

CORPORATE GOVERNANCE POLICY

Objective and Scope

The objective of the Corporate Governance Policy is to clearly articulate Terrane's governance policy and its practice among the Board, Senior Management and employees. Set forth below is a description of the Corporation's approach to governance including the constitution and independence of the Board and the functions to be performed by the Board and its committees.

It is the duty of Directors to act in good faith to reasonably ensure that adequate compliance procedures are in place to avoid and uncover violations that could lead to liability for the Corporation.

Mandate of the Board of Directors

The Board has overall responsibility for the stewardship of the Corporation, as more particularly described in the Charter of the Board located at Tab 4.

Composition and Size of the Board of Directors

The Board will:

- examine the size of the Board with a view to determining the impact of the number of Directors upon the effectiveness of the Board; and
- determine the status of each Director as dependent or independent¹ and to the extent practicable, take steps to ensure that a majority of the Directors are independent.

The Board will disclose annually whether or not the Board has a majority of independent Directors. It will also disclose annually the analysis of the application of the principles it used in supporting its conclusion.

The Board, through a sub-committee of the Corporate Governance Committee (the "Nominating Sub-Committee"), in determining its composition, shall be mindful of the nature of its business and the specialized knowledge that the Board should possess or need to acquire.

Independence of the Board of Directors

In order that the Board can function independently of Senior Management, it will seek to maintain a majority of the Board as independent.

¹ An independent Director is a Director who is not an employee or Senior Officer of the Corporation and is not receiving remuneration from the Corporation beyond Directors' or Chairman's fees. In the context of the Audit Committee, as defined in Multilateral Instrument 52-110, no material relationship with the Corporation is a further requirement.

New Directors

New Directors, as part of their orientation program, will meet with Senior Management to discuss the business of the Corporation and receive historical and current operating and financial information and may tour offices and locations of the Corporation.

Role of Chairman

Under this Corporate Governance Policy the Chairman of the Board will:

- chair Board meetings and be the spokesman for the Company at the Annual General Meeting;
- establish the agenda for Board meetings in consultation with the CEO;
- ensure that the Board is participating in setting the aims, strategies and policies of the Company;
- make certain that the Board has the necessary information to ensure effective decision making and provide counsel for management;
- ensure that administrative tasks such as the timely circulation of Board papers are carried out;
- direct Board discussions so that there is effective use of time and that critical issues are discussed;
- understand the boundaries between Board and Senior Management responsibilities;
- develop an on-going team relationship with the CEO and provide counsel when appropriate;
- be kept fully informed by the CEO of current events and on all matters which may be of interest to the Board;
- regularly review with the CEO and other such members of Senior Management as the CEO recommends, progress on important initiatives and significant issues facing the Company; and
- participate in the CEO Annual Performance Review

Committees of the Board of Directors

The Board currently provides for four committees as described below, although it may appoint other committees or create sub-committees as needed.

The Corporation's corporate governance practices require that committees of the Board generally be composed of Directors, a majority of whom are independent. Committees of the Board include:

- Audit Committee;
- Corporate Governance Committee;
- Compensation Committee; and
- Health, Safety and Sustainability Committee.

Decisions Requiring Prior Approval by the Board of Directors

The Board may delegate to Senior Management or to a committee certain of its authorities, but it will maintain policies with respect to matters that can not be delegated and that require prior approval of the Board. These policies, and the understanding of the relationship between Senior Management and the Board through previous Board practice and accepted legal practice, will require that the Corporation's annual strategic, operating and capital plans, significant capital expenditures, all transactions or other matters of a material nature and dealing with non-arm's length parties must be presented by Senior Management for approval by the Board.

Expectations of Management

The Board will determine its expectations of Senior Management and take reasonable steps to ensure that they understand these expectations.

As part of the ongoing process of monitoring the performance of Senior Management, the Board will receive operational updates at each Board meeting. Where applicable these updates will compare actual performance to the Corporation's annual plans and include discussion of all significant variances

Shareholder Feedback and Concerns

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 Corporation maintains a policy of ongoing communication with investors and representatives of the investment community, which the Board will be familiar with.

Disclosure Policy

The Corporate Disclosure Policy is located at Tab 2. Its purpose is to ensure, in so far as is practicable, that all material issues relating to the Corporation are adequately communicated to shareholders and other stakeholders, and includes provisions regarding the release of annual and quarterly reports and press releases. The Disclosure Policy is reviewed annually by the Board.

In addition to the Annual General Meeting, meetings will be held from time to time between Senior Management and various investors, investment analysts, credit rating agencies and financial institutions. Selective disclosure to investors and investment analysts will not be permitted at these meetings. The Corporate Disclosure Policy contains measures to prevent this from occurring.

Quiet Period

The Corporation has adopted a quiet period in accordance with the recommended guidelines set out in National Policy 51-201 during which earnings guidance or comments with respect to the current quarter's operations or expected results will not be provided to analysts, investors or other market professionals. If applicable, the quiet period will run between the first day of the month following the quarter end and the release of a quarterly earnings announcement. Communications that may occur during the quiet period must be limited to responding to inquiries concerning publicly available or non-Material Information.