

**THE PHILODRILL CORPORATION**  
**Related Party Transaction Policy**

**Policy**

Related Party Transactions, which are limited to those described in this policy, shall be subject to the approval or ratification by the Audit Committee in accordance with this Policy.

**Background**

Philodrill's Conflict of Interest Policy, which applies to the Directors, Management and all employees, provides that conflicts of interest should be avoided. Certain transactions, however, may be undertaken subject to the approval by the Board of Directors (or a duly constituted committee thereof) and Philodrill's disclosure policy and procedure. Furthermore, SRC Rule 68.1 requires certain transactions between the issuer and certain related persons to be disclosed in the Corporation's filings with the SEC. This Policy is intended to provide guidance and direction on Related Party Transactions.

**Definition**

A "**Related Party Transaction**" is any transaction directly or indirectly involving:

- Individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company;
- associates; and
- Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

"**Close members of the family**" of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

1. that person's children and spouse or domestic partner;
2. children of that person's spouse or domestic partner; and
3. dependents of that person or that person's spouse or domestic partner.

"**Fair and at arm's length**" term refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

**Review and Approval of Related Party Transactions**

In accordance with Securities Regulation Code (SRC) Rule 68, details of the Company's Related Party Transactions shall be disclosed in the Company's Annual Financial Statements.

All proposed Related Party Transactions will be disclosed to the Audit Committee of the Board and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist or that an improper assessment of such transaction is not made and that all information necessary is properly documented.

The Audit Committee will be provided with the details of each new, existing or proposed Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In determining whether to approve a Related Party Transaction, the Audit Committee will consider, the following factors to the extent relevant to the Related Party Transaction:

- whether the terms of the Related Party Transaction are fair, on “arm’s length” terms, and in the best interest of the Corporation and its shareholders, as a whole;
- whether there are business reasons for the Company to enter into the Related Party Transaction;
- whether the Related Party Transaction would impair the independence of an outside director; and
- whether the Related Party Transaction would present an improper conflict of interests for any director or executive officer of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction. Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the Related Party Transaction.

A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.