



## ANTI-CORRUPTION POLICY

### I. PURPOSE

The Company is committed to maintaining high ethical standards in conducting its business.

The purpose of this Policy is to establish standards of performance to ensure Company Personnel and Business Partners comply with applicable laws, regulations, and international conventions regarding corrupt, fraudulent, coercive, collusive and obstructive practices.

The Audit Committee has responsibility for oversight of compliance with this policy.

### II. APPLICABILITY

The Policy applies to Company Personnel and Business Partners involved in business transactions for and on behalf of the Company, wherever located, as described in the Lydian Code of Conduct.

### III. DEFINITIONS

- A. **"Business Partners"** mean agents, sub-agents, consultants, representatives, contractors and suppliers.
- B. **"Company"** means Lydian International Limited and its subsidiaries.
- C. **"Company Personnel"** means all Directors, officers and employees of the Company.
- D. **"Compliance Officer"** means one or more members of management approved by the Company's audit committee or the audit committee's designee to receive and respond to matters under this Policy.
- E. **"Director"** means a member of the board of directors of Lydian International Limited or any of its subsidiaries.
- F. **"Foreign Official"** means:

1. A person who holds a legislative, administrative or judicial position of a foreign state;
2. A person who performs public duties or functions for a foreign state, including a person employed by a board, commission, corporation or other body or authority that is established to perform a duty or function on behalf of the foreign state, or is performing such a duty or function; and
3. An official or agent of a public international organization that is formed by two or more states or governments, or by two or more such public international organizations.
4. The definition includes an elected representative, government official, or judge in a foreign state as well as a representative of a public international organization, such as the United Nations. This definition is consistent with the definition of a "foreign public official" in Article 1.4 of the OECD Convention.

G. "**OECD**" means the Organization for Economic Co-operation and Development.

#### IV. **POLICY**

##### A. Prohibited Activity

Except as specifically provided by this Policy, Company Personnel and Business Partners shall not directly or indirectly:

1. Engage in corrupt practices by offering, giving, receiving or soliciting anything of value (a loan, reward, advantage, or benefit of any kind) to influence improperly the actions of another party, including but not limited to Foreign Officials (a) as consideration for an act or omission by the official in connection with the performance of the official's duties or functions; or (b) to induce the official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions. Interpretations of the above include:
  - a) Bribery and kick-backs are considered corrupt practices. An example of a kick-back is a payment made by a supplier to a purchasing manager in exchange for receiving a contract;
  - b) The Company does not condone facilitation payments. Any potential facilitation payment shall be communicated to the Compliance Officer for evaluation prior to completing such transaction.
  - c) Funding of bona fide social development, local charities, or infrastructure unrelated to the project are not viewed as corrupt practices as long as they are permitted under local law and fully disclosed in the Company's books and records;

- d) Offering, giving, receiving or soliciting of hospitality and gifts that are customary by internationally accepted standards and could not be reasonably considered to be extravagant based on the person's respective role does not constitute a corrupt practice unless it violates an applicable law;
  - e) Payment of reasonable travel and entertainment of public foreign officials that are consistent with existing practice under relevant law and international conventions are not viewed as a corrupt practice;
  - f) The loan, reward, advantage or benefit is not considered a corrupt practice if it:
    - (a) Is permitted or required under the laws of the foreign state or public international organization for which the foreign public official performs duties or functions; or
    - (b) Was made to pay the reasonable expenses incurred in good faith by or on behalf of the foreign public official that are directly related to: (a) The promotion, demonstration, or explanation of the person's products and services, or (b) The execution or performance of a contract between the person and the foreign state for which the official performs duties or function.
2. Engage in fraudulent practices by withholding information, or making misrepresentations that recklessly mislead or attempt to mislead a party as a means to obtain a financial or other benefit or to avoid an obligation. In order for an omission or misrepresentation to be considered a fraudulent practice, it must be made with reckless indifference as to whether true or false. Mere inaccuracy committed through simple negligence is not enough to constitute a fraudulent practice.
3. Engage in coercive practice by impairing, harming or threatening to impair or harm any party or the property of the party to influence improperly the actions of a party. Interpretations include:
- a) Bid rigging in connection with public procurement or government contracting is an example of a coercive practice;
  - b) Threatening or engaging in illegal actions such as personal injury, abduction, damage to property or to legally recognized interest in order to attain undue advantage or to avoid an obligation are considered coercive practices;
  - c) Hard bargaining, the exercise of legal or contractual remedies or litigation are not considered coercive practices.

4. Engage in collusive practices by entering into an arrangement designed to achieve an improper purpose, including influencing improperly the actions of another party. For example, bid-rigging in connection with public procurement or government contracting.
5. Engage in obstructive practices by deliberately destroying, falsifying, altering or concealing of evidence material to an investigation or making false statements to investigators, in order to materially impede an investigation into allegations of a corrupt, fraudulent coercive or collusive practice.
6. Every person who commits an act or omission outside Canada that, if committed in Canada, would constitute an offence under section 1 or 3 – or a conspiracy to commit, an attempt to commit, being an accessory after the fact in relation to, or any counselling in relation to, an offence under that section – is deemed to have committed that act or omission in Canada if the person is:
  - a) A Canadian citizen;
  - b) A permanent resident as defined in subsection 2(1) of the Immigration and Refugee Protection Act who, after the commission of the act or omission, is present in Canada; or
  - c) A public body, corporation, society, company, firm, or partnership that is incorporated, formed or otherwise organized under the laws of Canada or a province.
7. Violating Sanctions Laws. The Company and Company Personnel are subject to and must adhere to various international sanctions laws and regulations. Of greatest relevance are the sanctions imposed by the U.S., U.K., Canada and the European Union against such countries as Russia, Ukraine and Iran (this is not an exhaustive list). Sanctions also apply to certain listed individuals. All Company Personnel, contractors, and consultants shall cooperate fully to support the Company's sanctions monitoring activities. This includes providing information about potential vendors to the Company and follow-up requests for additional information. Company Personnel, contractors, and consultants should also not engage in any transaction or event that may be deemed a sanctions violation. Generally, violations include:
  - a) Direct exports of goods or services by U.S. person to any embargoed country or Specially Designated Nationals (SDN).
  - b) Reexports to embargoed country or SDN with knowledge of final end-user location being an SDN or sanctioned nation. In essence, it is a crime to knowingly facilitate a transaction with a SDN or sanctioned nation through a third party to avoid a Sanctions violation.
  - c) Imports of goods or services from SDN or Sanctioned Nations.

- d) Dealings in goods or services designated as restricted. These include,
  - (1) Narcotics Trafficking,
  - (2) Weapons of Mass Destruction / Counter Proliferation,
  - (3) Terrorism,
  - (4) Cyber-related,
  - (5) Rough Diamond Trade,
  - (6) Transnational Criminal Organizations
- e) Evasion, avoidance, “facilitation” of barred transactions.
- f) Dealings in “blocked property” or with “blocked person”.

Knowledge of or concerns regarding dealings with possible sanctioned companies or individuals should be communicated immediately to the Compliance Officer or designee. The Compliance Officer shall consult with legal counsel as deemed appropriate, and all personnel shall cooperate to the fullest extent possible.

#### B. Due Care in Dealing with Business Partners

To ensure compliance with the applicable laws regarding Corrupt Practices, the Company must exercise due care in dealing with Business Partners. The Company may be liable for the actions of its Business Partners, and this risk can be substantial in countries where illicit payments are prevalent. The Company should apply a risk-based approach to its due diligence process, implementing a higher degree of due diligence on Business Partners that present higher risks.

Prior to entering into any contractual relationship with a Business Partner, the Company should conduct the appropriate level due diligence regarding the prospective Business Partner. Generally, the Company should obtain contractual representations and warranties from the Business Partner regarding compliance with this Policy. If a prospective Business Partner refuses to agree to such terms, the matter should be raised to the Compliance Officer. Exceptions are allowable in instances when a prospective Business Partner maintains an acceptable anti- corruption policy.

#### C. Books and Records

While the Company’s standard accounting rules and procedures must be followed in all circumstances, special care should be exercised when transactions involve payments to Foreign Officials. All payments to Foreign Officials should be reported on a timely periodic basis to the Compliance Officer. Employees must ensure that such payments are fully and accurately recorded. Misleading, incomplete or false entries in the Company’s books and records are prohibited.

Every person commits an offense who, for the purpose of bribing a foreign public official in order to obtain or retain an advantage in the course of business or for the purpose of hiding that bribery,

1. Establishes or maintains accounts which do not appear in any of the books and records that they are required to keep in accordance with applicable accounting and auditing standards;
2. Makes transactions that are not recorded in those books and records or that are inadequately identified in them;
3. Records non-existent expenditures in those books and records;
4. Enters liabilities with incorrect identification of their object in those books and records;
5. Knowingly uses false documents; or
6. Intentionally destroys accounting books and records earlier than permitted by law.

D. Corruption of Foreign Public Officials Act (CFPOA) Compliance

Recent amendments and increased enforcement actions have toughened Canada's CFPOA, intensifying the anti-corruption compliance demands for companies. While the Government of Canada does not provide any formal requirements for what a compliance program should include, similarities with the FCPA and the Bribery Act provide some guidance companies can consider for implementing procedures to prevent corrupt acts. Compliance program should focus on the following areas:

- Establish a corporate policy against violations of the CFPOA.
- Develop a strong tone at the top from senior management regarding the company policy.
- Develop compliance standards designed to reduce the risk of violations and anti-corruption laws or the company's own standards. This can take the form of a rigorous code of conduct.
- Compliance oversight should be assigned to one or more autonomous senior executives.
- Appropriate financial and accounting procedures, including internal control, should be in place.
- Communication, guidance, and training should be made available to all employees.
- Due diligence and compliance requirements for all third-parties, such as agents and business partners.
- Periodic review and testing of compliance procedures.

1. Bribery provision:

A person commits an offence if he/she - in order to obtain or retain an advantage - gives, offers or agrees to give or offer a benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official (a) as consideration for an act by the official in connection with the official's duties, or (b) to induce the official to use their position to influence any acts of the foreign state or public international organization.

The CFPOA applies to bribery of foreign public officials when the offence is committed in whole or in part within Canada. Its provisions also apply to offences committed outside Canada by a Canadian citizen, permanent resident, or an

entity organized under Canadian law. The term 'business' has been interpreted to apply to the conduct of all business – not just 'for profit' business. Canada has announced its intention to eliminate the facilitation payments exception, but no date for the implementation of this amendment has been announced.

2. Defenses:

- a) Payment is permissible where it is 'permitted or required under the laws of the foreign state or public international organization'.
- b) Payment is permissible where it is a reasonable expenditure to build a business relationship (demonstrating promoting, explaining products or performing contractual obligations with a foreign government – entertainment is not included).
- c) Payment is permissible for expediting the performance of routine government actions (obtaining permits, processing government documents, police protections, mail and utility services).

3. Impact on Canadian Mining business:

Canadian mining companies and Canadian nationals doing business abroad need to be alert to the fact that vigorous enforcement of anti-corruption legislation is the new reality. The eventual repeal of the facilitation payment exception stands to create significant risks and uncertainty for Canadian companies interacting with foreign public officials overseas. Implementing changes to internal company controls, and ensuring not only that compliance programs and policies reflect these changes, but also that active steps are taken to educate employees and third party agents and intermediaries acting on behalf of the Canadian company overseas about this new environment should be a business imperative. The hefty fines that have been obtained in recent Canadian settlements, the clear intention to prosecute individuals, as well as the fact that the RCMP has in the range of 60 ongoing investigations, are intended to send a strong message that these matters will be taken seriously by enforcement authorities. Those Canadian companies that fail to act in the face of these warnings do so at their peril.

E. Violations and Enforcement, including CFPOA

Clarifications on this Policy, should be raised to your manager and/or the Compliance Officer. Company Personnel and Business Partners shall report promptly any potential violations under the Policy. If you choose to remain anonymous, you may communicate confidentially with the Compliance Officer or, if appropriate, through the Company's Whistleblower Policy. The Company will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any party based upon any lawful action of such party with respect to good faith reporting of concerns regarding compliance with this Policy.

Company Personnel who violate this Policy may face disciplinary action by the Company up to and including termination of employment for cause and other ramifications under legal and regulatory standards which could result in civil and/or criminal charges under law. These charges could result in an indictable offense and liable to imprisonment for a term of not more than 14 years.

If a person is alleged to have committed an act or omission that is deemed to have been committed in Canada under subsection A(5), proceedings for an offence in respect of that act or omission may, whether or not that person is in Canada, be commenced in any territorial division in Canada. The person may be tried and punished for that offence as if the offence had been committed in that territorial division.

For greater certainty, the provisions of the Criminal Code relating to the requirements that an accused appear at and be present during proceedings and the exceptions to those requirements apply to proceedings commenced in any territorial division mentioned above.

If a person is alleged to have committed an act or omission that is deemed to have been committed in Canada under subsection A(5) and they have been tried and dealt with outside Canada for an offence in respect of the act or omission so that, if they had been tried and dealt with in Canada, they would be able to plead *autrefois acquit*, *autrefois convict* or pardon, they are deemed to have been so tried and dealt with in Canada.

Despite what is mentioned in the previous paragraph, a person may not plead *autrefois convict* to a count that changes an offence in respect of the act or omission if:

1. The person was not present and was not represented by counsel acting under the person's instructions at the trial outside Canada; and
2. The person was not punished in accordance with the sentence imposed on conviction in respect to the act or omission.

**This was approved by the Board of Directors on 14 August 2018.**