

## **INVESTMENT POLICY**

### **Investment Strategies and Criteria**

The Company is engaged in the business of debt and equity investment. The Company has historically invested in companies in a range of businesses, but more recently has focused on companies in the energy sector, primarily oil and gas. The Company prefers to invest in the early stages of a company's development. While this strategy increases the risk inherent in the investment, management believes the risk to be offset by the potential for significant gains. Risk is also managed by applying the considerable business expertise of its directors and officers to the investments undertaken.

The Company typically undertakes investments in the range of several million dollars. Smaller investments are avoided due to their limited upside in absolute terms. Equity investments often include share purchase warrants to enhance the upside of successful investments. Debt placements are often accompanied by bonus shares, and are typically secured by tangible assets of sufficient value to safeguard the investment.

### **Diversification**

The Company has no specific policy with respect to investment diversification. Rather, each investment is assessed on its own merits and its potential to generate gains for the Company. The Company may invest heavily in a particular sector, for example oil and gas, as long as that sector continues to perform. Management believes that the risk of limited diversification can be managed by closely monitoring its investments, and liquidating individual investments that show signs of weakness. In this regard, the Company's equity investments are typically subject to a hold period of four months from the date of closing. As stated, debt placements are typically well secured by the borrower's assets. The Company has no particular requirements with respect to the allocation of its investments between equity and debt, again relying on the perceived merits of individual investments.

### **Investment Selection**

To identify potential investments, the Company relies on the members of its management and Board of Directors. These individuals have a broad range of international business experience and their own networks of business partners, financiers and venture capitalists through whom potential investments may be identified. Once an investment has been pre-screened by the director or officer, it is presented to the individual members of the Board for review. At this stage, the individual Board members conduct their own research and review, and are free to ask questions of the individual who presented it. Once the individual Board members have concluded their assessment, the matter is referred to the full Board for review and potential approval. The Board is free to engage valuers or other professional advisors, or conduct such other due diligence as it considers appropriate, before a final decision is reached. In the event that a director has a personal interest in any proposed investment, that interest must be declared and the matter dealt with as set forth below under Conflict Provisions.

## **Conflict Provisions**

The Company believes that it has assembled a strong Board of Directors and management team, with diverse backgrounds and significant international business expertise and experience. The Company has Board members who reside and carry on business in London, Zurich, France, Bermuda and Vancouver. In assembling a Board with these characteristics, the Company has two primary goals:

1. to gain exposure to a wide variety of potential investments, including investments with which Board members may already be familiar or that come to their attention through other business dealings; and
2. where a Board member has a personal interest in a potential investment, to ensure that the Company has independent, qualified directors available to conduct an independent assessment.

The Company has no restrictions with respect to investing in companies in which a Board member may already have an interest. In fact, one of the goals of the Company in structuring its Board is to gain exposure to investment opportunities through the expertise and business connections of its directors. The fact that a director with significant international business experience has invested his own money in an enterprise may make that enterprise initially more interesting than others where such is not the case.

The Company is a Bermuda exempt company governed by the Bermuda *Companies Act (1981)*. That legislation requires any director interested in a proposed transaction to declare the nature and extent of his interest prior to the transaction being considered by the Board. The Company follows this procedure in all cases, and will not commit to an investment before it has been approved by a majority of the independent directors. The Company is also subject to the "related party" transaction policies of the TSX Venture Exchange, which mandates disinterested shareholder approval for certain transactions.

## **Contractual Rights of Access – Private Investments**

All of the Company's current investments comprise common shares of public companies. As such, the Company has no difficulty accessing financial information relevant to these investments. At such time as the Company contemplates investment in private enterprises, it expects in each case to obtain a contractual right providing for timely access to all books and records it considers necessary to monitor and protect its investment.