

BY-LAW NO. 1

**A BY-LAW RELATING GENERALLY TO THE TRANSACTION
OF THE BUSINESS AND AFFAIRS OF ERDENE GOLD INC.**

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BY-LAW NO. 1

A BY-LAW RELATING GENERALLY TO THE TRANSACTION OF THE BUSINESS AND AFFAIRS OF ERDENE GOLD INC.

BE IT ENACTED and it is hereby enacted as a by-law of Erdene Gold Inc.

(hereinafter called the "Corporation") as follows:

REGISTERED OFFICE

1. The directors may from time to time by resolution fix the location of the registered office of the Corporation within the place in Canada designated as such by the Articles of the Corporation.

SEAL

2. The Corporation may have a seal which shall be adopted and may be changed by resolution of the directors.

FINANCIAL YEAR

3. The first financial year of the Corporation shall terminate on a date to be determined by the directors of the Corporation and thereafter on the anniversary date thereof in each year, until changed by resolution of the directors of the Corporation.

BANKING ARRANGEMENTS

4. The banking business of the Corporation, or any part thereof, shall be transacted with such bank, trust company or other firm or corporation carrying on business as the directors may designate, appoint or authorize from time to time by resolution and all such banking business or any part thereof shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided, including, without restricting the generality of the foregoing;
 - (a) the operation of the Corporation's accounts;
 - (b) the making, signing, drawing, accepting, endorsing, negotiating, allotting, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money;

- (c) the giving of receipts for and orders relating to any property of the Corporation;
- (d) the execution of any agreement relating to any banking business and defining the rights and powers of the parties thereto; and
- (e) the authorizing of any officer of such banker to do any act or thing on the Corporation's behalf to facilitate such banking business.

EXECUTION OF INSTRUMENTS

- 5. Deeds, transfers, assignments, contracts, obligations and other instruments in writing requiring the signature of the Corporation may be signed on behalf of the Corporation by and the corporate seal shall be fixed to such instruments as may be required by any person so authorized to sign on behalf of the Corporation. Notwithstanding any provisions to the contrary contained in the by-laws of the Corporation, the directors may at any time and from time to time by resolution direct the manner in which, and the person or persons by whom any particular deed, transfer, contract, obligation or other instrument in writing or any class of deeds, transfers, contracts, obligations or other instruments in writing requiring signature by the Corporation may or shall be signed.

DIRECTORS - GENERAL

- 6. The directors shall manage the business and affairs of the Corporation.

DIRECTORS - NUMBER AND QUORUM

- 7. Subject to the Articles of the Corporation, the number of directors of the Corporation shall be that number of directors as may be determined by the directors from time to time within the minimum and maximum as permitted by the Articles of the Corporation. Subject to clause 9, a quorum for the transaction of business at any meeting of the directors shall consist of a majority of the directors holding office or such greater number as the Board may, from time to time, determine. Notwithstanding vacancies, the remaining directors may exercise all the powers of the board of directors so long as the quorum of the board of directors remains in office.

QUALIFICATIONS

8. Each director shall be eighteen (18) or more years of age and no person who is not an individual, who has the status of a bankrupt or who is of unsound mind and has been so found by a court in Canada or elsewhere shall be a director. If a director acquires the status of a bankrupt or becomes of unsound mind and is so found, he shall thereupon cease to be a director.

RESIDENT CANADIANS

9. At least fifty percent (50%) of the directors shall be resident Canadians (unless the Corporation has fewer than four (4) directors, in which case at least two (2) directors must be resident Canadians) and no business shall be transacted by the board of directors unless one-half (1/2) of the directors present are resident Canadians. Notwithstanding the foregoing, directors may transact business at a meeting of directors when less than one-half (1/2) the directors present are resident Canadians if:
 - (a) a resident Canadian director who is unable to be present, approves in writing or by telephone or other communications facilities, the business transacted at the meeting; and
 - (b) the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least one-half (1/2) of the directors present at the meeting.

ELECTION AND TERM

10. The directors shall be elected yearly to hold office until the next annual meeting of the shareholders of the Corporation or until their successors shall have been duly elected. The whole board shall be elected at each annual meeting and all the directors then in office shall retire, but, if qualified, are eligible for re-election. The election may be by a show of hands or by a resolution of the shareholders unless a ballot be demanded by any shareholder.

REMOVAL OF DIRECTORS

11. The shareholders may by resolution passed by a majority of votes cast at a special meeting, of which notice specializing the intention to pass such resolution has been given, remove any director or directors from office before the expiration of his term of office, and may by a majority of votes cast at that meeting elect any person in his stead for the remainder of his term, failing which such vacancy may be filled by the Board.

VACANCIES

12. Vacancies on the board of directors, except a vacancy resulting from an increase in the minimum number of directors or from a failure to elect the minimum number of directors required by the Articles, may be filled for the remainder of its term of office by qualified persons by the remaining directors if they constitute a quorum. If there is not a quorum of directors, or if a vacancy results from an increase in the minimum number of directors or if there has been a failure to elect the minimum number of directors required by the Articles of the Corporation, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

CALLING OF MEETINGS

13. Meetings of the board of directors shall be held from time to time at such place, at such time and on such day as the President or a Vice-President who is a director or any two (2) directors may determine, and the Secretary shall call meetings when directed or authorized by the President or by a Vice-President who is a director or by any two (2) directors. Notice of every meeting so called shall be given to each director not less than forty-eight (48) hours (excluding any part of a Sunday or Holiday as defined by the *Interpretation Act* of Canada for the time being in force) for the time when the meeting is to be held except that no notice of a meeting shall be necessary if all the directors are present and do not object to the holding of the meeting, or if those absent have waived notice of or have otherwise signified their consent to the holding of such meeting. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting. A notice of meeting need not specify the purpose of or the business to be transacted at the meeting (except where governing legislation requires that such purpose or business be specified).

REGULAR MEETINGS

14. The board of directors may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the board of directors fixing the place and time of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meetings except where the Act or this by-law requires the purpose thereof or the business to be transacted thereat to be specified.

FIRST MEETING OF NEW BOARD

15. Each newly elected board may, without notice, hold its first meeting for the purpose of organization and the election and appointment of officers immediately following the meeting of the shareholders which such board was elected, provided a quorum of directors be present.

PLACE OF MEETING

16. Meetings of the board may be held at the registered office of the corporation or at any other place within or outside of Canada.

PARTICIPATION BY TELEPHONE

17. A director may participate in any meeting of directors by means of such telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means is deemed to be present at that meeting.

VOTES TO GOVERN

18. At all meetings of the board of directors every question shall be decided by a majority of the votes cast on the question and in case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.

REMUNERATION OF DIRECTORS

19. The directors of the Corporation shall be paid such remuneration as may be determined by the board of directors. Any remuneration so payable to a director who is also an officer or an employee of the Corporation or who is counsel or solicitor to the Corporation or otherwise serves it in a professional capacity shall be in addition to his salary as such officer, or his professional fees, as the case may be. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders meetings or otherwise in respect of the performance by them of their duties as the board of directors may from time to time determine. For clarification, nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefore.

TRANSACTION OF BUSINESS BY SIGNATURE

20. A resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of directors is as valid as if it had been passed at a meeting of directors duly called, constituted and held for that purpose. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors. Any such resolution in writing is effective for all purposes at such time as the resolution states, regardless of when the resolution is signed, and may be signed in counterpart.

ONE DIRECTOR

21. Where the Corporation has only one director, the business and affairs of the Corporation shall be managed by such director and all business which may be transacted at a meeting of the board of directors shall be transacted by such director in the manner provided for in paragraph 20 hereof.

DECLARATION OF INTEREST

22. Every director or officer of the Corporation who is a party to a material contract or a proposed material contract for the Corporation or who is the director or an officer of or has a material interest in any person who is a party to a material contract, or a proposed material contract with the Corporation shall disclose in writing to the Corporation or request to have entered in the minutes of meetings of directors, the nature and extent of his interest. All such disclosures shall be made at the time required by the applicable provisions of the *Canada Business Corporations Act* and directors shall refrain from voting in respect of the material contract or proposed material contract if and when prohibited by the *Canada Business Corporations Act*.

AVOIDANCE STANDARDS

23. A material contract between the Corporation and one or more of its directors or officers or between the Corporation and another person of which a director or officer of the Corporation is a director or officer or in which he has a material interest is neither void nor voidable by reason only of that relationship or by reason only that a director with an interest in the contract is present at or is counted to determine the presence of a quorum at a meeting of directors that authorized the contract, if the director disclosed his interest in accordance with paragraph 22 and the contract was approved by the directors or the shareholders and it was reasonable and fair to the Corporation at the time it was approved.

PROTECTION OF DIRECTORS AND OFFICERS

24. No director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any receipts or other acts for conformity or for any loss or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the order of the board of directors for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the monies of the Corporation shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or for any loss occasioned by the error of judgment or oversight on his part or for any loss, damage or misfortune, whatever which shall happen in the execution of the duties of his office or in relation thereto unless in or as a result of any action, suit or proceeding is adjudged to be in breach of any duty or responsibility imposed on him under the *Canada Business Corporations Act* or under any other statute.

INDEMNITY OF DIRECTORS AND OFFICERS

25. The Corporation shall indemnify the directors or officers of the Corporation, former directors or officers of the Corporation or any person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he has been made a party by reason of being or having been a director or officer of such Corporation or body corporate if:
- (a) he acted honestly and in good faith with a view to the best interest of the Corporation; and
 - (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

INDEMNIFICATION IN DERIVATIVE ACTIONS

26. The Corporation may, with the approval of a court (as defined in the *Canada Business Corporations Act*), indemnify a person referred to in clause 25 in respect of an action by or on behalf of the Corporation or other entity to procure a judgment in its favour, to which he is made a party by reason of being or having been a director or an officer of the Corporation or entity, against all costs, charges and expenses reasonably incurred by him in connection with such action if he fulfills the conditions set forth in paragraphs (a) and (b) of clause 25.

INDEMNIFICATION AS OF RIGHT

27. Notwithstanding anything in clauses 25 or 26, the Corporation shall indemnify a person described in clause 25 who has been substantially successful in the defense of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or body corporate referred to in clause 25 against all costs, charges and expenses reasonably incurred by him in respect of such action or proceeding.

INSURANCE FOR DIRECTORS AND OFFICERS

28. The Corporation may purchase and maintain insurance for the benefit of any person referred to in clause 25 against any liability, cost, charge and expense sustained or incurred by such person for failure to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

INSIDER REPORTS

29. The Chairman of the Board, the President, the Secretary or the Assistant-Secretary of the Corporation is each authorized to sign on behalf of the Corporation, any insider report required to be filed by the Corporation under the *Canada Business Corporations Act* or under any applicable laws.

MANAGEMENT PROXY CIRCULAR

30. The Chairman of the Board, the President, the Secretary, the Assistant-Secretary or the Treasurer of the Corporation is each authorized to sign:
- (a) the statement in a Management Proxy Circular or Management Information Circular that the contents and the sending of the circular have been approved by Management and the Board; and
 - (b) the statement accompanying a Management Proxy Circular or Management Information Circular stating that the circular complies with the applicable regulations and that a copy of the circular has been sent by pre-paid mail to each director, the auditor and each shareholder of the Corporation.

AUDIT COMMITTEE OF DIRECTORS

31. At all times when the Corporation has issued securities that are or were part of a distribution to the public, the director shall appoint from among their number an Audit Committee of not less than three (3) directors, the majority of whom shall not be officers or employees of the Corporation or its affiliates. The Audit Committee shall carry out such duties as are prescribed by the *Canada Business Corporations Act* or the regulations thereto or such additional duties as may be prescribed by the directors.

REPRESENTATION AT OTHER MEETINGS

32. The Chairman of the Board or any person designated by him in writing, or in his absence and failing such designation, any person authorized in writing under the corporate seal of the Corporation, shall be the representative of the Corporation at meetings of shareholders of any corporation in which the Corporation is a shareholder.

LOANS TO SHAREHOLDERS AND OTHERS

33. The directors of the Corporation may from time to time give financial assistance by means of a loan, guarantee or otherwise:
- (a) on account of expenditures incurred or to be incurred on behalf of the Corporation;
 - (b) to a holding body corporate if the Corporation is a wholly owned subsidiary of the holding body corporate;
 - (c) to a subsidiary body corporate of the Corporation;
 - (d) to employees of the Corporation or any of its affiliates whether or not they are shareholders or directors:
 - (i) to enable or assist them to purchase or erect a living accommodation for their own occupation; or
 - (ii) in accordance with a plan for the purchase of shares of the Corporation or any of its affiliates to be held by a trustee; and
 - (e) in any other case, unless there are reasonable grounds for believing that the Corporation is or would after giving the financial assistance to be unable to pay its liabilities as they become due.

OFFICERS

34. At the first meeting of the board of directors after the election of directors, the directors shall appoint from among its members, the President. The prior incumbent, if a member of the board of directors, shall continue to hold office until after the election at such meeting and, in default of such election, shall continue to hold office after such meeting. In case the office of the President becomes vacant at any time, such vacancy may be filled by the board from among its members. The board of directors shall also appoint a Secretary and may appoint one or more Vice-Presidents, a General Manager, a Treasurer and such other officers as the board of directors may determine including one or more assistants to any of the officers so appointed. The officers so appointed, other than the President, may but need not be members of the board of directors. One person may hold more than one office and if the same person holds both the office of Secretary and the office of Treasurer, he may be known as the Secretary-Treasurer.

TERM OF OFFICE AND REMUNERATION

35. In absence of a written agreement to the contrary, the board of directors may remove at its pleasure any officer of the Corporation. The terms of employment and remuneration of the President and other officers appointed by it shall be settled from time to time by the board of directors.

CHAIRMAN OF THE BOARD

36. The Chairman of the Board shall, when present, preside at all meeting of the Board and committees of directors and, in the absence of the President, at meetings of shareholders. If no managing director is appointed, the Board may assign to the Chairman of the Board any of the powers and duties that, by any provision of this by-law, are assigned to the managing director; and he shall, subject to the provisions of the *Canada Business Corporations Act*, have such other powers and duties as the Board may specify. During the absence or disability of the Chairman of the Board, his duties shall be performed and his powers exercised by the managing director, if any, or by the President.

MANAGING DIRECTOR

37. The managing director, if any, shall have, subject to the authority of the Board, general supervision of the business and affairs of the Corporation and he shall, subject to the provisions of the *Canada Business Corporations Act*, have such other duties and powers as the Board may specify.

PRESIDENT

38. The President shall, when present, preside at all meetings of the shareholders and shall be charged with the general supervision of the business and affairs of the Corporation. Except when the board of directors has appointed a general manager or managing director, the President shall also have the powers and be charged with the duties of that office.

VICE-PRESIDENT

39. During the absence or inability of the President his duties may be performed and his powers may be exercised by the Vice-President or, if there are more than one, by the Vice-President in order of seniority (as determined by the board of directors) save that no Vice-President shall preside at a meeting of the board of directors who is not qualified to attend the meeting as a director. If a Vice-President exercises any such duty or power, the absence or inability of the President shall be presumed with reference thereto. A Vice-President shall also perform such duties and exercise such powers as the President may from time to time delegate to him or the board may prescribe.

GENERAL MANAGER

40. The General Manager, if one be appointed, shall have the general management and direction (subject to the authority of the board of directors and the supervision of the President), of the Corporation's business and affairs (except such matters and duties as by law must be transacted or performed by the board and/or the shareholders) and the power to appoint and remove any and all officers, employees and agents of the Corporation not elected or appointed directly by the board of directors and to settle the terms of their employment and remuneration. The General Manager shall report to the board of directors and shall at all reasonable times give to the directors or to any of them all information they may require regarding the affairs of the Corporation. Any agent or employee appointed by agent or manager shall be subject to discharge by the board. If and so long as the general manager is a director he may but need not be known as the managing director.

SECRETARY

41. The Secretary shall:
- (a) give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees;
 - (b) attend all meetings of the directors and of the shareholders and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings;

- (c) be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and other instruments belonging to the Corporation; and
- (d) perform such other duties as may from time to time be prescribed by the board of directors.

TREASURER

42. The Treasurer shall:

- (a) keep full and accurate books of account in which shall be recorded all receipts and disbursements of the Corporation and, under the direction of the board of directors, shall control the deposit of money, the safekeeping of securities and the disbursements of the funds of the Corporation;
- (b) render to the board of directors at the meetings thereof, or whenever required of him an account of all his transactions as Treasurer and of the financial position of the Corporation; and
- (c) perform such other duties as may from time to time be prescribed by the board of directors.

OTHER OFFICERS

43. The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the board of directors requires of them. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board of directors otherwise directs.

VARIATION OF DUTIES

44. From time to time the board may vary, add to or limit the powers and duties of any officer or officers.

AGENTS AND ATTORNEYS

45. The board of directors shall have power from time to time to appoint agents or attorneys for the Corporation in or out of Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

FIDELITY BONDS

46. The board of directors may require such officers, employees and agents of the Corporation as the board of directors deems advisable to furnish bonds for the faithful discharge of their duties, in such form and with such surety as the board of directors may from time to time prescribe.

SHARES ALLOTMENT

47. The board of directors may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares in the Corporation including any shares created by an amendment to the Articles of the Corporation to such person or persons or class of persons as the board of directors shall by resolution determine.

PAYMENT OF COMMISSION

48. The directors acting in good faith and with a view to the best interest of the Corporation may authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person for procuring or agreeing to procure purchasers for any such shares.

SHARE CERTIFICATES

49. Every shareholder shall be entitled, in the case of initial issuance without payment, and in the case of any subsequent transfer upon payment of a fee of not more than three dollars (\$3.00) to a share certificate stating the number and class of shares held by him as shown by the books of the Corporation. Share certificates shall be in such form or forms as the board of directors shall from time to time approve. Unless otherwise ordered by the board of directors, they shall be signed by the President or a Vice-President and by the Secretary or an assistant Secretary and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent and registrar (which term shall include a branch transfer agent and registrar) have been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and registrar. If authorized by resolution of the board of directors, the corporate seal of the Corporation and the signature of one of the signing officers, or in the case of share certificates representing shares in respect of which a transfer agent and registrar have been appointed, the signatures of both signing officers, may be printed, engraved, lithographed, or otherwise mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be valid notwithstanding that one or both of the officers whose signature (whether manual or facsimile) appears thereon no longer holds office at the date of issue or delivery of the certificate.

REPLACEMENT OF SHARE CERTIFICATES

50. The board of directors may by resolution prescribe, either generally or in a particular case, reasonable conditions upon which a new share certificate may be issued in lieu of and upon cancellation of the share certificate which has become mutilated or in substitution for a certificate which has been lost, stolen or destroyed.

CENTRAL AND BRANCH REGISTERS

51. The Corporation shall maintain a central securities register and may from time to time maintain one or more branch securities registers. The board of directors may from time to time by resolution appoint a registrar to keep the register of securityholders and a transfer agent to keep the register of transfers and may also appoint one or more branch registrars to keep branch registers of securityholders and one or more branch transfer agents to keep branch registers of transfers. A registrar and transfer agent may but need not be the same individual or corporation.

TRANSFER OF SECURITIES

52. Transfers of securities of the Corporation shall be registerable on the register of transfers or on one of the branch registers of transfers (if any) kept by or for the Corporation in respect thereof upon surrender of the security properly endorsed together with such additional assurance as the Corporation shall require and subject to the provisions of the *Canada Business Corporations Act* and the restrictions on transfer set forth in the articles of the Corporation.

DEALINGS WITH REGISTERED HOLDER

53. The Corporation may, subject to the *Canada Business Corporations Act*, treat as absolute owner of the security the person in whose name the security is registered in a securities register as if that person had full legal capacity and authority to exercise all rights of ownership irrespective of any knowledge or notice to the contrary or any description in its records or on the security certificate indicating a pledge, a representative or fiduciary relationship, a reference to any other instrument or the rights of any other person.

JOINT HOLDERS

54. The Corporation is not required to issue more than one (1) certificate in respect of securities held jointly by several persons and delivery of a certificate to one (1) of several joint holders is sufficient delivery to all. If two (2) or more persons are registered as joint holders of any security, any one of such persons may give effectual receipts for the certificate in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such security.

RECORD DATE

55. The directors may fix in advance a date preceding by not more than sixty (60) days or by less than twenty-one (21) days a record date for the determination of persons entitled to receive notice of a meeting of shareholders and notice thereof shall be given in accordance with the provisions of the *Canada Business Corporations Act*. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be the close of business on the day immediately preceding the day on which notice is given or, if no notice is given, the day on which the meeting is held. The directors may also fix in advance a date as the record date for determination of shareholder entitled to receive payment of a dividend, entitled to participate in a liquidation distribution, or for any other purpose except the right to receive notice of to vote at a meeting which such record date shall not precede by more than sixty (60) days, the date on which such particular action is to be taken.

SHAREHOLDERS ANNUAL MEETINGS

56. The annual meeting of shareholders shall be held at such place within Canada as the directors may determine or at such place outside of Canada as the directors may determine and all the shareholders entitled to vote at that meeting so agree, at such time and on such day in each year as the directors may from time to time by resolution determine for the purpose of:
- (a) hearing and receiving the reports and statements required by the *Canada Business Corporations Act* to be read and laid before the shareholders at any annual meeting;
 - (b) electing directors;
 - (c) appointing, if necessary, the auditor and fixing or authorizing the board of directors to fix his remuneration; and
 - (d) for the transaction of such other business as may properly be brought before the meeting.

SPECIAL MEETING

57. The board of directors or the President or a Vice-President who is a director shall have the power at any time to call a special meeting of the shareholders of the Corporation to be held at such time and at such place within Canada as the directors may determine or at such place outside of Canada as the directors may determine and all the shareholders entitled to vote at that meeting so agree. The phrase "meeting of shareholders" wherever it occurs in this by-law shall mean and include the annual meeting of shareholders and a special meeting of shareholders and shall also include a meeting of any class or classes of shareholders.

NOTICES

58. No public notice or advertisement of any meeting of shareholders shall be required, but notice of the time and place of each such meeting shall be given not less than twenty-one (21) days nor more than sixty (60) days before the day on which the meeting is to be held, to the auditor, if any, the directors and to each shareholder of record entitled to vote at the meeting in the manner set forth in clause 77. Notice of a special meeting of shareholders shall state the nature of the business to be transacted in sufficient detail to permit the shareholder to form a reasoned judgment thereon together with the text of any special resolution to be submitted to the meeting. A meeting of shareholders may be held at any time without notice if all the shareholders entitled to vote thereat are present or represented by proxy and do not object to the holding of the meeting or those not so present or represented by a proxy have waived notice, if all the directors are present or have waived notice and if the auditor, if any, is present or has waived such notice. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be objectionable that the notice only convenes the second meeting contingent on any special resolution being passed by the requisite majority at the first meeting.

REPORTS TO SHAREHOLDERS

59. Subject to the provisions of the *Canada Business Corporations Act*, a copy of the financial statements and a copy of the auditor's report, if any, shall be sent to each shareholder not less than twenty-one (21) days before each annual meeting of shareholders or before the transaction of the annual business of the Corporation pursuant to clause 73.

PERSONS ENTITLED TO BE PRESENT

60. Persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the auditor, if any, of the Corporation and others who although not entitled to vote are entitled or required under the provisions of the *Canada Business Corporations Act* or by-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the Chairman of the meeting or with the consent of the meeting.

QUORUM

61. Two (2) persons present in person and each entitled to vote thereat and holding or representing not less than five percent (5%) of the shares entitled to be voted at the meeting shall constitute a quorum for the transaction of business at any meeting of shareholders. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

RIGHT TO VOTE

62. At each meeting of shareholders every shareholder shall be entitled to vote who is, subject to paragraph 53, entered on the books of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or where a record date has been fixed, satisfactory evidence is produced not later than ten (10) days before the meeting that such person owns shares in the Corporation and demands that his name be included on the list of shareholders entitled to vote at the meeting; save that, if the share or shares in question have been mortgaged or hypothecated, the person who mortgaged or hypothecated such share or shares (or is proxy) may nevertheless represent the shares at meetings and vote in respect thereof unless in the instrument creating the mortgage or hypothec he has expressly empowered the holder of such mortgage or hypothec to vote thereon, in which case such holder (or his proxy) may attend meetings to vote in respect of such shares upon filing with the Secretary of the meeting sufficient proof of the terms of such instrument.

REPRESENTATIVES

63. An executor, administrator, committee of a mentally incompetent person, guardian or trustee and where a corporation is such executor, administrator, committee, guardian or trustee of a testator, intestate, mentally incompetent person, ward or cestui que trust, any person duly appointed a proxy for such corporation, upon filing with the Secretary of the meeting sufficient proof of his appointment, shall represent the shares in his or its hands at all meetings of the shareholders of the Corporation and may vote accordingly as a shareholder in the same manner and to the same extent as the shareholder of record. If there be more than one executor, administrator, committee, guardian or trustee, the provisions of clause 65 shall apply.

PROXIES

64. Every shareholder, including a corporate shareholder, entitled to vote at meetings of shareholders may by instrument in writing appoint a proxy, who need not be a shareholder, to attend and act at the meeting in the same manner, to the same extent and with the same power as if the shareholder were present at the meeting in the manner, to the extent and with the power conferred by proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney, authorized in writing, or if the appointer is a corporation, under the corporate seal or under the hand of an officer or attorney, authorized in writing, and shall cease to be valid after the expiration of one year from the date thereof. The instrument appointing a proxy may be in such form as the directors may from time to time prescribe or in such other form as the chairman of the meeting may accept as sufficient, and shall be deposited with the Secretary of the meeting before any vote is cast under its authority, or at such earlier time and in such manner as the board of directors may prescribe in accordance with the *Canada Business Corporations Act*.

JOINT SHAREHOLDERS

65. If shares are held jointly by two (2) or more persons, any one (1) of them present or represented by proxy at a meeting of the shareholders of the Corporation, may, in the absence of the other or others vote thereon, but if more than one of them are present or represented by proxy they shall vote together as one (1) on the shares jointly held by them.

CHAIR OF SHAREHOLDERS MEETINGS

66. The President of the Corporation or, in his absence, the Chairman of the board, if such an officer has been elected or appointed and is present, or otherwise a vice-president who is a shareholder of the Corporation, shall be the chairman of any meeting of shareholders. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, or declines to be chairman of the meeting, the persons present and entitled to vote shall choose one of their number to be present. If the Secretary of the Corporation is absent, the Chairman of the meeting shall appoint some person, who need not be a shareholder, to act as Secretary of the meeting.

SCRUTINEERS

67. At each meeting of shareholders, one (1) or more scrutineers may be appointed by a resolution of the meeting or by the Chairman with the consent of the meeting to serve at the meeting. Such scrutineers need not be shareholders of the Corporation.

VOTES TO GOVERN

68. At all meetings of shareholders every question shall, unless otherwise required by articles or by-laws of the Corporation or by law, be decided by the majority of the votes duly cast on the question.

SHOW OF HANDS

69. At all meetings of shareholders every question shall be decided by a show of hands unless a poll thereon be required by the Chairman or be demanded by any shareholder present in person or represented by proxy and entitled to vote. Upon a show of hands every shareholder present in person and entitled to vote shall have one vote, but the shareholder represented by proxy shall have no vote. After a show of hands has been taken upon any question the Chairman may require or any shareholder present in person or represented by proxy and entitled to vote may demand a ballot thereon. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon be so required or demanded, a declaration by the Chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the proceedings at the meeting shall be prima facie evidence of the fact without proof of the number of proportions of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the Corporation in annual or special meeting, as the case may be, upon the question. A demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

BALLOTS

70. If a ballot be required by the Chairman of the meeting or be duly demanded by any shareholder and the demand be not withdrawn, a ballot upon the question shall be taken in such manner as the Chairman of the meeting shall direct. Upon a ballot, each shareholder who is present in person or represented by proxy shall be entitled to one vote for each share in respect of which he is entitled to vote at the meeting and the result of the ballot shall be the decision of the shareholders upon that question. The demand or requirement for a ballot shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the ballot has been demanded or required.

CASTING VOTE

71. In case of an equality of votes at any meeting of shareholders, either upon a show of hands or upon a ballot, the Chairman of the meeting shall be entitled to a second or casting vote.

ADJOURNMENT

72. The Chairman of a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcing it at the time of the adjournment. Subject to the *Canada Business Corporations Act*, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as notice for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of ninety (90) days, subsection 149(1) of the *Canada Business Corporations Act* shall not apply.

TRANSACTION OF BUSINESS BY SIGNATURE

73. Subject to the provisions of the *Canada Business Corporations Act* a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders and a resolution in writing dealing with all matters required by the *Canada Business Corporations Act* to be dealt with at a meeting of shareholders and signed by all the shareholders entitled to vote at that meeting are as valid and effective as if passed at a meeting of the shareholders duly called, constituted and held for that purpose. A copy of such resolution in writing shall be kept with the minutes of the meetings of shareholders. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

ONE SHAREHOLDER

74. Where the Corporation has only one (1) shareholder, all business which the Corporation may transact at an annual or special meeting of shareholders shall be transacted in the manner provided for in paragraph 73 hereof.

RECORD DATE FOR DIVIDENDS AND RIGHTS

75. The Board may fix, in advance, a date, preceding by not more than sixty (60) days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend; provided that, unless waived as provided for in the *Canada Business Corporations Act*, notice of any such record date shall be given, not less than seven (7) days before such record date, by newspaper advertisement and in a manner provided for in the *Canada Business Corporations Act* and by written notice to each stock exchange in Canada, if any, on which the Corporation shares are listed for trading. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the Board.

DIVIDENDS

76. The board of directors may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class in respect of which it has been declared and mailed by ordinary mail, postage prepaid, to such registered holder at his last address appearing on the books of the Corporation. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and if more than one address appears on the books of the Corporation in respect of such joint holding the cheque shall be mailed to the first address so appearing. The mailing of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby, unless such cheque be not paid at par on due presentation. In the event of non-receipt of any cheques for dividends by the person to whom it is so sent as aforesaid, the Corporation on proof of such non-receipt and upon satisfactory indemnity being given to it, shall issue to such person a replacement cheque for a like amount. Subject to applicable laws, any dividend which remains unclaimed after a period of six (6) years after the date on which it has been declared payable shall be forfeited and revert to the Corporation.

NOTICES – METHOD OF GIVING

77. Any notice, communication or other document to be given by the Corporation to a shareholder, director, officer, or auditor of the Corporation under any provision of the Articles or by-laws shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his last address as recorded in the books of the Corporation or if mailed by prepaid ordinary mail in a sealed envelope addressed to him at his last address as recorded in the books of the Corporation or if sent by means of wire or wireless or any other form of transmitted or recorded communication. The Secretary may change the address on the books of the Corporation of any shareholder in accordance with any information believed by him to be reliable. A notice, communication or document so delivered shall be deemed to have been given when it is delivered personally or at the address aforesaid. A notice, communication or document so mailed shall be deemed to have been given when deposited in a post office or public letter box. A notice sent by any means of wire or wireless or any other form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representative for dispatch.

COMPUTATION OF TIME

78. In computing the date when notice must be given under any provision of the Articles or by-laws requiring a specified number of days' notice of any meeting or other event, the date of giving the notice and the date of the meeting or other event shall be excluded.

OMISSIONS AND ERRORS

79. The accidental omission to give any notice to any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

NOTICE TO JOINT SHAREHOLDERS

80. All notices with respect to any shares registered in more than one name may if more than one address appears on the books of the Corporation in respect of such joint holding, be given to such joint shareholders at the first address so appearing, and notice so given shall be sufficient notice to all the holders of such shares.

PERSONS ENTITLED BY DEATH OR OPERATION OF LAW

81. Every person who by operation of law, transfer, death of a shareholder or by any means whatsoever, shall become entitled to any share or shares, shall be bound by every notice in respect of such share or shares which shall have been duly given to the person from whom he derives his title to such share or shares, previously to his name and address being entered on the books of the Corporation (whether it be before or after the happening of the event upon which he became entitled).

NON-RECEIPT OF NOTICES

82. If a notice or document is sent to a shareholder in accordance with these by-laws and the notice or document is returned on three (3) consecutive occasions because the shareholder can not be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of his new address, provided always that in the event of the return of a notice of a shareholders meeting mailed to a shareholder, the notice shall be deemed to have been received by the shareholder when it was deposited in the mail notwithstanding its return.

SIGNATURES ON NOTICES

83. Unless otherwise specifically provided, the signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

WAIVER OF NOTICE

84. Any shareholder (or his duly appointed proxy), director, officer or auditor may waive any notice required to be given under any provision of the Articles or by-laws of the Corporation or of the *Canada Business Corporations Act*, and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in giving such notice.

SEVERABILITY

85. The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

INTERPRETATION

86. In this by-law and all other by-laws of the Corporation:

- (a) words importing the singular number only shall include the plural and vice-versa;
- (b) words importing the masculine gender shall include the feminine and neuter genders;
- (c) words importing persons shall include companies, corporations, partnerships and any number or aggregate of persons;
- (d) "resident Canadian" means an individual who is determined to be a resident Canadian as defined by the *Canada Business Corporations Act*;
- (e) "Articles" or "articles" shall include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles or reorganization, articles of dissolution, articles of revival and any amendments thereto; and
- (f) "the Act" or "*Canada Business Corporations Act*" shall mean the *Canada Business Corporations Act* as amended from time to time or any act that may hereafter be substituted therefore.

PASSED the 22nd day of October, 2003.

WITNESS the corporate seal of the Corporation.

"signed"
Peter C. Akerley, President

c.s. _____
"signed"
D. Suzan Frazer, Secretary

BE IT RESOLVED THAT:

By-Law No. 1, being a by-law relating generally to the transaction of the business and affairs of the Corporation be and the same is hereby passed as a by-law of the Corporation repealing By-Law No. 1 enacted upon incorporation of the Corporation and the President and the Secretary be and they are hereby authorized to sign the by-law and apply the corporate seal thereto.

BE IT RESOLVED THAT:

By-Law No. 1, being a by-law relating generally to the transaction of the business and affairs of the Corporation be and the same was confirmed without amendment as a by-law of the Corporation at an Annual and Special Meeting of the shareholders of the Corporation held on November 18, 2003.

DATED the 19th day of November, 2003.

"signed"
D. SUZAN FRAZER, Secretary

ERDENE RESOURCE DEVELOPMENT CORP. ("Corporation")

AMENDMENT TO BY-LAW NO. 1

By-law No. 1 of the Corporation is hereby amended effective April 18, 2013 by adding the following Section 10A, subject to confirmation by the shareholders of the Corporation at the next meeting of shareholders:

NOMINATIONS OF DIRECTORS

10A.

- (a) **Nomination Procedures.** Subject to the Act and the Articles of the Corporation, nominee will not be eligible for election as director of the Corporation unless such nomination is made in accordance with the following procedures. Nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:
- (i) by or at the direction of the Board, including pursuant to a notice of meeting;
 - (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
 - (iii) by any person (a "**Nominating Shareholder**") who:
 - a. at the close of business on the date of the giving of the notice provided for below in this Section 10A and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
 - b. complies with the notice procedures set forth below in this Section 10A.
- (b) **Timely Notice.** In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Corporation at the head office of the Corporation.
- (c) **Manner of Timely Notice.** A Nominating Shareholder's notice to the secretary of the Corporation must be made:
- (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

- (d) **Proper Form of Timely Notice.** To be in proper written form, a Nominating Shareholder's notice to the secretary of the Corporation must set forth:
 - (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:
 - a. the name, age, business address and residential address of the person;
 - b. the principal occupation or employment of the person;
 - c. the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and
 - d. any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
 - (ii) as to the Nominating Shareholder, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information, including a written consent to act, as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

- (e) **Eligibility for Nomination as a Director.** No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 10A; provided, however, that nothing in this Section 10A shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting of shareholders shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any

proposed nomination is, not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

- (f) **Terms**. For purposes of this Section 10A:
- (i) **"public announcement"** shall mean disclosure in a news release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
 - (ii) **"Applicable Securities Laws"** means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (g) **Delivery of Notice**. Notwithstanding any other provision of this by-law, notice given to the secretary of the Corporation pursuant to this Section 10A may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the head office of the Corporation; provided that if such delivery or electronic communication is made on a day that is not a business day or later than 5:00 p.m. (Halifax time) on a day that is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
- (h) **Board Discretion**. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 10A.

All terms contained in this amendment that are defined in By-law No. 1 of the Corporation, as the same may be amended from time to time, shall, for all purposes hereof, have the meanings given to such terms in By-law No. 1.