nick Mather, Howard Stack and Andrew Wilson are all considered to be "independent" as defined under Multilateral Instrument 52-110.

## 3. Meeting Requirements

- 3.1 The Committee shall meet as necessary, but at least once each year, to enable it to fulfill its responsibilities. Without a meeting, the Committee may act by unanimous written consent of all members.
- 3.2 The Committee may meet by telephone conference call or by any other means permitted by law or the Company's by-laws. A majority of the members of the Committee shall constitute a quorum.
- 3.3 Minutes will be kept of each meeting of the Compensation Committee.

## 4. Committee Responsibilities

- 4.1 The Committee shall be responsible for:
  - (a) reviewing and approving corporate goals and objectives relative to the compensation of the Chief Executive Officer (CEO), evaluating the CEO's performance in light of those goals and objectives, and making recommendations to the board with respect to the CEO's compensation level based on this evaluation;
  - (b) approving and adopting the compensation of other senior management and executive officers of the Company;
  - (c) reviewing the adequacy and form of the compensation and benefits of the Directors in their capacity as Directors of the Company to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective Director;

- (d) reviewing and making periodic recommendations to the Board as to the general compensation and benefits policies and practices of the Company, including incentive compensation plans and equity based plans;
- (e) reviewing Directors and officers compensation disclosure before the Company discloses this information;
- (f) review, approve and adopt the granting and pricing of stock options to employees and Directors;
- (g) annually review the Company's stock option plan and all other employee incentive programs;
- (h) performing such other functions as the Board may from time to time assign to the Committee;
- (i) approving all special perquisites, special cash payments, bonuses and other special compensation and benefit arrangements for the Company's executive officers; and
- (j) reviewing its charter from time to time and recommending any changes thereto to the Board.

## **5. Miscellaneous**

- 5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the Directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

# CODE OF BUSINESS CONDUCT AND ETHICS

(Adopted by the Board on September 18, 2008)

## 1. INTRODUCTION

This **Code of Business Conduct and Ethics** (the "Code") applies to Waratah Coal Inc. and its subsidiaries (collectively, the "Company") and the Company's directors, officers, employees and principal consultants (collectively, "Employees"). Because any illegal or unethical action, or the appearance of misconduct or impropriety by anyone acting on the Company's behalf, is unacceptable, the Code should also be followed, where appropriate, by the Company's agents and representatives, including consultants where specifically required.

## **CODE OF CONDUCT**

### **Introduction**

This code of conduct sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders, and the broader community.

### **Commitment of the Board and Management to Code of Conduct**

The Board and Management approve and endorse this code of conduct.

The Board and Management encourage all staff to consider the principles of the code and use them as a guide to determine how to respond when acting on behalf of the Company.

### **Responsibilities to Shareholders and the Financial Community Generally**

The Company aims:

- to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community;
- comply with systems of control and accountability which the Company has in place as part of its corporate governance; and
- to act with honesty, integrity and fairness.

### **Responsibilities to Clients, Customers and Consumers**

The Company is to comply with all legislative and common law requirements which affect its business. Any transgression from the applicable legal rules is to be reported to the Management as soon as a person becomes aware of such a transgression.

### **Employment Practices**

The Company will employ the best available staff with skills required to carry out their roles.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

### **Responsibility to the Community**

The Company will recognise, consider and respect legal requirements impacting upon its operations and comply with all applicable legal requirements.

The Company will act with honesty, integrity and fairness in all dealings with the community.

#### **Responsibility to the Individual**

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

The Company and the Board will maintain the Company's and our shareholders', customers' and suppliers' information confidentiality unless required to be disclosed by law.

#### **Obligations Relative to Fair Trading and Dealing**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

#### **Conflicts of Interest**

The Board, Management and employees must not involve themselves in situations where there is a real or apparent conflict interest between them as individuals and the interest of the Company (excluding those matters which may be subject to legal professional privilege). Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the Managing Director (if any), the Managing Director or Chief Executive Officer in the case of a member of Management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

#### **Compliance with the Code**

Any breach of compliance with this code is to be reported directly to the Chief Executive Officer, Managing Director or Chairperson, as appropriate.

#### **Periodic Review of Code**

The Company will monitor compliance with the code periodically by liaising with the Board, Management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time.

#### **Code of Conduct for employees (and contractors)**

The Company shall ensure that the above principles are implemented and adopted by employees and contractors of the Company by importing the following principles into the terms of such engagements:

- To actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
- Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;
- Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company;
- The Company is committed to the ideal of equal employment opportunity and to providing a workplace that is free of harassment and discrimination. To this end the Company will observe the rule and spirit of the legal and regulatory environment in which the Company operates;
- Report any breach of this code of conduct to Management, who will treat reports made in good faith of such violations with respect and in confidence.

## **2. COMPLIANCE WITH THE LAW**

Employees are expected to comply with all of the provisions of this Code. This Code will be strictly enforced and violations will be dealt with immediately, including subjecting Employees to corrective and/or disciplinary action such as dismissal or removal from office. Violations of this Code that involve unlawful conduct will be reported to the appropriate authorities. Situations that may involve a violation of ethics, laws, or this Code may not always be clear and may require difficult judgment. Employees who have concerns or questions about violations of laws, rules or regulations, or of this Code, should report them to the Audit Committee.

## **3. CONFLICT OF INTEREST**

Employees must avoid conflicts of interest with the Company. A conflict of interest may be actual, apparent or potential and exists whenever an individual's personal interests directly or indirectly interfere or conflict, or appear to interfere or conflict, with one's obligations as an employee, director or officer to act in the best interests of the Company. Conflicts of interest include:

- taking for oneself an opportunity discovered through the use of corporate information or position;
- using corporate property, information or position for the Employee's personal benefit or intention of benefit, whether direct or indirect; and
- competing with the Company.

Where a situation arises in which a conflict of interest exists or may exist, the Employee must handle the situation in an ethical manner. If the Employee has any doubt as to how a situation is to be handled, the Employee must discuss the situation with a senior officer of the Company.

## **4. PROPRIETARY INFORMATION**

All confidential or proprietary information of the Company must be protected. Confidential information includes, for example, financial data, acquisition and sale opportunities, property data exploration and development data. You must not disclose the Company's confidential or proprietary information to anyone within or outside of the Company unless the recipient will generally need this information to carry out his or her assigned responsibilities as an employee of the Company, or as an outsider who has been properly authorised by an officer of the Company to receive such information.

**Inquiries from the press, media, investors or the public regarding the Company should only be answered by the officers or employees designated to respond to such inquiries.** The obligation not to disclose the Company's confidential or proprietary information continues after employment with the Company terminates unless otherwise specifically provided in writing.

## **5. INSIDE INFORMATION AND SECURITIES TRADING POLICY**

In the course of business activities, you may become aware of non-public information regarding the business, operations or securities of the Company. It is the policy of the Company to prohibit the unauthorised disclosure of any non-public information and the misuse of material non-public information in securities trading. It is not possible to define all categories of material information; however information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. Non-public information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. While it may be difficult to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. In addition, material information may be positive or negative. Examples of such information may include:

- Project exploration results, whether positive or negative
- Joint ventures with third parties
- News of a pending or proposed merger or acquisition
- Financial results
- Major contract awards, cancellations or write-offs
- Exploration or development milestones
- News of the disposition of material assets
- Impending bankruptcy or financial liquidity problems
- Gain or loss of a substantial property
- Stock splits
- New equity or debt offerings
- Significant litigation exposure due to actual or threatened litigation
- Changes in senior management
- Projections of future earnings or losses
- Dividend issuance decisions

### **(a) Trading on Material Non-Public Information**

With certain limited exceptions, no officer or director of the Company, no employee of the Company or its subsidiaries and no consultant or contractor to the Company or any of its subsidiaries and no members of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses material non-public information concerning the Company, and **ending at 12 pm (EST) on the trading day following the date of public disclosure of that information (usually by Press Release)**, or at such time as such non-public information is no longer

material. The term “trading day” shall mean a day on which national stock exchanges are open for trading.

**(b) Tipping**

No insider shall disclose (“tip”) material non-public information to any other person (including family members) where such information may be used by such person to trade in the securities of companies to which such information relates, nor shall such insider or related person make recommendations or express opinions on the basis of material nonpublic information as to trading in the Company’s securities.

**(c) Applicability of Insider Trading Regulations to Securities of Other Companies**

The insider trading guidelines described herein also apply to material non-public information relating to other companies, including the Company’s joint venture partners (“business partners”), when that information is obtained in the course of employment with, or other services performed on behalf of the Company. All employees and consultants should treat material nonpublic information about the Company’s business partners with the same care as is required with respect to information relating directly to the Company.

**6. ACCURACY AND RETENTION OF BUSINESS RECORDS**

**(a) General**

Accounting standards and applicable Canadian laws require that transactions and events relating to the Company’s operations and assets must be properly recorded in the books and accounts of the Company and accurately reported in the applicable reports required by and filed with the British Columbia Securities Commission, the TSX Venture Exchange and other Canadian regulatory agencies. As a result, all officers of the Company and all financial personnel shall make and retain books, records and accounts that, in reasonable detail, accurately, completely and objectively reflect transactions and events, and conform both to required accounting principles and to the Company’s systems of internal controls. No false or artificial entries may be made. No entry may be made or recorded in the Company’s books and records or reported in any disclosure document that misrepresents, omits, hides or disguises the true nature of the event or transaction, and all material entries and reports must be made in a timely manner. All personnel are responsible for immediately reporting any concerns about the Company’s financial records and its accounting, internal accounting controls and auditing procedures to a senior officer of the Company.

**(b) Records Retention**

Certain documents and other records of the Company must be retained for various periods of time under legal and regulatory requirements. All records of the Company should be maintained in accordance with the Company’s record retention guidelines. In any event, you must not destroy, shred or alter records that are in any way related to a threatened, imminent or pending legal or administrative proceeding, litigation, audit or investigation. Employees who become aware of such a proceeding, litigation, audit or investigation must immediately contact a senior officer of the Company. Employees should consult their supervisor or a Company officer for questions related to the Company’s record retention guidelines or the propriety of disposing of a Company document or record.

**7. Quality of Public Disclosure**

The Company is committed to providing information about the Company to the public in a manner that is consistent with all applicable legal and regulatory requirements and that promotes investor confidence

by facilitating fair, orderly, and efficient behavior. The Company's reports and documents filed with or submitted to securities regulators in Canada, and the Company's other public communications, must include full, fair, accurate, timely, and understandable disclosure. All employees who are involved in the Company's disclosure process, including senior officers, are responsible for using their best efforts to ensure that the Company meets such requirements. Employees are prohibited from knowingly misrepresenting, omitting or causing others to misrepresent or omit, material information about the Company to others, including the Company's independent auditors.

## **8. ENFORCEMENT**

The Company's management is charged by the Board of Directors with ensuring that this Code and the Company's corporate policies will govern, without exception, all business activities of the Company.

### **(a) Waivers of the Code**

In certain extraordinary situations, a waiver of a provision of the Code may be granted. **Any waiver of the Code for executive officers or directors may be made only by the Company's Board of Directors or the Audit Committee of the Board of Directors. Waivers will be promptly disclosed as required by applicable laws and regulations.**

### **(b) Violations of the Code**

Violations of the Code will not be tolerated by the Company. Reported violations or apparent violations will be reviewed by Company management and appropriate disciplinary action will be taken, up to and including termination of employment or service with the Company.

## **CORPORATE DISCLOSURE & TRADING POLICY**

(Adopted by the Board on September 18, 2008)

### **1. OBJECTIVE AND SCOPE**

1.1 The objective of this disclosure policy is to ensure that communications to the investing public about Waratah Coal Inc and its subsidiaries (the "Company") are:

- (a) timely, factual and accurate; and
- (b) broadly disseminated in accordance with all applicable legal and regulatory requirements.

1.2 This disclosure policy extends to all employees of the Company, the Board of Directors, officers of the Company, and those authorised to speak on their behalf (collectively, "Company Members"). It covers disclosures in documents filed with the securities regulators and written statements made in the Company's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management and information contained on the Company's Website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

### **2. RELATED POLICIES**

2.1 Maintaining confidentiality is a key aspect of the Company's disclosure policy.

2.2. The Company's Inside Information and Securities Trading Policy (set out in the Code of Business Conduct and Ethics) will continue to apply to the Directors, officers and employees of the Company. Trading restrictions that apply to other employees with access to material undisclosed information are discussed below under "Trading Restrictions and Blackout Periods".

2.3. Material News releases will be sent to the Directors of the Company in advance of release. The Directors will be asked to review on each proposed news release within a reasonable time frame that will be set out in the notice accompanying the proposed news release.

### **3. DISCLOSURE POLICY COMMITTEE**

3.1 The Disclosure Policy Committee ("DPC") is responsible for overseeing the Company's disclosure practices. The DPC consists of the Company's CEO, CFO and Corporate Secretary.

3.2 The DPC will meet as conditions dictate, and minutes of meetings will be maintained by the Corporate Secretary. It is essential that the DPC be kept fully informed of all pending material corporate developments in order to evaluate and discuss those events and to determine the appropriateness and timing for public release of information. All Company Members will be provided with a copy of this policy, and each of the persons having access to corporate developments will immediately report to the DPC any development that may be material.

- 3.3 If it is deemed that the information should remain confidential, any two members of the DPC may determine how that inside information will be controlled.
- 3.4 The DPC will review and update, if necessary, this disclosure policy on an annual basis or as needed to ensure compliance with changing regulatory requirements.
- 3.5 The DPC will report to the full Board of the Company concerning any issues it believes require further discussion on principles of disclosure as and when they arise.

#### **4. PRINCIPLES OF DISCLOSURE OF MATERIAL INFORMATION**

4.1 The DPC will set benchmarks for a preliminary assessment of materiality and will determine when developments justify public disclosure. Material information is any information relating to the business and affairs of the Company that results, or would reasonably be expected to result, in a significant change in the market price or value of the Company's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions – information that a reasonable person would expect to have a material effect on the price or value of the Company's securities. In complying with the requirement to disclose forthwith all material information under applicable laws and stock exchange rules, the Company will adhere to the following basic disclosure principles:

- (a) Material information will be publicly disclosed immediately via news release.
- (b) In certain circumstances, the DPC may determine that such disclosure would be unduly detrimental to the Company (for example if release of the information would prejudice negotiations in a corporate transaction), in which case the information will be kept confidential until the DPC determines it is appropriate to publicly disclose the information. In such circumstances, the DPC may cause a confidential material change report to be filed with the applicable securities regulators, and will periodically (at least every 10 days) review its decision to keep the information confidential (also see 'Rumours').
- (c) Disclosure must include all material information, the omission of which would make the rest of the disclosure misleading (half truths are misleading).
- (d) Unfavourable material information must be disclosed as promptly and completely as favourable information.
- (e) No selective disclosure is permitted. Previously undisclosed material information must not be disclosed to selected individuals (for example, in an interview with an analyst or in a telephone conversation with an investor). If previously undisclosed material information has been inadvertently disclosed to an analyst or any other person not bound by an express confidentiality obligation, such information must be broadly disclosed immediately via news release.
- (f) Disclosure on the Company's Website does not constitute adequate disclosure of material information.
- (g) Disclosure must be corrected immediately if the Company subsequently learns that earlier disclosure by the Company contained a material error at the time it was given.

- 4.2 Disclosure of material information is permitted in the "necessary course of business," which includes disclosure to:
- (a) vendors, suppliers or strategic partners on issues such as sales and marketing, investor relations and supply contracts;
  - (b) employees, officers and board members;
  - (c) lenders, legal counsel, auditors, financial advisors and underwriters;
  - (d) parties to negotiations;
  - (e) labour unions and industry associations;
  - (f) government agencies and non-governmental regulators; and
  - (g) credit rating agencies.
- 4.3. However, when the Company discloses material information in the necessary course of business, it should ensure that those receiving the information understand the confidential nature of the information and agree to keep the information confidential.

## **5. TRADING RESTRICTIONS AND BLACKOUT PERIODS**

- 5.1 The Company has an Inside Information and Securities Trading Policy as part of its Code of Business Conduct and Ethics, the purpose of which is to ensure that the directors, officers and employees of the Company avoid any improper securities transactions and disclosures. These provisions are meant to complement and are not in substitution of that policy.
- 5.2 It is illegal for anyone to purchase or sell securities of any public Company with knowledge of material information affecting that Company that has not been publicly disclosed. Except in the necessary course of business, it is also illegal for anyone to inform any other person of material non-public information. Therefore, all Company Members with knowledge of confidential or material information about the Company or counter-parties in negotiations of material potential transactions are prohibited from trading securities of the Company or any counter-party until the information has been fully disclosed and a reasonable period of time has passed for the information to be widely disseminated. This prohibition applies to enrolment, amendments to contributions, partial withdrawals, suspensions or terminations under the Employee Share Purchase and Stock Option Plans of the Company, if any.
- 5.3 Blackout periods may be prescribed from time to time by the DPC as a result of special circumstances relating to the Company pursuant to which Company Members would be precluded from trading in securities of the Company. All parties with knowledge of such special circumstances should be covered by the blackout. Such parties may include external advisors such as legal counsel, investment bankers and counter-parties in negotiations of material potential transactions.

### ***RESTRICTIONS ON DIRECTORS OFFICERS AND EMPLOYEES' DEALINGS WITH COMPANY SHARES***

As a general policy, before engaging in transactions involving the shares of the Company, a director, officer and employee must notify the DPC of the intended transaction at least 24 hours beforehand. It is then a matter for the DPC to advise of the intended course of action.

The Company's policy regarding dealings by directors, officer and employee in the Company's shares is that directors, officers and employees should never engage in short term trading and should not enter into transactions in the following circumstances:

- When they are in possession of price sensitive information not yet released by the Company to the market; or
- For a period of fourteen (14) days prior to the scheduled release by the Company of Quarterly Financial Accounts and Management Discussion & Analysis Reports or such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a director, officer or employee.

However, directors, officers and employee will generally be permitted to engage in trading (subject to due notification being given to the DPC at the following times:

- For a period commencing one (1) business day after the release of Quarterly Financial Accounts and Management Discussion & Analysis Reports to the market;
- For a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public;
- Where the proposed acquisition of securities is under:
  - a bonus issue made to all shareholders;
  - a dividend reinvestment or top up plan available to all shareholders;
  - an employee share plan.

## **6. MAINTAINING CONFIDENTIALITY**

- 6.1 Company Members privy to confidential information are prohibited from communicating such information to anyone else other than in the necessary course of business. Efforts will be made to limit access to such confidential information to only those who need to know the information, and such persons will be advised that the information is to be kept confidential.
- 6.2 Communication by email leaves a physical track of its passage that may be subject to later decryption attempts. Where possible, Company Members should avoid using email to transmit confidential information.
- 6.3 Outside parties privy to undisclosed material information concerning the Company will be told that they must not divulge such information to anyone else other than in the necessary course of business, and that they may not trade in the Company's securities until the information is publicly disclosed. Where applicable, such outside parties will confirm their commitment to non-disclosure in the form of a written confidentiality agreement.
- 6.4 In order to prevent the misuse or inadvertent disclosure of material information, the procedures set forth below should be observed at all times:
- (a) Documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals who "need to know" that information in the necessary course of business, and code names should be used if necessary.

- (b) Confidential matters should not be discussed in places where the discussion may be overheard, such as elevators, hallways, restaurants, airplanes or taxis.
- (c) Confidential matters, unless otherwise impossible, should not be discussed on wireless telephones or other wireless devices.
- (d) Confidential documents should not be read or displayed in public places and should not be discarded where others can retrieve them.
- (e) Company Members must ensure they maintain the confidentiality of information in their possession outside of the office as well as inside the office.
- (f) Transmission of documents by electronic means, such as by fax or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions.
- (g) Unnecessary copying of confidential documents should be avoided and documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed.
- (h) Access to confidential electronic data should be restricted through the use of passwords.

## **7. DESIGNATED SPOKEPERSONS**

- 7.1 The Company designates a limited number of spokespersons responsible for communication with the investment community. The Managing Director / Chief Executive Officer (and in their absence the Corporate Secretary) will be the official spokespersons for the Company with the investment community. Individuals holding these offices may, from time to time, designate others within the Company to speak on behalf of the Company as backups or to respond to specific inquiries. One or more of the official spokespersons should be present during any meetings or calls involving Company staff and members of the investment community where it would be beneficial to do so.
- 7.2 Company Members who are not authorised spokespersons must not respond under any circumstances to inquiries from the investment community. All such inquiries will be referred to an authorised spokesperson.

## **8. NEWS RELEASES**

- 8.1 Once the DPC determines that a development is material, it will distribute a draft press release to each of the Company's directors for review. The directors will either approve the issuance of the news release or determine that the development must remain confidential for the time being, in which case appropriate confidential filings will be made and control of that inside information will be instituted. Should a material statement inadvertently be made in a selective forum, the Company will immediately issue a news release in order to fully disclose that information.
- 8.2 If the TSX is open for trading at the time of a proposed announcement, prior notice of a news release announcing material information will be provided to the market surveillance department by the Corporate Secretary. If a news release announcing material information is issued outside

of trading hours, the Corporate Secretary will notify the market surveillance department of the news release before the market opens.

- 8.3 Annual and interim financial results will be publicly released as soon as possible following approval of the financial statements by the Audit Committee of the Board of Directors and/or the Board itself.
- 8.4 News releases will be disseminated through an approved news wire service that provides simultaneous national and/or international distribution. News releases will be transmitted to all stock exchange members, relevant regulatory bodies, major business wires, national financial media and the local media in Canada. News releases will be sent to the management of the Company's operating divisions and subsidiaries in Canada and China and will be made available on the Company's website immediately after release over the news wire. The news release page of the website will include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent news releases.

## **9. CONFERENCE CALLS**

- 9.1 Analyst conference calls that are held for quarterly earnings (where applicable) and major corporate developments will be preceded by a news release containing all relevant material information. At the beginning of the call, a corporate spokesperson will direct participants to publicly available documents.
- 9.2 The Company will provide advance notice of the conference call by either, issuing a news release announcing the date and time and providing information on how interested parties may access the call or, as an addendum to the previous Interim Financial Statement. In addition, the Company may invite analysts, institutional investors, the media and others to participate. Any non-material supplemental information provided to participants will also be posted to the Company's website for others to view.
- 9.3 The corporate participants in a conference call will hold a debriefing meeting immediately after the conference call and if such debriefing uncovers selective disclosure of previously undisclosed material information, the Company will immediately disclose such information broadly via news release.

## **10. RUMOURS**

The Company does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the Internet. The Company's spokespersons will respond consistently to those rumours, saying, "It is our policy not to comment on market rumours or speculation." Should the TSX, or any other applicable listing authority or regulator, request that the Company make a definitive statement in response to a market rumour that is causing significant volatility in the stock, the DPC will consider the matter and decide whether to make a policy exception. If the rumour is true in whole or in part, the Company will immediately issue a news release disclosing the relevant material information.

## **11. CONTACTS WITH ANALYSTS AND INVESTORS**

- 11.1 Disclosure in individual or Company meetings does not constitute adequate disclosure of information that is considered material non-public information. If the Company intends to announce material information at an analyst or shareholder meeting or press conference or conference call, the announcement must be preceded by a news release.

- 11.2 The Company recognises that meetings with analysts and significant investors are an important element of the Company's investor relations program. The Company will meet with analysts and investors on an individual or small Company basis as needed and will initiate contacts or respond to analyst and investor calls in a timely, consistent and accurate fashion in accordance with this disclosure policy.
- 11.3 The Company will provide only non-material information through individual and Company meetings, in addition to regular publicly disclosed information, recognising that an analyst or investor may construct this information into a mosaic that could result in material information. The Company cannot alter the materiality of information by breaking down the information into smaller, non-material components.
- 11.4 The Company will provide on request the same sort of detailed, nonmaterial information to individual investors or the general public that it has provided to analysts and institutional investors.
- 11.5 Where practicable more than one Company representative should be present at all individual and Company meetings. A debriefing will be held after such meetings and if such debriefing uncovers selective disclosure of previously undisclosed material information, the Company will immediately disclose such information broadly via news release.

## **12. REVIEWING ANALYST DRAFT REPORTS AND MODELS**

- 12.1 It is the Company's policy to review, upon request, analysts' draft research reports or models. The Company will review the report or model for the purpose of pointing out errors in fact based on publicly disclosed information. It is the Company's policy, when an analyst inquires with respect to his/her estimates, to question an analyst's assumptions if the estimate is significantly outside the range of estimates and/or the Company's published earnings guidance. The Company will limit its comments in responding to such inquiries to non-material information. The Company will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with the analyst's model and earnings estimates.
- 12.2 In order to avoid appearing to "endorse" an analyst's report or model, the Company will provide its comments orally or will attach a disclaimer to written comments to indicate the report was reviewed only for factual accuracy.

## **13. FORWARD-LOOKING INFORMATION**

- 13.1 Should the Company elect to disclose forward-looking information in continuous disclosure documents, speeches, conference calls, etc; the following guidelines will be observed:
- (a) There must be a reasonable basis for all forward looking information, taking into consideration all relevant legislative requirements.
  - (b) The information, if deemed material, will be broadly disseminated via news release, in accordance with this disclosure policy.
  - (c) The information will be clearly identified as forward looking.
  - (d) The Company will identify all material assumptions used in the preparation of the forward-looking information.

- (e) The information will be accompanied by a statement that identifies, in very specific terms, the risks and uncertainties that may cause the actual results to differ materially from those projected in the statement.
- (f) The information will be accompanied by a statement that disclaims the Company's intention or obligation to update or revise the forward looking information, whether as a result of new information, future events or otherwise. Notwithstanding this disclaimer, should subsequent events prove past statements about current trends to be materially off target, the Company may choose to issue a news release explaining the reasons for the difference. In this case, the Company will update its guidance on the anticipated impact on revenue and earnings (or other key metrics).

#### **14. MANAGING EXPECTATIONS**

- 14.1 The Company will try to ensure, through its regular public dissemination of quantitative and qualitative information that analysts' estimates are in line with the Company's own expectations. The Company will not confirm, or attempt to influence, an analyst's opinions or conclusions and will not express comfort with analysts' models and earnings estimates other than to question their underlying assumptions.
- 14.2 If the Company has determined that it will be reporting results materially below or above publicly held expectations, it will disclose this information in a news release in order to enable discussion without risk or selective disclosure.

#### **15. DISCLOSURE RECORD**

The Corporate Secretary will maintain a five year file containing all public information about the Company, including continuous disclosure documents, news releases, analysts' reports, transcripts or tape recordings of conference calls, debriefing notes and notes from meetings and telephone conversations with analysts and investors.

#### **16. ELECTRONIC COMMUNICATIONS**

- 16.1 This disclosure policy also applies to electronic communications. Accordingly, Company Members responsible for written and oral public disclosures will also be responsible for electronic communications.
- 16.2 The DPC is responsible for establishing and monitoring processes that ensure that all corporate information placed on the Company's Website is accurate, complete, up-to-date and in compliance with relevant securities laws.
- 16.3 Investor relations material will be contained within a separate section of the Company's Website and will include a notice that advises the reader that the information posted was accurate at the time of posting, but may be superseded by subsequent disclosures. All data posted to the investor section of the Company's Website, including text and audiovisual material, will show the date such material was issued. Any material changes in information must be updated immediately.
- 16.4 Disclosure on the Company's Website alone does not constitute adequate disclosure of information that is considered material non-public information. Any disclosures of material information on its Website will be preceded by the issuance of a news release.

- 16.5 The Corporate Secretary will also be responsible for responses to electronic inquiries from investors and financial analysts. Only public information or information which could otherwise be disclosed in accordance with this disclosure policy will be utilised in responding to electronic inquiries.
- 16.6 In order to ensure that no material undisclosed information is inadvertently disclosed, Company Members are prohibited from participating in Internet chat rooms or news Company discussions on matters pertaining to the Company's activities or its securities. Company Members who encounter a discussion pertaining to the Company should advise the Corporate Secretary immediately, so the discussion may be monitored.

**17. COMMUNICATION AND ENFORCEMENT**

- 17.1 This disclosure policy extends to and will be communicated to all Company Members.
- 17.2 Violations of this policy will result in the Company taking appropriate action, including possible discharge from employment. The violation of this disclosure policy may also violate certain securities laws. If it appears that anyone may have violated such securities laws, the Company may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines or imprisonment.