

## TERAGO INC.

### DIRECTOR INDEPENDENCE POLICY

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The Board of Directors (the “**Board**”) of TeraGo Inc. is responsible for determining whether or not each director is independent within the meaning of the Canadian Securities Administrators’ National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* (collectively, the “**CSA Rules**”). To achieve this, the Board analyses all of the relationships each director has with TeraGo<sup>1</sup>. To assist in this analysis, the Board adopted the following independence standards. In general, a director who meets these standards, and who does not otherwise have a material relationship (direct or indirect)<sup>2</sup> with TeraGo, would be considered independent under the CSA Rules.

The Board shall determine whether each director is independent on an annual basis at the time the Board approves director nominees for inclusion in the management proxy circular, identify each independent director, and disclose the basis for that determination. This process will also apply at such time as a director joins the Board between annual meetings. Each director who has been determined to be independent shall notify the Chair of the Corporate Governance Committee, as soon as reasonably practicable, in the event that such director’s personal circumstances change in a manner that may affect the Board’s determination of whether such director is independent.

A director will not be considered independent if:

(A)

- the director is, or has been within the last three years, an executive officer or employee of TeraGo, other than employment as an interim chief executive officer; or
- an immediate family member<sup>3</sup> of the director is, or has been within the last three years, an executive officer of TeraGo, other than employment as an interim chief executive officer;

(B)

- the director (or an immediate family member employed as an executive officer) received more than C\$75,000 during any 12-month period within the last three years in direct compensation from TeraGo, other than (i) Board and Board committee fees and fixed amounts of compensation under a retirement plan or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), and (ii)

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<sup>1</sup> “TeraGo” includes TeraGo Inc. and its subsidiaries.

<sup>2</sup> “Material relationship” is a relationship which could, in the Board’s view, be reasonably expected to interfere with the exercise of a director’s independent judgment.

<sup>3</sup> For purposes of these standards, an “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees of either the person or the person’s immediate family member) who shares such person’s home. However, individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or have become incapacitated, need not be considered.

compensation for acting as an interim chief executive officer or a part-time chair or vice-chair of the Board or any Board committee;

(C)

- the director (or an immediate family member) is a current partner or employee of a firm that is TeraGo's internal or external auditor;
- the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or
- the director (or an immediate family member) was within the last three years a partner or employee of such a firm and personally worked on TeraGo's audit within that time;

(D)

- the director (or an immediate family member) is, or has been within the last three years, an executive officer of another company in which any of TeraGo's present executives serves or served at the same time on that company's compensation committee; or

(E)

- the director is a current employee, officer or director of a company<sup>4</sup> that has made payments to, or received payments from, TeraGo for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of C\$250,000 or 2% of such company's consolidated gross revenues; or
- an immediate family member of the director is a current executive officer of a company<sup>4</sup> that has made payments to, or received payments from, TeraGo for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of C\$250,000 or 2% of such company's consolidated gross revenues.

## **ADDITIONAL CONSIDERATIONS FOR AUDIT COMMITTEE MEMBERS**

Only independent directors may be members of TeraGo's Audit Committee. In addition, a director shall not serve on the Audit Committee if:

- the director is an affiliated person<sup>5</sup> of TeraGo (as defined in applicable rules and regulations); or
- the director received, directly or indirectly, any consulting, advisory fees or other compensatory fee from TeraGo, other than (a) director and Board committee fees and fixed amounts of compensation under a retirement plan or other forms of deferred compensation for prior service

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<sup>4</sup> For this subsection (E) only, contributions to tax exempt organizations shall not be considered payments.

<sup>5</sup> "affiliated person": a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls (as defined below) or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person is an individual who is (i) both a director and employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity.

"control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.



(provided such compensation is not contingent in any way on continued service), and (b) compensation for acting as part-time chair or vice-chair of the board or any board committee.

Indirect acceptance of compensation includes payments to:

- a spouse, minor children or stepchildren, or adult children or stepchildren sharing a home with the member of the Audit Committee, or
- an entity (i) in which the member of the Audit Committee is a partner, member, officer such as a managing director occupying a comparable position, or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and (ii) which provides accounting, consulting, legal, investment banking or financial advisory services to TeraGo.