

BREAKWATER RESOURCES LTD.

TRADING POLICY

1. Objective and Scope

The objectives of this Trading Policy (the “**Policy**”) are to (i) describe the trading restrictions and reporting requirements imposed by law on the groups of persons set forth in Schedule “A” attached hereto and (ii) outline the trading guidelines of Breakwater Resources Ltd. (the “**Corporation**”).

2. Trading Restrictions and Guidelines

No Person in a Special Relationship with the Corporation shall purchase or sell or otherwise monetize securities of the Corporation while in possession of Undisclosed Material Information (examples of information that may be material are set forth in Schedule “B” attached hereto). In addition to the above, the following are additional prohibitions relating to trading in securities of the Corporation:

- a) The practice of selling “**short**” securities of the Corporation at any time is not permitted.
- b) The practice of purchasing or selling a “**call**” or “**put**” or any other derivative security in respect of the securities of the Corporation is not permitted.

In addition, no one in such a Special Relationship may inform (or “**tip**”) another person, other than in the necessary course of business, of Undisclosed Material Information concerning the Corporation before such information has been generally disclosed. Securities laws and this Policy extend to trading in the securities of other entities when possessing Undisclosed Material Information about another public company obtained through one’s employment at the Corporation.

The necessary course of business exception would generally cover communications with as outlined on Schedule “C” attached hereto.

Directors, Officers and those Employees and Contractors who participate in the preparation of the Corporation’s financial statements or who are privy to material financial information relating to the Corporation are prohibited from purchasing or selling securities of the Corporation during the period of time beginning on: (i) the first day on which the Toronto Stock Exchange is open for trading (a “**Trading Day**”) following the end of a fiscal quarter, or the 25th day after the fiscal year end, until the second Trading Day after the financial results for a fiscal quarter or fiscal year end have been disclosed by way of press release (the “**Executive Blackout**”).

All Directors, Employees and Contractors who are not subject to the Executive Blackout are prohibited from purchasing or selling securities of the Corporation for the period of time he or she receives the financial results until the second Trading Day following such press release (the “**General Blackout**”).

All Directors, Officers, Employees and Contractors who are so advised by the Disclosure Committee, the President and Chief Executive Officer and/or the Corporate Secretary, shall be prohibited from purchasing or selling securities of the Corporation during any other period designated by the Disclosure Committee and/or the President and Chief Executive Officer (the “**Specific Blackout**”).

As the Corporation is periodically engaged in transactions which are significant to it and because there may be difficulty in identifying when or if certain information becomes material, each Director and Officer of the Corporation or any of its subsidiaries and each Employee with knowledge of confidential or material information about the Corporation or counter-parties in negotiations of material potential transactions should advise the Chief Financial Officer or the Corporate Secretary of any intention to trade or effect a transaction in securities of the Corporation or any counter-party. There may be occasions when such person will be advised that he or she cannot trade until further notice.

Any employee that is concerned that they may have knowledge of confidential or Undisclosed Material Information about the Corporation or counter-parties in negotiations of material potential transactions should contact the Chief Financial Officer or the Corporate Secretary to determine whether they can trade or effect a transaction in securities of the Corporation or any counter-party.

The Corporation strongly encourages those who are subject to this Policy to not place standing selling or purchase orders with a broker, securities dealer or other person.

When is Information Deemed Public

The securities legislation in the various provinces does not define the term “**generally disclosed**” or “**publicly disclosed**”, however, Canadian courts have held that information has been generally disclosed or publicly disclosed if the information has been disseminated in a manner calculated to effectively reach the market place and public investors have been given a reasonable amount of time to analyze the information.

Insider trading decisions have indicated that it can take up to two full business days after an announcement has been made by an entity for the information in the announcement to be generally disclosed or publicly disclosed. Accordingly, if you are aware of any material information relating to the Corporation which has not been made available to the public for at least two business days, you must not trade, directly or indirectly, in the securities of the Corporation. Thus, one may not attempt to “**beat the market**” by trading simultaneously with, or shortly after, the official release of material information. Insider trading is not permissible merely because rumours or other unofficial statements in the marketplace reflect material information.

The above prohibitions and the reporting requirements provided below apply equally to the trading of common shares and the trading or exercising of options or other securities of the Corporation.

3. Reporting Requirements

An insider (as defined in the *Securities Act* (Ontario) (the “Act”)) of the Corporation (an “Insider”) is required to file an initial insider report within ten (10) days of becoming an Insider and subsequent insider reports within ten (10) days following any trade of securities of the Corporation. If an Insider does not own or have control over or direction over securities of the Corporation, or if ownership or direction or control over securities of the Corporation remains unchanged from the last report filed, a report is not required.

If an Insider of the Corporation acquires, disposes of, or otherwise makes a change in the ownership or control of securities of the Corporation (including by way of equity monetization transactions), such person must file an insider trading report on SEDI within ten (10) days of the transaction. In the case of an acquisition or sale of securities, the deadline for filing is within ten days of the trade date, not the settlement or closing date.

An Insider of the Corporation must report trades in securities of the Corporation such Insider holds directly or indirectly (e.g. through a holding or investment company) and securities of the Corporation over which such person exercises control or direction, either by virtue of family relationships (e.g. young children) or trust or voting or other agreement. Duplication of reports is not required so long as all direct and indirect holdings are disclosed. As an example, should an Insider hold securities of the Corporation personally and through a holding company, one filing will suffice to disclose both holdings.

Exemptions from Insider Reporting Requirements

The above insider reporting requirements do not apply to a director or officer of the Corporation or of a subsidiary of the Corporation for:

- (a) the acquisition of securities of the Corporation under an automatic securities purchase plan, other than the acquisition of securities under a lump-sum provision of the plan; or
- (b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan. Reporting for securities made under an automatic securities purchase plan may be filed within 90 days of the end of the calendar year.

The foregoing would not apply to securities acquired under such a plan which have been sold or transferred, in which case he or she is required to report the acquisition and sale or transfer within ten (10) days of the sale or transfer. **The obligation to file insider trading reports rests with the insider and not the Corporation.**

An Insider who is an executive officer, as such term is defined in National Instrument 51-102 “**Continuous Disclosure Obligations**”, or a director of the Corporation or of a major subsidiary, as such term is defined in National Instrument 55-101 “**Insider Reporting Exemptions**” (“NI 55-101”), a director or officer of the Corporation or a subsidiary of the Corporation may not rely on the above exemption for the acquisition of stock options or similar securities granted to an Insider, unless the Corporation has previously disclosed in a notice filed on SEDAR the existence and material terms of the grant, as more accurately described in NI 55-101 (the “**Notice**”). If the Notice has been filed, the Insider may file an insider report within 90 days of

the end of the calendar year as indicated above. If the Notice has not been filed, an Insider must file an insider trading report on SEDI within **ten** (10) days of the transaction.

Other exemptions are available from insider reporting requirements for certain directors and officers and are outlined in NI 55-101.

4. Penalties

Penal Sanctions

The securities legislation in the various provinces contains penal sanctions for both trading and informing others of inside information. While the penalties vary among jurisdictions, offenders are personally liable to prosecution and, upon conviction, to a fine not exceeding one million dollars or five years in jail, or both. The prohibitions with respect to informing typically permit the defence that the information was given in the necessary course of business. There is a defence with respect to both the trading and informing offences that the person reasonably believed the material had been generally disclosed.

Administrative Sanctions

There are several administrative sanctions that might be applied by a securities regulatory authority in the context of insider trading or informing. For example, a securities regulatory authority may issue a cease trade order against an officer who has engaged in insider trading.

Civil Actions

The securities legislation in the various provinces generally provide for an action for damages against a person trading on material inside information by the person with whom the trade was made. There are similar provisions in the *Canada Business Corporations Act* (the "CBCA").

As with the penal sanction, there is a defence of reasonable belief that the material information had been generally disclosed. There is an additional defence that the material information ought to reasonably have been known to the plaintiff.

An action for damages can also be brought against a person who informed another of the inside information. The action can be brought by anyone who sold securities to or purchased securities from a person who obtained the inside information from the informer.

Any Insider violating insider trading laws may in addition be subject to lawsuits by any third party who purchased or sold the securities at the same time as the Insider. The Corporation likewise may be liable for the violation.

In addition, the Corporation itself can bring an action against an Insider, affiliate or associate, as defined in the CBCA, of the Corporation where that person either bought or sold securities with knowledge of material information or informed another of the material information, before the information was publicly disclosed. The action is for an accounting to the Corporation of every benefit or advantage received by such Insider, affiliate or associate or by the tippee.

Sanctions by the Corporation

In addition to the above referenced sanctions, the Corporation may impose its own disciplinary action, including dismissal for cause, for violation of this Policy.

5. Communication and Request of Additional Information

New Directors, Officers, Consultants and Employees will be provided with a copy of this Policy and will be directed to review this Policy. This Policy will be circulated to all Directors, Officers, Consultants and Employees periodically throughout the year and whenever changes are made.

If requested by the Corporation to satisfy the requirements of an applicable regulatory authority, any person to whom this Policy applies shall cooperate fully and promptly provide such other documentation or information, including a full trading history in securities of the Corporation, as may be required.

Schedule “A”
Individuals and Entities to Whom This Policy Applies

“**Contractors**” means independent contractors (who are engaged in an employee-like capacity) of the Corporation or any of its subsidiaries;

“**Directors**” means directors of the Corporation;

“**Employees**” means full-time, part-time, contract or secondment employees of the Corporation or any of its subsidiaries;

“**Insiders**” means:

- (1) Directors or Officers of the Corporation;
- (2) persons who beneficially own, directly or indirectly, more than 10% of the voting securities of the Corporation or who exercise control or direction over more than 10% of the votes attached to the voting securities of the Corporation (“**10% Shareholders**”);
- (3) directors or Officers of a subsidiary of the Corporation; or
- (4) directors or Officers of 10% Shareholders;

“**Officers**” means all officers of the Corporation or any of its subsidiaries;

“**Persons in a Special Relationship with the Corporation**” means:

- (1) Directors, Officers, Employees and Contractors;
- (2) 10% Shareholders;
- (3) directors, officers, employees and contractors of 10% Shareholders;
- (4) members of an operating or advisory committee of the Corporation or any of its subsidiaries;
- (5) directors, officers, partners and employees of a company that is engaging in any business or professional activity with the Corporation or any of its subsidiaries and who routinely comes into contact with Material Information; and
- (6) persons or companies that learned of Material Information with respect to the Corporation from a person or company described in (1) through (5) of this definition and knew or ought reasonably to have known that the other person or company was in such a special relationship.

Schedule “B”

Examples of Information That May Be Material (Based on National Policy 51-201 and Section 410 of the Toronto Stock Exchange Manual)

Changes in corporate structure

- changes in share ownership that may affect control of the company
- changes in corporate structure such as reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

Changes in capital structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in a company’s dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to the rights of security holders

Changes in financial results

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any period
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the company’s assets
- any material change in the company’s accounting policies

Changes in business and operations

- any development that affects the company’s resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- significant discoveries by resource companies
- changes to the Board or executive management, including the departure of the company’s Chairman, CEO, CFO, COO (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the company’s securities or their movement from one quotation system or exchange to another

Acquisitions and dispositions

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in credit arrangements

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements

Schedule “C”
Examples of Disclosures That May Be Necessary in the Course Of Business
(Reproduced from National Policy 51-201)

- (1) Disclosure to:
 - vendors, suppliers, or strategic partners on issues such as research and development, sales and marketing, and supply contracts
 - employees, officers and directors
 - lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the Company
 - parties to negotiations
 - labour unions and industry associations
 - government agencies and non-governmental regulators
 - credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency’s ratings generally are or will be publicly available)
- (2) Disclosures in connection with a private placement
- (3) Communications with controlling shareholders, in certain circumstances