



**SAINT JEAN CARBON INC.  
NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**January 27, 2017**



**SAINT JEAN CARBON INC.  
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of Saint Jean Carbon Inc. (the “**Corporation**”) will be held at 1:00 p.m. Eastern Standard Time on Monday, February 27, 2017, in the Boardroom at the offices of Saint Jean Carbon Inc., 871 Equestrian Court, Unit 9, Oakville, Ontario, Canada for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the financial year ended October 31, 2015 and October 31, 2016 together with the auditors’ report thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year and to authorize the directors to fix the remuneration thereof;
4. to consider an ordinary resolution to re-approve the 10% rolling stock option plan of the Corporation;
5. to consider and, if thought fit, to approve, with or without variation, a special resolution, the full text of which is set forth in the Information Circular, authorizing a consolidation of the issued and outstanding shares of the Corporation; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying management information circular (the “**Information Circular**”) provides detailed information with respect to the matters to be considered at the Meeting and forms part of this notice.

If you are a *registered Shareholder* of the Corporation and are unable to attend the Meeting or any adjournment thereof in person, please complete, sign and mail the enclosed form of proxy to Computershare Trust Company of Canada (“**Computershare**”), 8th Floor, 100 University Ave., Toronto, Ontario, M5J 2Y1, no later than 1:00 p.m. E.S.T. Thursday, February 23, 2017 or, in the case of any adjournment or postponement of the meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the adjourned or postponed meeting.

If you are a *beneficial Shareholder* of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form you are provided by them in accordance with the instructions provided therein. **Without specific instructions, brokers and other intermediaries are prohibited from voting the shares of their clients.**

Only *registered Shareholders* as at January 23, 2017 and their duly appointed proxyholders will be entitled to vote at the Meeting. Your vote is important, please ensure you follow the instructions applicable to you so that your vote is counted at the Meeting. If you are not sure if you are a registered Shareholder or a beneficial Shareholder, please contact Computershare at 1-800-564-6253 (toll free in North America) or 1-514-982-7555 (outside North America).

Additional information on attending and voting at the Meeting is included in the Information Circular.

By order of the Board of Directors of Saint Jean Carbon Inc.

(signed) “Paul A. Ogilvie”

Paul A. Ogilvie  
Chairman & Chief Executive Officer  
January 27, 2017

## TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>PART I – GENERAL PROXY MATTERS.....</b>                                       | <b>1</b>  |
| PURPOSE OF SOLICITATION .....  | 1         |
| APPOINTMENT AND REVOCATION OF PROXY.....   | 1         |
| VOTING OF PROXIES .....  | 2         |
| VOTING OF SHARES .....   | 2         |
| ADVICE TO BENEFICIAL HOLDERS.....  | 3         |
| VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES .....               | 4         |
| <b>PART II – BUSINESS OF THE MEETING .....</b>                                   | <b>4</b>  |
| RECEIPT OF FINANCIAL STATEMENTS AND AUDITORS’ REPORT .....                       | 4         |
| ELECTION OF DIRECTORS .....  | 4         |
| APPOINTMENT OF AUDITOR.....  | 5         |
| APPROVAL OF STOCK OPTION PLAN.....   | 6         |
| APPROVAL OF SHARE CONSOLIDATION .....  | 7         |
| SHARE CONSOLIDATION RESOLUTION.....  | 7         |
| OTHER BUSINESS.....  | 8         |
| INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON .....                    | 8         |
| <b>PART III – STATEMENT OF EXECUTIVE COMPENSATION .....</b>                      | <b>8</b>  |
| COMPENSATION DISCUSSION AND ANALYSIS .....                                       | 8         |
| BASE SALARIES .....  | 9         |
| STOCK OPTION PLAN.....   | 9         |
| NUMBER OF SHARES UNDER PLAN.....   | 10        |
| AMENDMENT AND DISCONTINUANCE OF PLAN .....                                       | 10        |
| NON-EQUITY COMPENSATION.....   | 11        |
| SUMMARY .....  | 11        |
| SUMMARY COMPENSATION TABLE .....   | 12        |
| OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS.....                      | 13        |
| INCENTIVE PLAN AWARDS - VALUE VESTED OR EARNED DURING THE PERIOD.....            | 13        |
| TERMINATION AND CHANGE OF CONTROL BENEFITS .....                                 | 14        |
| DIRECTOR COMPENSATION .....  | 14        |
| DIRECTORS’ OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS .....          | 14        |
| DIRECTOR’S INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE PERIOD..... | 15        |
| <b>PART IV – ADDITIONAL DISCLOSURE.....</b>                                      | <b>16</b> |
| SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS .....         | 16        |
| INDEBTEDNESS OF DIRECTORS AND OFFICERS .....                                     | 16        |
| INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....                       | 16        |
| CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS .....                  | 16        |
| MANAGEMENT CONTRACTS .....   | 17        |
| ADDITIONAL INFORMATION .....   | 17        |
| <b>PART V – CORPORATE GOVERNANCE.....</b>  | <b>18</b> |
| BOARD OF DIRECTORS .....   | 18        |
| DIRECTORSHIPS .....  | 18        |
| ORIENTATION AND CONTINUING EDUCATION .....                                       | 18        |
| ETHICAL BUSINESS CONDUCT .....   | 19        |
| NOMINATION OF DIRECTORS AND COMPENSATION .....                                   | 19        |
| OTHER BOARD OF DIRECTORS COMMITTEES.....   | 19        |
| ASSESSMENTS .....  | 19        |
| <b>PART VI - AUDIT COMMITTEE .....</b>   | <b>19</b> |
| COMPOSITION OF THE AUDIT COMMITTEE.....  | 19        |
| AUDIT COMMITTEE CHARTER .....  | 20        |
| EDUCATION AND EXPERIENCE.....  | 20        |
| PRE-APPROVAL POLICIES AND PROCEDURES .....                                       | 20        |
| EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY).....                                 | 21        |
| RELIANCE ON CERTAIN EXEMPTIONS .....   | 21        |
| APPROVAL.....  | 21        |
| SCHEDULE “A” – STOCK OPTION PLAN   |           |
| SCHEDULE “B” – AUDIT COMMITTEE CHARTER   |           |



**MANAGEMENT INFORMATION CIRCULAR**  
**January 27, 2017**

**PART I – GENERAL PROXY MATTERS**

**Purpose of Solicitation**

The information contained in this management information circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by or on behalf of management of Saint Jean Carbon Inc. (the “Corporation”), for use at the annual and special meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Common Shares”) of the Corporation to be held at 1:00 p.m. Eastern Standard Time on Monday, February 27, 2017, in the Boardroom at the offices of Saint Jean Carbon Inc., 871 Equestrian Court, Unit 9, Oakville, Ontario, Canada for the purposes set out in the accompanying Notice of Annual and Special Meeting of Shareholders (the “Notice”).

As a Shareholder you are cordially invited to be present at the Meeting. To ensure that you will be represented at the Meeting in the event that you are a *registered Shareholder* and unable to attend personally, you are requested to date, complete and sign the accompanying form of proxy enclosed herewith and return it to Computershare Trust Company of Canada (“**Computershare**”), 8th Floor, 100 University Ave., Toronto, Ontario, M5J 2Y1. If you are a *beneficial Shareholder* and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form that you are provided by them in accordance with the instructions provided therein. Except where otherwise stated, reference to a Shareholder herein is reference to a registered Shareholder.

The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, facsimile or other electronic means of communication or in person by directors, officers, employees or consultants of the Corporation. The cost of such solicitation will be borne by the Corporation.

Except where otherwise stated, the information contained herein is given as of January 27, 2017.

**Appointment and Revocation of Proxy**

**A Shareholder has the right to designate a person (who need not be a Shareholder) other than Paul Ogilvie, Chairman and Chief Executive Officer or, failing him, William E. Pfaffenberger, President of Saint Jean Carbon Inc., who are the management designees, to attend and act for such Shareholder at the Meeting.** Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees or by completing another instrument of proxy and, in either case, delivering the resulting instrument of proxy to the Secretary of the Meeting prior to any matter upon which a vote has not already been cast pursuant to the authority conferred by the instrument of proxy.

A form of proxy will not be valid and will not be acted upon or voted unless it is duly completed and delivered to the attention of the Secretary of the Corporation, or Computershare at the 8th Floor, 100 University Ave., Toronto, Ontario, M5J 2Y1, no later than 1:00 p.m. (E.S.T.) on Thursday, February 23,

2017 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the adjourned or postponed Meeting. The instrument appointing a proxy must be in writing and must be executed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A record date for the determination of Shareholders entitled to receive notice of the Meeting has been set as January 23, 2017 (the "**Record Date**"). Only holders of Common Shares of record as at that date are entitled to receive notice of and to vote at the Meeting unless after the Record Date, such holder transfers any Common Shares and the transferee of such shares produces properly endorsed share certificates or otherwise establishes ownership of these Common Shares and demands, not later than ten (10) days before the Meeting, that his name be included in the list of Shareholders, entitled to vote at the Meeting.

In addition to any other manner permitted by law, a Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast by completing an instrument in writing executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, and by depositing such instrument of revocation either with the Secretary of the Corporation, or Computershare at the 8th Floor, 100 University Ave., Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the day of the Meeting, or with the Chairman of the Meeting on the date of the Meeting immediately prior to the commencement thereof or any adjournment(s) thereof. In addition, a proxy may be revoked by the Shareholder personally attending at the Meeting and voting his Common Shares.

### **Voting of Proxies**

All the Corporation's Common Shares represented at the Meeting by properly executed proxies will be voted by the persons named in such proxy as proxy holder on any poll that may be called for and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the shares represented by the proxy will be voted or withheld from being voted in accordance with such specification. **In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of ALL the matters set out thereon.**

**The enclosed instrument of proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to any amendment to or variation of the matters identified in the Notice and any other matters which may properly come before the Meeting. At the date of this Information Circular, the management of the Corporation is not aware of any such amendments, variations or other matters. If other matters should properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy according to their best judgment.**

### **Voting of Shares**

The Corporation has 197,556,860 Common Shares issued and outstanding as at January 23, 2017, each of which is entitled to one vote at the Meeting. Unless otherwise specified herein, every resolution to be put before the Meeting, shall be determined by a majority of the votes cast, in each case, in person or by proxy, by holders of Common Shares on the resolution.

## Advice to Beneficial Holders

**The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not own Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against any matters voted on at the Meeting) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting the Common Shares for the broker’s clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable laws and regulatory policy require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy or voting instruction form supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to the registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) on how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. (“**Broadridge**”). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit [www.proxyvote.com](http://www.proxyvote.com) to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and vote their Common Shares as proxyholder for the registered Shareholder should enter their own name in the blank space on the form of proxy or voting instruction form provided to them and return the form to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent) or submit any other document instructed by the broker (or agent), well in advance of the Meeting.

If you are not sure if you are a registered Shareholder or a Beneficial Shareholder, please contact Computershare at 1-800-564-6253 (toll free in North America) or 1-514-982-7555 (outside North America).

All references to Shareholders in this Information Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise. Where documents are stated to be available for review or inspection, such items will be shown upon request to registered Shareholders who produce proof of their identity.

## **Voting Securities and Principal Holders of Voting Securities**

### ***Common Shares***

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which 197,556,860 were issued and outstanding as at January 23, 2017 as fully paid and non-assessable.

The holders of the Common Shares are entitled to one vote per share at meetings of Shareholders of the Corporation.

### ***Principal Shareholders***

To the knowledge of management of the Corporation, no persons beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the outstanding voting securities of the Corporation.

## **PART II – BUSINESS OF THE MEETING**

### **Receipt of Financial Statements and Auditors' Report**

The financial statements of the Corporation for the year ended October 31, 2015 and for the year ended October 31, 2016 and the respective auditor's reports thereon will be placed before the Shareholders at the Meeting however, no action is required to be taken by Shareholders thereon.

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, a person or corporation who in the future wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return card, together with the completed form of proxy to Computershare at the 9th Floor, 100 University Ave., Toronto, Ontario, M5J 2Y1.

Copies of the Corporation's annual and interim financial statements are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Election of Directors**

There are currently five (6) directors on the board of directors (the "**Board**") of the Corporation. Holders of Common Shares of the Corporation will be asked to elect six (6) directors for the ensuing year. The six (6) nominees proposed for election to the Board are listed below. The persons named in the form of proxy accompanying this Information Circular intend to vote for the election of the nominees whose names are set forth below, each of whom is now a director of the Corporation unless the Shareholder who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the election of directors of the Corporation. Management of the Corporation does not contemplate that any of such nominees will be unable to serve as a director of the Corporation for the ensuing year but if that should occur for any reason prior to the Meeting or any adjournment thereof, the



persons named in the form of proxy accompanying this Information Circular have the right to vote for the election of any other nominee and may vote for the election of any such nominee in their discretion. Each director of the Corporation elected at the Meeting will hold office until the next annual meeting of the Shareholders held following his election unless he resigns or is removed from office prior to such date.

The names and municipality of residence of the nominees, their position with the Corporation, their principal occupation during the last five years, the date upon which they became a director of the Corporation and the number of Common Shares beneficially owned, directly or indirectly, by them, or over which control or direction is exercised by them, as of January 23, 2017, are as follows:

| <b>Name and Municipality of Residence</b>                                  | <b>Office Held with the Corporation</b>                  | <b>Principal Occupation</b>  | <b>Year First Appointed</b> | <b>Number of Common Shares Directly or Indirectly Held</b> |
|--|--|--|-----------------------------|--|
| Paul A. Ogilvie<br>Ontario, Canada   | Director<br>(Chairman) and<br>Chief Executive<br>Officer | Chairman and Chief<br>Executive Officer, Saint<br>Jean Carbon Inc., 2012-<br>13 CEO Canada Carbon;<br>2009-12 founder and<br>CEO Mega Graphite | 2013                        | 6,946,423  |
| William E. Pfaffenberger<br>PhD <sup>(2)</sup><br>British Columbia, Canada | Director and<br>President                                | President, Saint Jean<br>Carbon Inc.   | 2006                        | 10,059,230   |
| Donald G. Snyder PEng <sup>(1)(2)</sup><br>Alberta, Canada                 | Director   | President, Eastwood<br>Holdings Inc. (a private<br>investment corporation)   | 2003                        | 1,778,650 <sup>(3)</sup>                                   |
| David W. Madill M.D. <sup>(1)(2)</sup><br>British Columbia, Canada         | Director   | Independent businessman  | 2006                        | 651,800  |
| David E. Da Rin MBA <sup>(1)</sup><br>Wisconsin, USA                       | Director   | President, Schunk<br>Graphite Technology,<br>LLC and Schunk of<br>North America Inc.   | 2015                        | 34,200   |
| Don G. MacIntyre PhD, PEng<br>British Columbia, Canada                     | Director   | President, D.G.<br>MacIntyre & Associates<br>Ltd. (a private<br>engineering corporation)   | 2012                        | NIL  |

**Notes:**

- (1) Member of the Audit Committee of the Corporation of which Don Snyder is the Chair.
- (2) Member of the Compensation Committee of the Corporation.
- (3) 445,000 Common Shares owned directly by Eastwood Holdings Inc., a private investment company, of which Mr. Snyder is the President and exercises control or direction.

**It is the intention of the management designees in the enclosed form of proxy for the Meeting, if named as proxy, to vote FOR the election of each of the six (6) nominees listed above, unless a Shareholder has specified in the proxy that its Common Shares are to be withheld from voting on such resolution.**

**Appointment of Auditor**

At the Meeting, Shareholders will be called upon to appoint Twigg & Company Chartered Accountants, as the auditor of the Corporation to serve until the close of the next annual meeting of the

Corporation at such remuneration as may be approved by the Board. Twigg & Company has been the auditors of the Corporation since 2004.

**It is the intention of the management designees in the enclosed form of proxy for the Meeting, if named as proxy, to vote FOR the appointment of Twigg & Company Chartered Accountants, as the auditor of the Corporation and authorize the Board to fix the remuneration of the auditor unless a Shareholder has specified in the proxy that its Common Shares are to be withheld from voting on such resolution.**

### **Approval of Stock Option Plan**

The Corporation has adopted a rolling 10% stock option plan (the “**Plan**”) which reserves for issuance upon the exercise of stock options, a number of Common Shares equal to up 10% of the issued Common Shares at the time of any stock option grant. The Plan contemplates that, among other things, any director, officer, consultant or employee of the Corporation, or its subsidiaries, or an employee of a person or company which provides management services to the Corporation or its subsidiaries (each a “**Participant**” and collectively the “**Participants**”), that ceases to occupy such position with the Corporation for any reason (other than death), may exercise any vested stock options held by such Participant within 180 days of the Participant holding its position with the Corporation.

The TSX Venture Exchange (“**TSXV**”) requires that approval of the Plan be sought by the Corporation every year from the Shareholders. Accordingly, Shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving the Plan as amended. See “Incentive Plan Awards – Stock Option Plan” for a summary of the Plan. The complete text of the ordinary resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

“BE IT RESOLVED, as an ordinary resolution of the holders of common shares of Saint Jean Carbon Inc. (the “**Corporation**”), that

1. the Stock Option Plan (the “**Plan**”) of the Corporation, substantially in the form attached as Schedule “A” to the Management Information Circular of the Corporation is hereby approved, ratified and confirmed;
2. the maximum number of options of the Corporation which may be granted under the Plan will be 10% of the issued and outstanding shares of the Corporation; and
3. any one (or more) director(s) or officer(s) of the Corporation be and is hereby authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution.”

The Board believes that approving the Plan is in the best interest of the Corporation and recommends that the Shareholders vote in favour of the resolution.

**It is the intention of the management designees in the enclosed form of proxy for the Meeting, if named as proxy, to vote FOR the resolution approving the Plan unless a Shareholder has specified in the proxy that its Common Shares are to be voted against such resolution.**

## Approval of Share Consolidation

As of January 23, 2017, the Corporation has 197,556,860 Common Shares issued and outstanding. In order to facilitate future financing, the Corporation's Board of Directors believes that it would be in the best interests of the Corporation and its Shareholders to consolidate the Common Shares of the Corporation (the "**Consolidation**") on the basis of one (1) post-consolidation share for up to a maximum of each four (4) pre-consolidation shares (the "**Consolidation Ratio**") subject to the foregoing, the Board of Directors shall in their sole discretion determine the Consolidation Ratio which results in the Corporation continuing to meet the TSX Venture Exchange distribution requirements and upon TSXV acceptance of the application for such consolidation. The Board of Directors shall also be authorized to elect not to proceed with the Consolidation, if the Board subsequently concludes that it would not be in the best interest of the Corporation.

The Consolidation will not materially affect any Shareholder's percentage ownership in the Corporation, even though such ownership will be represented by a smaller number of Common Shares. No fractional shares will be issued in connection with the consolidation. If, as a result of the consolidation, the holder becomes entitled to a fractional share, such fraction will be rounded down to the nearest whole number.

If the Consolidation is approved and following the effective date of the articles of amendment giving effect to the Consolidation, the Corporation will send letters of transmittal to all holders of common shares for use in transmitting their share certificates to the Corporation's registrar and transfer agent, Computershare Trust Company of Canada, in exchange for new certificates representing the number of common shares, on a post-consolidated basis, of the Corporation to which such Shareholder is entitled as a result of the Consolidation. No delivery of a new common share certificate to a Shareholder will be made until the Shareholder has surrendered their current issued certificates for common shares. Until surrendered, each share certificate formally representing old common shares of the Corporation shall be deemed for all purposes to represent the number of new common shares to which the holder is entitled as a result of the Consolidation.

Accordingly, the Corporation requests Shareholders to consider, and if thought advisable, to approve a special resolution substantially in the form set forth below:

### Share Consolidation Resolution

"BE IT RESOLVED as a special resolution of the shareholders of the Corporation ("**Shareholders**"), that:

1. the Corporation is hereby authorized to amend its articles to provide that:
  - (a) the authorized capital of the Corporation is amended by consolidating all of the issued and outstanding common shares of the Corporation on the basis of one (1) post-consolidation share for up to every four (4) pre-consolidation shares;
  - (b) in the event that the Consolidation would otherwise result in the issuance of a fractional share, no fractional share shall be issued and such fraction will be rounded down to the nearest whole number; and
  - (c) the effective date of such Consolidation shall be the date shown in the Articles of Amendment issued under the *Business Corporations Act* (Alberta) or such other date indicated in the articles of amendment;

2. any officer or director of the Corporation is hereby authorized to execute and deliver all documents and to do all acts and things necessary or desirable to give effect to this special resolution, including, without limitation, the determination of the record date of the Consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the *Business Corporations Act* (Alberta), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination; and
3. notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the Shareholders to revoke this special resolution at any time before Articles of Amendment are issued by the Director.”

**It is the intention of the management designees in the enclosed form of proxy for the Meeting, if named as proxy, to vote FOR the resolution approving the share consolidation and amendment of the articles of the Corporation unless a Shareholder has specified in the proxy that its Common Shares are to be voted against such resolution.**

### **Other Business**

As of the date of this Information Circular, the Board does not know of any other matters to be brought to the Meeting, other than those set forth in the Notice. If other matters are properly brought before the Meeting or if any amendments are made to the matters set out in the Notice, the persons named in the enclosed proxy have been conferred with discretionary authority to vote on such matters.

### **Interest of Certain Persons in Matters to be Acted Upon**

Except as described elsewhere herein, none of the directors or executive officers of the Corporation, nor any of their associates or affiliates, has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting.

## **PART III – STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### ***The Board of Directors***

The Board has appointed a subcommittee of Messrs. Snyder, Madill and Pfaffenberger, the majority of which are independent, to act as a Compensation and Governance Committee (the “**Compensation Committee**”), which makes recommendations to the Board with respect to the compensation of the executive officers of the Corporation. The primary objective of the Board and the Compensation Committee in regards to compensation is to ensure that the overall compensation provided to the executive officers of the Corporation is determined with regard to, and is consistent with, the business strategies and objectives of the Corporation, such that the financial interests of the executive officers of the Corporation is congruent with the financial interests of the shareholders of the Corporation. Additionally, the Board seeks to establish compensation practices which will attract and retain qualified executive officers and present a total compensation package that is competitive within the marketplace. The compensation program of the Corporation is designed to reward performance that is consistent with these objectives.

In arriving at its compensation decisions, the Board considers the recommendations for the Compensation Committee which are based upon a number of factors, including the responsibilities and experience of the individuals, the performance of the individuals with the Corporation, the overall performance of the Corporation and the long-term interest of the Corporation. The Board discusses their

collective knowledge and understanding of salaries paid to executive officers at companies that the members have personal knowledge of however, no formal benchmark group of companies has been referenced. The Board has not considered the implications of the risks associated with the Corporation's compensation policies and practices. Furthermore, the Corporation does not have any policies that restrict executive officers or directors from buying securities designed to hedge or offset a decrease in market value of securities of the Corporation that are granted as compensation to such persons.

The compensation program of the Corporation is comprised of base salary, stock options and non-equity compensation (which may include cash bonuses or one time payments).

### **Base Salaries**

The Compensation Committee makes recommendations to the Board regarding the base salaries for each of the executive officers of the Corporation. Base salaries are determined based on an evaluation of an officer's scope of responsibility and performance. The Board anticipates that base salary levels will be reviewed and considered annually taking into consideration the current potential contribution of the executive officer to the success of the Corporation and what the Corporation believes based on its collective experiences and informal discussions regarding industry compensation practices. From time to time, the Board may consider adjustments to base salary levels based upon promotions or other changes in job responsibility or merit-based increases based on assessments of individual performance. To date, the base salaries reflect the initial base salaries that were negotiated at the time of initial employment and it is expected that such salaries will require future adjustments to these amounts to reflect market increases, the growth and stage of development of the Corporation, an executive officers' performance and increased experience, any changes in an executive officers' roles and responsibilities and other factors which may arise.

The base salary component of the executive officer compensation program is not designed to incentivize near-term company or individual performance (as bonuses are designed to do), but rather to provide a baseline level of compensation to executive officers. In most cases, the base salary component will represent the largest annual form of compensation to executive officers, although there is no formal policy regarding the allocation between base salary and other forms of compensation. In making decisions regarding base salary levels, the Board will consider and evaluate the total compensation package, including cash bonuses (if any) and periodic option grants, received or to be received by a particular executive officer, and seek to ensure that such total compensation package is fair, reasonable and competitive.

The base salaries paid to Named Executive Officers (as defined herein) in the year ended October 31, 2016 are set forth in the Summary Compensation Table below.

### **Stock Option Plan**

The purpose of the Plan is to afford individuals who provide services to the Corporation or any of its subsidiaries or affiliates, including directors, officers, employees and consultants ("**Participants**"), an opportunity to obtain a proprietary interest in the Corporation by permitting them to purchase Common Shares and to aid in attracting, as well as retaining and encouraging the continued involvement of, such individuals with the Corporation. The Corporation believes that equity-based compensation in the form of stock options ("**Options**") links the interests of the executive officers of the Corporation with the long-term interests of the Corporation's stockholders.

The Corporation has no formal policy regarding when Options are to be granted, and such grants are not directly tied to any pre-established company or individual goals. The Corporation does not have a formal policy regarding the size or amount of Option awards to executive officers. The Board will, however,

consider and evaluate the total compensation package, including base salary and cash bonuses (if any), received or to be received by a particular executive officer, and seek to ensure that such total compensation package is fair, reasonable and competitive.

When recommending the grant of Options, consideration is given to the exercise price and the aggregate number of Common Shares which would be subject to Options held by the individual after the grant under consideration, the evaluation of the former, current and potential contribution of the individual to the success of the Corporation and the relative position of the individual.

The number of Common Shares subject to each Option, the exercise price of each Option, the expiration date of each Option, the extent to which each Option is exercisable and/or vested from time to time during the term of the Option and any other terms and conditions relating to the Options are to be determined by the Board. The term of an Option shall not exceed ten years from the date of grant of the Option and the exercise price (the “**Exercise Price**”) shall, in no circumstances, be lower than the closing price of the Common Shares on the TSXV on the last trading day preceding the day on which the Options are granted.

### **Number of Shares Under Plan**

The maximum number of unissued Common Shares that may be subject to Options granted and outstanding under the Plan at any time shall be 10% of the number of the issued and outstanding Common Shares on an undiluted basis, including any Common Shares issued as a result of the exercise of any Stock Options under the Plan from time to time, provided that:

- (a) in no event shall Options be granted to an individual to purchase in excess of five percent of the then outstanding Common Shares of the Corporation in any twelve (12) month period;
- (b) no more than two percent of the issued Common Shares of the Corporation may be granted to any one consultant in any twelve (12) month period;
- (c) no more than an aggregate of two percent of the issued Common Shares of the Corporation may be granted to an employee conducting investor relations activities, in any 12 month period and Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one (1/4) quarter of the Options vesting in any three (3) month period; and
- (d) if option rights granted to an individual under the Plan in respect of certain optioned shares expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the Plan.

### **Amendment and Discontinuance of Plan**

The Board may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any Options earlier granted to a participant under the Plan without shareholder approval.

In the event of the death of a participant, options held by such participant may be exercised until the earlier of the expiry date of such options or one (1) year from the date of death, after which the options will terminate.

If a participant shall cease to be a director, officer, consultant or employee of the Corporation for any reason (other than death), such participant may exercise his option to the extent that the participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 180 days after the participant ceases to be a director, officer, consultant or employee of the Corporation, unless such participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the participant's services to the Corporation.

### **Non-Equity Compensation**

In addition to base salaries and the grant of options, the Corporation may award discretionary cash bonuses to employees of the Corporation, including executive officers based on the performance of the Corporation and individual performance during the year. Bonus levels for the President, Chief Executive Officer, Chief Financial Officer and other employees are established by the Board based upon the recommendations of the Compensation Committee. In the case of non-executive employees, bonuses are based on the employee's contribution in advancing the development of the Corporation's business, adding share value, reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the Chief Executive Officer, bonus awards are discretionary and there are no specified targets or criteria set out, although matters such as the completion of annual goals, impact of efficiency of operations, and economic outcome of decisions within their respective areas of responsibility are considered in the determination of bonus awards. No maximum bonus has been established for any executive officer. Annual bonuses are not tied to the achievement of any specific predetermined performance goals, but are based on overall performance, as well as the performance of the Corporation, during a given period of time, as determined by the Board based upon the recommendations of the Compensation Committee.

The Corporation believes that the discretionary cash bonuses motivate executive officers and employees to improve both company and individual performance, and promote teamwork and near-term growth of the business. By retaining discretion in awarding cash bonuses rather than tying such bonuses to predetermined goals in advance, the Corporation believes that it can more effectively adapt its compensation program to changes in its business and industry and to other events beyond its control. If events occur during the course of a given year that require the executive officers of the Corporation to shift their attention to different or other strategic objectives, the discretionary nature of the bonus program allows the Board to ensure that its overall compensation program remains fair, reasonable and competitive under those particular circumstances. This is particularly important to the Corporation, given its stage of development and the varying challenges that it faces. It has no formal policy regarding the allocation between cash bonuses, Options or other forms of compensation, but the Board will consider and evaluate the total compensation package, including base salary and Options received or to be received by a particular executive officer, and seek to ensure that such total compensation package is fair, reasonable and competitive.

The Board does not follow a specific process for determining perquisites and personal benefits as they do not form a significant portion of any Named Executive Officers (as defined below) compensation package. Any such compensation is determined by the Board on an ad hoc basis.

### **Summary**

The Corporation's compensation policies have allowed the Corporation to attract motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Board will continue to review compensation policies to ensure that they are competitive within the mining industry and consistent with the performance of the Corporation.

## Summary Compensation Table

The following table sets forth certain information concerning the compensation paid to the Corporation's President and Chief Executive Officer and Chief Financial Officer (the "Named Executive Officers") during the year ended October 31, 2016. Other than the Named Executive Officers, no other executive officer of the Corporation had total annual salary and bonus in the last completed financial year exceeding \$150,000.

| Name and Principal Position                        | Year | Salary (\$) | Share-based awards <sup>(2)</sup> (\$) | Option-based awards <sup>(1)</sup> (\$) | Non-equity incentive plan compensation (\$) |                           | Pension value (\$) | All other Compensation (\$) | Total Compensation (\$) |
|--|------|-------------|--|---|---|---------------------------|--------------------|-----------------------------|-------------------------|
|  |      |             |  |   | Annual incentive plans                      | Long-term incentive plans |                    |                             |                         |
| William E. Pfaffenberger<br><i>President</i>       | 2016 | \$36,000    |  | \$22,500                                |   |                           |                    |                             | \$58,500                |
|  | 2015 | \$35,828    | Nil                                    | \$20,000                                | Nil   | Nil                       | Nil                | Nil                         | \$55,828                |
|  | 2014 | \$37,248    |  | Nil                                     |   |                           |                    |                             | \$37,248                |
| Barry A. Pearson<br><i>Chief Financial Officer</i> | 2016 | \$120,000   |  | \$22,500                                |   |                           |                    |                             | \$142,500               |
|  | 2015 | \$102,500   | Nil                                    | \$20,000                                | Nil   | Nil                       | Nil                | Nil                         | \$122,500               |
|  | 2014 | \$112,500   |  | Nil                                     |   |                           |                    |                             | \$112,500               |
| Paul Ogilvie<br><i>Chief Executive Officer</i>     | 2016 | \$270,000   |  | \$22,500                                |   |                           |                    | \$100,000 <sup>(3)</sup>    | \$392,500               |
|  | 2015 | \$67,300    | Nil                                    | \$40,414                                | Nil   | Nil                       | Nil                | Nil                         | \$107,714               |
|  | 2014 | \$138,229   |  | Nil                                     |   |                           |                    | Nil                         | \$138,229               |

### Notes:

- (1) Option-based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted on the date of the grant. This value is determined using the Black-Scholes model, with various assumptions made at the time of grant relating to unit volatility and risk-free interest rates. All grants were made with exercise prices equal to or above the market price at the time of grant. As at October 31, 2016, none of the options granted were in-the-money.
- (2) The Corporation had no Share-based awards for the years ended October 31, 2015 and October 31, 2016.
- (3) A Bonus of \$100,000 was granted.



## Outstanding Share-based Awards and Option-based Awards

The following table sets forth for the Named Executive Officers all option-based awards and share-based awards outstanding at the end of the year ended October 31, 2016:

| Name and Principal Position                        | Option-based Awards                                     |  |   |   | Share-based Awards <sup>(2)</sup>                           |  |   |
|--|---|--|---|---|---|--|---|
|  | Number of securities underlying unexercised options (#) | Option exercise price (\$)                     | Option expiration date  | Value of unexercised in-the-money options <sup>(1)</sup> (\$) | Number of shares or units of share that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards that have not vested (\$) |
| Paul Ogilvie<br><i>Chief Executive Officer</i>     | 2,020,000<br>450,000                                    | \$0.05<br>\$0.05                               | 16 June 20<br>5 April 21  | Nil   | Nil   | Nil  | Nil   |
| William E. Pfaffenberger<br><i>President</i>       | 180,000<br>1,000,000<br>450,000<br>1,180,000            | \$0.10<br>\$0.05<br>\$0.05<br>\$0.05           | 06 Feb 17<br>16 June 20<br>05 April 21<br>8 Nov 21 <sup>(3)</sup>                             | Nil   | Nil   | Nil  | Nil   |
| Barry A. Pearson<br><i>Chief Financial Officer</i> | 180,000<br>1,000,000<br>450,000<br>180,000<br>1,000,000 | \$0.10<br>\$0.05<br>\$0.05<br>\$0.05<br>\$0.05 | 06 Feb 17<br>16 June 20<br>05 April 21<br>8 Nov 21 <sup>(3)</sup><br>13 Jan 22 <sup>(3)</sup> | Nil   | Nil   | Nil  | Nil   |

### Notes:

- (1) Option-based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted on the date of the grant. This value is determined using the Black-Scholes model, with various assumptions made at the time of grant relating to unit volatility and risk-free interest rates. All grants were made with exercise prices equal to or above the market price at the time of grant. As at October 31, 2016, none of the options granted were in-the-money.
- (2) The Corporation had no Share-based awards for the years ended October 31, 2015 and October 31, 2016.
- (3) These Options were granted subsequent to October 31, 2016.

## Incentive Plan Awards - Value Vested or Earned During the Period

The following table sets forth for each Named Executive Officers, the value of options-based awards and share-based awards which vested during the year ended October 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended October 31, 2016.

| Name and Principal Position                        | Option-based awards- Value vested during the year <sup>(1)</sup> (\$) | Share-based awards - Value vested during the year <sup>(2)</sup> (\$) | Non-Equity incentive plan compensation – Value earned during the year (\$) |
|--|---|---|--|
| Paul Ogilvie<br><i>Chief Executive Officer</i>     | Nil   | Nil   | Nil  |
| William E. Pfaffenberger<br><i>President</i>       | Nil   | Nil   | Nil  |
| Barry A. Pearson<br><i>Chief Financial Officer</i> | Nil   | Nil   | Nil  |

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share closing price on the TSXV on the last trading day of the Corporation's financial year of \$0.035 and the exercise price.
- (2) The Corporation had no Share-based awards for the years ended October 31, 2015 and October 31, 2016.

**Termination and Change of Control Benefits**

Paul Ogilvie joined the Corporation as the Chairman and Chief Executive Officer pursuant to the terms of a written agreement (the “**Ogilvie Agreement**”). The Ogilvie Agreement may be terminated by the Corporation at any time upon providing thirty (30) days prior written notice to Mr. Ogilvie. Upon the provision of such 30 days’ notice, no further amounts shall be owing or payable by the Corporation to Mr. Ogilvie at the end of the notice period.

Other than the Ogilvie Agreement, the Corporation has no formal employment agreements with any of its officers or employees which provide for termination or change of control benefits.

**Director Compensation**

Other than the right to participate in the Plan and be granted Options, directors of the Corporation do not receive any compensation for services rendered in such capacity. As a result, directors are compensated through the issuance of Options and the amount of any grant is determined by evaluating the amount of time spent by the respective director assisting management of the Corporation in advancing the development of its business. Executive officers of the Corporation who also act as directors do not receive any compensation for services rendered in such capacity other than as paid by the Corporation to such executive officers in their capacity as executive officers.

The following table sets forth the year ended October 31, 2016 information concerning the compensation paid to directors other than directors who are also Named Executive Officers.

| <b>Name</b>      | <b>Fees earned (\$)</b> | <b>Share-based awards<sup>(1)</sup> (\$)</b> | <b>Option- Based awards<sup>(2)</sup> (\$)</b> | <b>Non-equity incentive plan compensation (\$)</b> | <b>Pension value (\$)</b> | <b>All other compensation (\$)</b> | <b>Total (\$)</b> |
|------------------|-------------------------|--|--|--|---------------------------|------------------------------------|-------------------|
| David W. Madill  | Nil                     | Nil  | \$7,500  | Nil  | Nil                       | Nil                                | \$7,500           |
| Donald G. Snyder | Nil                     | Nil  | \$7,500  | Nil  | Nil                       | Nil                                | \$7,500           |
| Don G. MacIntyre | Nil                     | Nil  | Nil  | Nil  | Nil                       | Nil                                | Nil               |
| David E. Da Rin  | Nil                     | Nil  | Nil  | Nil  | Nil                       | Nil                                | Nil               |

**Notes:**

- (1) The Corporation has no Share-based Awards.
- (2) Option-based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted on the date of the grant. This value is determined using the Black-Scholes model, with various assumptions made at the time of grant relating to unit volatility and risk-free interest rates. All grants were made with exercise prices equal to or above the market price at the time of grant. As at October 31, 2016, none of the options granted were in-the-money.

**Directors’ Outstanding Share-based awards and Option-based awards**

The following table sets forth for each director other than directors who are also Named Executive Officers, all of option-based awards and share-based awards outstanding at the end of the year ended October 31, 2016.

| Name                            | Option-based Awards                                     |                                      |  |   | Share-based Awards <sup>(2)</sup>                            |  |  |
|---------------------------------|---|--------------------------------------|--|---|--|--|--|
|                                 | Number of securities underlying unexercised options (#) | Option exercise price (\$)           | Option expiration date   | Value of unexercised in-the-money options <sup>(1)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
| David W. Madill                 | 115,000<br>500,000<br>115,000<br>150,000                | \$0.10<br>\$0.05<br>\$0.05<br>\$0.05 | 06 Feb 17<br>16 June 20<br>5 April 21 <sup>(3)</sup><br>13 Jan 22 <sup>(3)</sup> | Nil   | Nil  | Nil  | Nil  |
| Donald G. Snyder                | 140,000<br>600,000<br>140,000<br>150,000                | \$0.10<br>\$0.05<br>\$0.05<br>\$0.05 | 06 Feb 07<br>16 June 20<br>5 April 21<br>13 Jan 22 <sup>(3)</sup>                | Nil   | Nil  | Nil  | Nil  |
| Don G. MacIntyre <sup>(4)</sup> | 350,000<br>150,000<br>350,000<br>150,000                | \$0.10<br>\$0.05<br>\$0.05<br>\$0.05 | 06 Feb 17<br>16 June 20<br>8 Nov 21 <sup>(3)</sup><br>13 Jan 22 <sup>(3)</sup>   | Nil   | Nil  | Nil  | Nil  |
| David E. Da Rin                 | 500,000<br>150,000                                      | \$0.05<br>\$0.05                     | 16 June 20<br>13 Jan 22 <sup>(3)</sup>   | Nil   | Nil  | Nil  | Nil  |

**Notes:**

- (1) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSXV closing price on October 31, 2016, the last trading day of the Corporation's financial year, of \$0.035 and the exercise price.
- (2) The Corporation had no Share-based awards for the years ended October 31, 2015 and October 31, 2016.
- (3) These Options were granted subsequent to October 31, 2016.

**Director's Incentive Plan Awards – Value Vested or Earned During the Period**

The following table sets forth for each director other than directors who are also Named Executive Officers, the value of options-based awards and share-based awards which vested during the year ended October 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended October 31, 2016.

| Name             | Option-based awards – Value vested during the year <sup>(1)</sup> (\$) | Share-based awards - Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|------------------|--|--|--|
| David W. Madill  | Nil  | Nil  | Nil  |
| Donald G. Snyder | Nil  | Nil  | Nil  |
| Don G. MacIntyre | Nil  | Nil  | Nil  |
| David E. Da Rin  | Nil  | Nil  | Nil  |

**Notes:**

- (1) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSXV closing price on October 31, 2016, the last trading day of the Corporation's financial year, of \$0.035 and the exercise price.

**PART IV – ADDITIONAL DISCLOSURE****Securities Authorized for Issuance under Equity Compensation Plans**

| <b>Plan Category</b>                                       | <b>Number of Securities to be Issued upon Exercise of Outstanding Options<sup>(1)</sup></b> | <b>Weighted-Average Exercise Price of Outstanding Options</b> | <b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans<sup>(1)</sup></b> |
|--|---|---|---|
| Equity compensation plans approved by security holders     | 11,307,316  | \$0.054   | 0   |
| Equity compensation plans not approved by security holders | 7,493,373   | \$0.050   | 954,997   |
| <b>Total</b>   | <b>18,800,689</b>   | <b>\$0.053</b>  | <b>954,997</b>  |

**Notes:**

- (1) An aggregate of 9,785,000 Options were granted to certain officers, directors and consultants subsequent to October 31, 2016 with an exercise price of \$0.05.

**Indebtedness of Directors and Officers**

As at January 27, 2017 no current or former director, executive officer, senior officer, proposed nominee for election as a Director of the Corporation or associate of any of the foregoing had any indebtedness to, or the benefit of any guarantee, support agreement, letter of credit or other similar financial assistance by the Corporation or its subsidiaries, nor was any indebtedness, guarantee, support agreement, letter of credit or other similar financial assistance provided to such persons at any time during the fiscal year ended October 31, 2015 and October 31, 2016 and the date of this circular.

**Interest of Informed Persons in Material Transactions**

No Director, executive officer of the Corporation, nominee for election as director, nor any known associate or affiliate of such persons, have had a material interest, direct or indirect, of or in any transaction since the commencement of the last financial year and in any proposed transaction which has materially affected or would materially affect the Corporation.

**Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

To the knowledge of management of the Corporation, other than as disclosed below, no director nominee:

- (a) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that,
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

For purpose of the above, “order” means:

- (a) a cease trade order;
- (b) an order similar to a cease trade; or
- (c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.

No proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## **Management Contracts**

The management functions of the Corporation are not to any substantial degree performed by any person other than its directors and executive officers.

## **Additional Information**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation’s website at [www.saintjeancarbon.com](http://www.saintjeancarbon.com). Shareholders can request copies of the Corporation’s financial statements and management’s discussion & analysis by e-mailing [info@saintjeancarbon.com](mailto:info@saintjeancarbon.com) or by requesting a copy from Saint Jean Carbon Inc. at Bankers Hall West, 1000, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. The Corporation’s financial information is provided in the Corporation’s comparative, consolidated financial statements and management’s discussion

& analysis for its most recently completed financial year, which are available on SEDAR and the Corporation's website.

## **PART V – CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and take into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), the Corporation is required to disclose its corporate governance practices as summarized below.

### **Board of Directors**

The Corporation's Board is to be comprised of six (6) directors, three of whom will be independent. Messrs. Madill, MacIntyre and da Rin are independent directors of the Corporation.

Mr. Ogilvie, Chairman and Chief Executive Officer and, Mr. Pfaffenberger, President are current members of management of the Corporation and Mr. Snyder is past-Chairman of the Corporation and, as a result, are not independent directors.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the board of directors, reasonably interfere with the exercise of a director's independent judgment. The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. The Board facilitates independent supervision of management through meetings of the Board and through informal discussions among independent members of the Board and management. In addition, the members of the Board have free access to the Corporation's external auditors, legal counsel and to any of the Corporation's officers.

### **Directorships**

The following director of the Corporation is presently a director of other reporting issuers:

| <u>Name of Director</u>  | <u>Name of Other Issuer</u> |
|--------------------------|-----------------------------|
| William E. Pfaffenberger | Silver Grail Resources Ltd. |

### **Orientation and Continuing Education**

The Corporation has not implemented a formal orientation and continuing education program. At present, new directors are given an outline of the nature of the Corporation's business, its corporate strategy and current issues with the Corporation. New directors are also expected to meet with management of the Corporation to discuss and better understand the Corporation's business and will be advised by counsel to the Corporation of their legal obligations as directors of the Corporation.

The introduction and education process will be reviewed on an annual basis by the Board and will be revised as necessary.

## **Ethical Business Conduct**

The Board has considered adopting a written code of business conduct and ethics and has decided it is unnecessary to adopt such a code at the present time due to the size of the Corporation and the current activity level of the Corporation.

The Board is of the view that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest has been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

## **Nomination of Directors and Compensation**

The Board is responsible for the development and implementation of principles and systems for the management of corporate governance and identifying qualified candidates and recommending nominees for director and board committee appointments. The committee is also responsible for reviewing all compensation strategy, objectives and policies; annually reviewing and assessing the performance of the executive officers; determining the compensation of executive officers and reviewing executive appointments. No compensation is paid to directors of the Corporation in their capacity as directors however, directors are eligible for grants of Options.

## **Other Board of Directors Committees**

The Corporation has no standing committees at this time other than the Compensation Committee as discussed above and the Audit Committee as discussed below.

## **Assessments**

The Board has not implemented a process for assessing its effectiveness. As a result of the Corporation's size, its stage of development and the limited number of individuals on the Board, the Board consider a formal assessment process to be inappropriate at this time. The Board plan to continue evaluating its own effectiveness on an ad hoc basis.

The Board do not formally assess the performance or contribution of individual Board members or committee members.

## **PART VI - AUDIT COMMITTEE**

### **Composition of the Audit Committee**

The directors of the Corporation have established the Audit Committee consisting of Messrs. Snyder, Madill and da Rin, all of whom are "financially literate" for the purposes of the Multilateral Instrument 52-110 - *Audit Committees* ("MI 52-110"). Mr. Snyder is the Chair of the Audit committee and is not independent. The Corporation is relying on the exemption in Section 6.1 of MI 52-110 exempting it from the requirements of Part 3 (*Composition of the Audit Committee*) to allow the Audit Committee to include members who are not independent.

The Audit Committee is responsible for, and assists the Board in fulfilling its responsibility for: (i) the oversight and supervision of the audit of financial statements of the Corporation; (ii) the management of the relationship with the auditor of the Corporation; (iii) meeting with the auditor as required in

connection with the audit services provided by the auditor; (iv) the oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation; (v) the oversight and supervision of the adequacy of the Corporation’s internal accounting controls and procedures; and (vi) the oversight and supervision of the quality and integrity of the Corporation’s financial statements.

### **Audit Committee Charter**

The full text of the audit committee charter is included in Schedule “B” of this Information Circular.

### **Education and Experience**

Each member of the Audit Committee has adequate education and experience that will be relevant to his performance as an Audit Committee member and, in particular, the requisite education and experience that have provided members with:

- (a) an understanding of the accounting principles used to prepare the Corporation’s financial statements;
- (b) the ability to assess the general application of the above-noted principles in connection with estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements; and
- (d) an understanding of internal controls and procedures for financial reporting.

The following are brief descriptions of the current members of the Audit Committee:

| <b>Name of Audit Committee Member</b> | <b>Independent</b> | <b>Financially Literate</b> | <b>Relevant Education and Experience</b>   |
|---------------------------------------|--------------------|-----------------------------|--|
| Donald G. Snyder,                     | No                 | Yes                         | Member of the Corporation’s audit committee since March 2004; prior thereto, member of the audit committee of Tael Capital Inc. (predecessor capital pool company to the Corporation) and CanAsia Financial Inc. from 2008 to May, 2011. |
| David W. Madill                       | Yes                | Yes                         | Member of the Corporation’s audit committee since September 2006; prior thereto a member of audit committee of Molycor Gold Corporation and Cancana Resources Corp.  |
| David da Rin, MBA                     | Yes                | Yes                         | Member of the Corporation’s audit committee since June 2015  |

### **Pre-Approval Policies and Procedures**

The Audit Committee reviews and pre-approves any engagement for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees and considers the impact on the independence of the external auditor. No formal policies or procedures have been adopted.



## External Auditor Service Fees (by Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by Twigg & Company during fiscal years 2016 and 2015:

|   | 2016     | 2015     |
|---|----------|----------|
| <b>Audit Fees<sup>(1)</sup></b>         | \$21,200 | \$17,500 |
| <b>Audit-Related Fees<sup>(2)</sup></b> | \$ 500   | 500      |
| <b>Tax Fees<sup>(3)</sup></b>           | Nil      | Nil      |
| <b>All Other Fees</b>                   | Nil      | Nil      |
| <b>Total</b>                            | \$21,700 | \$18,000 |

### Notes:

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as audit fees.
- (3) Tax fees consist of fees for tax compliance services, tax advice and tax planning.

## Reliance on Certain Exemptions

At no time during the year ended October 31, 2016 has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

The Corporation is relying on the exemption in Section 6.1 of MI 52-110 exempting it from the requirements of Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

## Approval

The contents and sending of this Information Circular has been approved by the Board of Directors of the Corporation.

(signed) "Paul A. Ogilvie"

Paul A. Ogilvie  
Chairman & Chief Executive Officer

January 27, 2017

## SCHEDULE "A"

### SAINT JEAN CARBON INC. STOCK OPTION PLAN

#### 1. Purpose

The purpose of the Stock Option Plan (the "**Plan**") of SAINT JEAN CARBON INC., a corporation amalgamated under the *Business Corporations Act* (Alberta) (the "**Corporation**") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants, and other eligible service providers of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the "**Shares**"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

#### 2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a special committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

#### 3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

#### 4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of Shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

## **5. Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

## **6. Eligibility and Participation**

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as “Participants”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

## **7. Exercise Price**

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

## **8. Number of Optioned Shares**

- (a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.
- (b) No single Participant may be granted options to purchase a number of Shares equalling more than 5% of the issued common shares of the Corporation in any one in any twelve month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.

- (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to any one consultant of the Corporation (or any of its subsidiaries).
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to employees of the Corporation (or of any of its subsidiaries) conducting investor relation activities. Options granted to persons performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the options vesting in any 3 month period.

## **9. Duration of Option**

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange (“TSXV”) the maximum term may not exceed 10 years if the Corporation is classified as a “Tier 1” issuer by the TSXV, and the maximum term may not exceed 5 years if the Corporation is classified as a “Tier 2” issuer by the TSXV.

## **10. Option Period, Consideration and Payment**

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

## **11. Ceasing To Be a Director, Officer, Consultant or Employee**

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 180 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

## **12. Death of Participant**

In the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the Option at the date of his death.

## **13. Rights of Optionee**

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

## **14. Proceeds from Sale of Shares**

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

## **15. Adjustments**

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of Shares optioned and the exercise price per Share, as regards previously granted and unexercised options or portions thereof, and as regards options which may be granted subsequent to any such change in the Corporation's capital.

Upon the liquidation or dissolution of the Corporation or upon a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than eighty (80%) percent of the then outstanding common shares of the Corporation to another corporation, the Plan shall terminate, and any options theretofore granted hereunder shall terminate unless provision is made in writing

in connection with such transaction for the continuance of the Plan and for the assumption of options theretofore granted, or the substitution for such options of new options covering the shares of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to number and kind of shares and exercise prices, in which event the Plan and options theretofore granted shall continue in the manner and upon the terms so provided. If the Plan and unexercised options shall terminate pursuant to the foregoing sentence, the Shares subject to all options granted shall immediately vest and all Participants then entitled to exercise an unexercised portion of options then outstanding shall have the right at such time immediately prior to consummation of the event which results in the termination of the Plan as the Corporation shall designate, to exercise their options to the full extent not theretofore exercised.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

#### **16. Transferability**

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

#### **17. Amendment and Termination of Plan**

Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall alter the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

#### **18. Necessary Approvals**

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

#### **19. Effective Date of Plan**

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

#### **20. Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

## **SCHEDULE “B”**

### **SAINT JEAN CARBON INC. AUDIT COMMITTEE CHARTER**

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Saint Jean Carbon Inc. (“**Corporation**”) shall have the oversight responsibility, authority and specific duties as described below.

#### **1. Composition, Independence and Compensation**

The Committee shall be comprised of three or more directors as determined by the Board, of which at least two shall be “independent” as determined by applicable regulatory requirements.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.

Members of the Committee shall be appointed by the Board and shall serve until their successors are duly appointed. The Chair of the Committee may be designated by the members of the Committee.

#### **2. Responsibility**

The Committee’s primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of the annual and quarterly financial statements to be provided to shareholders and regulatory bodies; (ii) the Corporation’s compliance with accounting and finance based legal and regulatory requirements; (iii) the independent auditor’s qualifications and independence; (iv) the system of internal accounting and financial reporting controls that management has established; and, (v) performance of the internal and external audit process and the independent auditor.

The Committee shall also prepare such reports as are required to be prepared by it by applicable securities law. In addition, the Committee provides an avenue for communication between each of the internal audits, the independent auditors, financial and senior management and the Board. The Committee shall have a clear understanding with the independent auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditors is to the Committee, as representatives of the shareholders. The Committee shall make regular reports to the Board concerning its activities. The Committee, in its capacity as a committee of the Board, subject to shareholder approval requirements, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors.

The Committee shall make regular reports to the Board concerning its activities.

#### **3. Meetings**

The Committee shall meet at least four times annually and as many additional times as the Committee deems necessary to carry out its duties effectively. The Committee shall meet in separate sessions with management, the senior internal audit executive of the Corporation and the independent auditors at each regularly scheduled meeting.

#### 4. Specific Duties

To carry out its oversight responsibilities, the Committee shall:

(a) Audit Specific Duties

(i) Auditor Qualifications and Selection

- (A) Subject to applicable law requiring shareholder approval of auditors, be solely responsible for selecting, retaining, compensating, overseeing and, where necessary, terminating the independent auditors, who shall be registered with the Canadian Public Accountability Board. The independent auditor shall be required to report directly to the Committee. The Committee shall be entitled to adequate funding from the Corporation for the purpose of compensating the independent auditor for completing an audit and audit report.
- (B) Evaluate the independent auditor's qualifications, performance and independence. As part of that evaluation, at least annually obtain and review a report by the independent auditor describing: the firm's (auditor's) internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Corporation; and ensure that the independent auditors do not provide non-audit services that would disqualify them as independent under applicable regulations.
- (C) Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor; if required by regulatory requirements applicable to the Corporation, ensure that the lead audit partner of the independent auditor is replaced periodically; recommend to the Board guidelines for the Corporation's hiring of senior employees and former employees of the independent auditor who were engaged on the Corporation's account.

(ii) Audit Process

- (A) Pre-approve all auditing services; subject to applicable securities laws, pre-approve the retention of the independent auditor for any significant non-audit services permitted under applicable securities law and the fee for such services. All pre-approvals of such non-audit services shall be disclosed as required by applicable securities law. The Committee may delegate to one or more of its members the authority to grant pre-approvals required hereunder provided that any pre-approvals so granted are presented in writing to the Committee at the next regularly scheduled meeting.



- (B) Meet with the independent auditor prior to the audit to review the scope and general extent of the independent auditor’s annual audit including the planning and staffing of the audit. This review should include an explanation from the independent auditors of the factors considered by the auditors in determining their audit scope, including the major risk factors.
- (C) Require the independent auditor to provide a timely report setting forth (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) all alternative treatments of financial information within International Financial Reporting Standards (“IFRS”) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and, (iii) other material written communications between the independent auditor and management.
- (D) Upon completion of the annual audit, review the following with management and the independent auditors:
  - 1) The annual financial statements including related footnotes and the Corporation’s MD&A.
  - 2) The significant accounting judgements and reporting principles, practices and procedures applied by the Corporation in preparing its financial statements including any newly adopted accounting policies and the reasons for their adoption.
  - 3) The results of the audit of the financial statements and the related audit report thereon. The independent auditors should confirm to the Committee that no limitations were placed on the scope or nature of their audit procedures.
  - 4) Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit, including any problems or disagreements with management which, if not satisfactorily resolved, would have caused the independent auditors to issue a non-standard report on the Corporation’s financial statements.
  - 5) The co-operation received by the independent auditors during their audit, including access to all requested records, data and information.
  - 6) Any other matters not described above that are required to be communicated by the independent auditors to the Committee pursuant to Auditing Standards.
- (E) Generally, as part of the review of the annual financial statements, receive an oral report(s), at least annually, concerning legal and regulatory matters that may have a material impact on the financial statements. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures.

(b) Ongoing Duties

- (i) Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
- (ii) Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditor, or the performance of the internal audit function.
- (iii) Discuss the types of information that it is appropriate for the Corporation to disclose in earnings press releases or other earnings guidance. Review with management and the Corporation's independent auditors all quarterly financial statements and MD&A prior to the filing of such reports with the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including the results of the independent auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, and any disagreements between the independent auditors and management. The Chair of the Committee may represent the entire Committee for purposes of this review.
- (iv) The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.
- (v) Perform any other activities consistent with this Charter, the Corporation's By-Laws and applicable law, as the Committee or the Board deems necessary or appropriate.

(c) Internal Control Supervision Duties

- (i) Review with the Corporation's management, internal audit and the independent auditors the Corporation's internal accounting and financial reporting controls, any significant deficiencies in them and any proposed major changes to them.
- (ii) Review the performance of internal audit, the scope of internal audit's work plan for the year and receive a summary report of major findings by internal audit and management's action plan.
- (iii) Review with management, the Chief Financial Officer, internal audit and the independent auditors the methods used to establish and monitor the Corporation's policies with respect to unethical or illegal activities by Corporation employees that may have a material impact on the financial statements.
- (iv) Meet with management, internal audit and the independent auditors to discuss any relevant significant recommendations that the independent auditors may have, particularly those characterized as "material" or "serious".
- (v) Review the appointment of the senior internal audit executive.

- (vi) Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
  - (vii) Review with management and the independent auditor any off-balance sheet financing mechanisms, transactions or obligations of the Corporation.
  - (viii) Review with management and the independent auditor any related party transactions.
  - (ix) Establish, implement and, as necessary, revise the procedures for (i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting and financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
  - (x) Review with the independent auditors the quality of the Corporation's accounting personnel; review with management the responsiveness of the independent auditors to the Corporation's needs.
- (d) Regulatory Compliance Duties
- (i) Prepare such letters or reports as are required to be prepared by the Committee pursuant to applicable securities law.

