

MANAGEMENT PROXY CIRCULAR SOLICITATION OF PROXIES BY MANAGEMENT

This Management Proxy Circular is furnished in connection with the solicitation by the management of KWG Resources Inc. (the “Corporation”) of proxies to be used at the Annual and Special Meeting of shareholders and any adjournment thereof (the “Meeting”) of the Corporation to be held at the time and place and for the purposes set forth in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Corporation may also solicit proxies by telephone, facsimile, e-mail or in person. The total cost of the solicitation of proxies will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors and officers of the Corporation. A shareholder has the right to appoint as his or her proxy a person, who need not be a shareholder, other than those whose names are printed on the accompanying form of proxy. **A shareholder who wishes to appoint some other person to represent him or her at the Meeting may do so either by inserting such other person’s name in the blank space provided in the enclosed form of proxy and signing the form of proxy or by completing and signing another proper form of proxy.**

To be valid, the Proxy Form must be received by Computershare not later than 5:00 p.m. (Toronto time) on June 22, 2012, or at least 48 hours (excluding Saturdays, Sundays and holidays) before the date of the Meeting in the case of any adjournment or postponement thereof.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a company, under its corporate seal or by an officer or attorney thereof duly authorized. The revocation of a proxy, in order to be acted upon, must be deposited with Computershare Investor Services Inc. (Attention: Proxy Department), 700 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 prior to 5:00 p.m. on the second to last business day immediately preceding the Meeting or with the Secretary of the Corporation before the commencement of the Meeting or at any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy, in the absence of any direction to the contrary, will be voted: (i) for the election of directors; (ii) for the appointment of auditors; and (iii) for the re-approval of the Stock Option Plan (as defined herein all as further described in this Management Proxy Circular. Instructions with respect to voting will be respected by the persons designated in the enclosed form of proxy. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting, such shares will be voted by the persons so designated in their discretion. As of the date of this Management Proxy Circular, management of the Corporation knows of no such amendments, variations or other matters.

NON-REGISTERED SHAREHOLDERS

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a person (a “**Non-Registered Holder**”) are registered either: (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the shares, such as securities dealers or brokers, banks, trust companies, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSA’s and similar plans; or (ii) in the name of a clearing agency of which the Intermediary is a participant. In accordance with National Instrument 54-101 of the Canadian Securities Administrators, entitled “Communication with Beneficial Owners of Securities of a Reporting Issuer”, the Corporation has distributed copies of the Notice of Meeting and this Management Proxy Circular (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders, and often use a service company for this purpose. Non-Registered Holders will either:

- (a) typically, be provided with a computerized form (often called a “voting instruction form”) which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow. In order for the applicable computerized form to validly constitute a voting

instruction form, the Non-Registered Holder must properly complete and sign the form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or service company. In certain cases, the Non-Registered Holder may provide such voting instructions to the Intermediary or its service company through the Internet or through a toll-free telephone number; or

- (b) less commonly, be given a proxy form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the proxy form and submit it to Computershare Investor Services Inc. (Attention: Proxy Department), 700 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own.

Should a Non-Registered Holder who receives a voting instruction form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should print his or her own name, or that of such other person, on the voting instruction form and return it to the Intermediary or its service company. Should a Non-Registered Holder who receives a proxy form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons set out in the proxy form and insert the name of the Non-Registered Holder or such other person in the blank space provided and submit it to Computershare Investor Services Inc. at the address set out above.

In all cases, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when, where and by what means the voting instruction form or proxy form must be delivered.

A Non-Registered Holder may revoke voting instructions which have been given to an Intermediary at any time by written notice to the Intermediary.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year or any associate or affiliate of any such director, executive officer or proposed nominee has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The directors of the Corporation have fixed May 25, 2012 (the "**Record Date**"), at the close of business, as the record date for the determination of the shareholders entitled to receive notice of the Meeting and to vote thereat. All holders of at least one common share of the Corporation (a "**Common Share**") as of that date will have the right to vote at the Meeting, except to the extent that a person has transferred any of his Common Shares after such record date and the transferee of those shares (i) produces properly endorsed share certificates, or (ii) otherwise establishes that he owns the shares and demands, no later than ten days before the Meeting, that his name be included in the list prepared by the transfer agent before the Meeting, in which case the transferee will be entitled to vote at the Meeting.

As of May 25, 2012, 671,518,941 Common Shares were outstanding, each giving the right to one vote at the Meeting. To the knowledge of the directors and officers of the Corporation, the only persons, firms or corporations who own, as of the Record Date, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation, are as follows:

Shareholder Name	Number of Common Shares	Percentage of Issued Shares
Cliffs Greene B.V.	111,733,215	16.63%

ELECTION OF DIRECTORS

The board of directors of the Corporation (the "**Board**") proposes to nominate the five persons named below for election as directors of the Corporation, all of whom are current directors of the Corporation. Unless otherwise directed, it is the intention of management nominees to vote proxies in the accompanying form of proxy for these six nominees. Each director will hold office until the next annual meeting of shareholders or until the election of his successor, unless he resigns or his office becomes vacant by removal, death or other cause or is replaced in accordance with the by-laws of the Corporation.

The following table sets out the name of each of the persons proposed to be nominated for election as director, all other positions and offices with the Corporation now held by such person, his municipality of residence and principal occupation, the year in which such person became a director of the Corporation, and the number of Common Shares that such person has advised are beneficially owned, controlled or directed, directly or indirectly, by such person as at the date indicated below. The information as to residence, principal occupation and number of shares beneficially owned, or controlled or directed, directly or indirectly, by the nominees was provided by the respective nominees.

Name, Position with the Corporation and Province/State of Residence	Principal Occupation	Date Became a Director of the Corporation	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly
FRANK C. SMEENK ⁽¹⁾ President, Chief Executive Officer and Director <i>Ontario, Canada</i>	President and Chief Executive Officer of the Corporation	April 14, 1998	8,447,500 of which 1,010,000 are held indirectly
DOUGLAS M. FLETT ⁽¹⁾⁽²⁾ Director <i>Ontario, Canada</i>	Treasurer and general counsel of <i>Fletcher Nickel Inc.</i> , a public junior mining company	January 25, 2006	800,000 of which 452,000 are held indirectly
RENÉ GALIPEAU ⁽²⁾⁽³⁾ Director <i>Ontario, Canada</i>	Vice-Chairman and Chief Executive Officer of <i>Nuinsco Resources Limited</i> , a public mineral exploration and development company and <i>Victory Nickel Inc.</i> a public nickel exploration and development company	March 30, 2010	428,423
CYNTHIA THOMAS ⁽¹⁾⁽³⁾ Director <i>Illinois, USA</i>	Self-employed financial advisor, since 2000	May 21, 2010	None
THOMAS PLADSEN ⁽²⁾ Director <i>Ontario, Canada</i>	Chief Financial Officer of Atacama Pacific Gold Corporation, a public gold exploration and development company since September 2010. Prior to that, private businessman from July 2009 to August 2010, and Chief Executive Officer of Andina Minerals Inc., a public gold exploration and development company from January 2005 to July 2009	February 29, 2012	None

(1) Member of the Governance Committee

(2) Member of the Audit Committee

(3) Member of the Compensation Committee. . Currently the other member of the Compensation Committee is Bruce Reid who is not standing for re-election as a director of the Corporation.

Orders, Penalties and Bankruptcies

Except as mentioned further, to the knowledge of the Corporation, none of the foregoing nominees for election as a director:

- (a) is, as at the date of this Management Information Circular, or has been, within the last ten years, a director, or executive officer of any company that, while that person was acting in that capacity:
 - (i) was the subject of an order while the nominee 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 nominee 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; or
- (b) is, as at the date of this Management Information Circular or has been within the last ten years has been, a director or executive officer of any company 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 last ten years, 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 his assets.

Mr. *René Galipeau*, served as Senior Vice-President and CFO of HMZ Metals Inc. in 2005 when a cease trade order was issued halting trading by management and insiders of HMZ due to failure to file interim financial statements. The cease trade order was in effect until two days following the filing of financial statements for the three-month period ended June 30, 2005, which statements were filed on October 19, 2005. Subsequent to resigning from his position at HMZ Metals Inc., Mr. Galipeau was subject to a management cease trade order in connection with the failure of HMZ Metals Inc. to file annual financial statements for the year ended December 31, 2005, which statements were filed on December 21, 2007.

To the knowledge of the Corporation, none of the foregoing nominees for election as 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.

Except where authority to vote on the election of directors is withheld, it is the intention of management nominees to vote FOR the election of the nominees whose names are here above set forth.

Management is not presently aware that any of the nominees will be unwilling to serve as a director if elected but in the event that, prior to the Meeting, any vacancies occur in the slate of nominees submitted herewith, the enclosed form of proxy confers discretionary authority upon the persons named therein to vote for the election of any other eligible person designated by the Board, unless instructions have been given to refrain from voting with respect to the election of directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis (“**CD&A**”) is to provide information about the Corporation’s executive compensation objectives and processes and to discuss compensation decisions relating to the Corporation’s senior officers, being the two identified named executive officers (the “**NEOs**”) for the year ended December 31, 2011. The NEOs who are the focus of the CD&A and who appear in the compensation tables of this Management Proxy Circular are: Frank C. Smeenk, President and Chief Executive Officer (“**CEO**”) of the Corporation and Thomas E. Masters, the Chief Financial Officer (“**CFO**”) of the Corporation. In addition, since Mr. Masters became CFO in September 2009, certain information relating to compensation prior to the year ended December 31, 2010 is provided for each of Mr. Leonard Teoli who was CFO from May 2009 to September 2009 and Mr. Martin Nicolletti who was CFO prior to May 2009.

Compensation Committee

In order to assist the Board in fulfilling its oversight responsibilities with respect to human resources matters, the Board has established the compensation committee (the “**Compensation Committee**”). The Compensation Committee is comprised of three directors, namely Bruce Reid, and Cynthia Thomas and René Galipeau. Bruce Reid is not standing for re-election. All of the current Compensation Committee members are independent within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

The Compensation Committee’s purpose is to: (i) establish the objectives that will govern the Corporation’s compensation program; (ii) oversee and approve the compensation and benefits paid to the CEO and other senior officers; (iii) recommend to the Board for approval executive compensation; (iv) oversee the Stock Option Plan (as defined herein); and (v) promote the clear and complete disclosure to shareholders of material information regarding executive compensation.

Compensation Process

The Compensation Committee relies on the knowledge and experience of its members and the recommendations of the CEO to set appropriate levels of compensation for senior officers. Neither the Corporation nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant.

The Compensation Committee reviews and makes determinations with respect to senior officer compensation on an annual basis. When determining senior officer compensation, the Compensation Committee evaluates the CEO's achievements during the preceding year and reviews the performance of other senior officers (as evaluated by the CEO based on their achievements during the preceding year).

The Compensation Committee uses all the data available to it to ensure that the Corporation is maintaining a level of compensation that is both commensurate with the size and activities of the Corporation and sufficient to retain key personnel.

In reviewing comparative data, the Compensation Committee refers to public information on executive compensation but does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level. In the Compensation Committee's view, external data provides insight into external competitiveness, but it is not an appropriate single basis for establishing compensation levels for the Corporation. External data is considered, along with an assessment of individual performance and experience, the Corporation's business strategy, and general economic considerations.

The Compensation Committee reviews the elements of the NEO's compensation in the context of the total compensation package (including base salary, long-term equity incentive awards, including prior awards under the Stock Option Plan) and recommends the NEOs' compensation packages. The Compensation Committee's recommendations regarding NEO compensation are presented to the independent members of the Board for their consideration and approval.

From time to time the Board grants stock options. The Board determines the particulars with respect of all options granted to senior officers and takes into account the previous grants. The exercise price of each option awarded under the Stock Option Plan is generally the closing price of the Common Shares on the day preceding the grant.

Compensation Program

Principles/Objectives of the Compensation Program

The primary goal of the Corporation's executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Corporation's senior officers is determined with regard to the Corporation's business strategy and objectives, such that the financial interests of the senior officers are matched with the financial interests of the shareholders.

Compensation Program Design and Analysis of Compensation Decisions

Standard compensation arrangements for the Corporation's senior officers are composed of the following elements, which are linked to the Corporation's compensation and corporate objectives as follows:

Compensation Element	Link to Compensation Objectives	Link to Corporate Objectives
Base Salary or Consultant Fees	Attract and Retain Reward	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives. Yearly review based on NEO performance.
Stock options	Motivate and Reward Align interests with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.

The Corporation is an exploratory stage mining company and will not be generating revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Compensation Committee to be appropriate in the evaluation of corporate or NEO performance. The compensation of the senior officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as achievement of the Corporation's business plans. In addition to the above compensation elements, the Compensation Committee is empowered to grant cash bonuses to senior officers in order to reward exceptional performance.

Base Salaries and Consultant Fees

The Corporation provides NEOs with base salaries and/or consulting fees which represent their minimum compensation for services rendered during the fiscal year. NEOs' base salaries depend on the scope of their experience, responsibilities,

leadership skills, and performance. Base salaries and consulting fees are reviewed annually by the Compensation Committee. A description of the material terms of the CEO’s employment contract is provided under “Termination and Change of Control Benefits”. In addition to the above factors, decisions regarding salary increases are impacted by each NEO’s current salary, general industry trends and practices, competitiveness, and the Corporation’s existing financial resources.

Stock Options

The grant of options (“Options”) to purchase Common Shares pursuant to the Corporation’s Rolling Share Option Plan (the “Stock Option Plan”) is an integral component of the compensation packages of the senior officers of the Corporation. The Compensation Committee believes that the grant of Options to senior officers and Common Share ownership by such officers serves to motivate and reward such officers to increase shareholder value by the achievement of the Corporation’s long-term corporate strategies and objectives, thereby aligning such officers’ interests with that of shareholders. Options are awarded by the Board based upon the recommendation of the Compensation Committee, which bases its decisions upon the level of responsibility and contribution of the individuals toward the Corporation’s goal and objectives. The Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size of such grants. The Compensation Committee’s decisions with respect to the granting of Options are reviewed by the Board and are subject to its final approval.

Summary Compensation Table

The following table summarizes the compensation earned by each NEO for services rendered in all capacities during the periods indicated below.

Name and principal position	Fiscal period	Salary/ Fees (\$)	Option-based awards (\$) ⁽⁵⁾	Non equity incentive plan compensation (\$)	All other Compensation (\$)	Total compensation (\$)
Frank C. Smeenk President and Chief Executive Officer	2011	240,000	Nil	400,000	Nil	640,000
	2010	228,000	339,000	100,000	1,200	668,200
	2009	148,000	14,820	250,000	137,500 ⁽¹⁾	550,320
Thomas E. Masters ⁽²⁾ Chief Financial Officer	2011	168,531	Nil	50,000	Nil	218,531
	2010	152,998	125,700	Nil	Nil	278,698
	2009	39,194	22,800	Nil	Nil	61,994
Leonard Teoli ⁽³⁾ Chief Financial Officer	2009	87,317	4,275	Nil	17,400	108,992
Martin Nicoletti ⁽⁴⁾ Chief Financial Officer	2009	28,670	Nil	Nil	35,000	63,670
	2008	66,950	6,800	Nil	Nil	73,750

- (1) Includes director fees of \$12,500 and a retention bonus of \$125,000 (See “Termination and Change of Control Benefits” below).
- (2) Mr. Masters was appointed Chief Financial Officer on September 1, 2009. Mr. Masters is paid a minimum of \$5,000 per month. Mr. Masters is a partner of Palmer Reed, an accounting firm which provides accounting services to the Corporation.
- (3) Mr. Teoli was Chief Financial Officer from May 1 to August 31, 2009. His salary includes an amount of \$14,000 paid by the Corporation’s subsidiary Debut Diamond Inc., and the amount of other compensation, \$2,400 of director fees and a retention bonus of \$15,000.
- (4) Mr. Nicoletti resigned as Chief Financial Officer as of May 1, 2009. The consulting fees were paid to a private company controlled by Mr. Nicoletti and included accounting services. The amount of all other compensation includes a retention bonus of \$15,000 and a severance indemnity of \$20,000.
- (5) Represents the aggregate fair value on the dates of grant of the options under the Stock Option Plan. The grant date fair value has been calculated using the Black Scholes model as shown in the consolidated financial statements of the Corporation for the years ended December 31, 2011, 2010 and 2009, as applicable. The key assumptions and estimates used for the calculation of the grant date fair value include:

Year	Risk-free interest rate	Volatility	Expected life
2011	Not applicable	n/a	n/a
2010	1.14%	100%	5 years
2010	1.37%	100%	5 years
2009	0,67%	100%	5 years

Analysis of Compensation Decisions

Standard compensation arrangements for the Corporation’s senior officers are composed of base salary or consulting fees and stock options. In addition to the above compensation elements, the Compensation Committee is empowered to grant cash bonuses to senior officers in order to reward exceptional performance. In 2010, the Compensation Committee recommended the payment of a \$100,000 bonus to the CEO for his continued contribution to the development of the Corporation including capital raising, negotiating the acquisition of a 1% net smelter royalty (“NSR”) on the Black Thor, Black Label and Big Daddy chromite deposits for \$2.6 million and responding to the takeover bid from Cliffs Natural Resources. In 2011, the Compensation Committee recommended the payment of a \$400,000 bonus to the CEO for his negotiations of the sale of the NSR for \$18 million.

Outstanding option-based awards

The following table sets forth all awards granted to NEOs that remain outstanding as at December 31, 2011.

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options
Frank C. Smeenk	550,000	\$0.10	04-06-2012	Nil ⁽¹⁾
	330,000	\$0.10	14-09-2012	
	800,000	\$0.12	19-11-2012	
	495,500	\$0.10	26-02-2013	
	29,000	\$0.10	29-05-2013	
	100,000	\$0.10	10-10-2013	
	260,000	\$0.10	15-10-2014	
	3,000,000	\$0.125	06-05-2015	
Thomas E. Masters	400,000	\$0.10	15-10-2014	Nil ⁽¹⁾
	1,400,000	\$0.125	06-05-2015	
	500,000	\$0.10	21-12-2015	

(1) Based on the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2011 of \$0.085.

For details of the Stock Option Plan please refer to “Other Business to be Considered at the Meeting - Re-Approval of the Stock Option Plan”.

Incentive plan awards – value vested or earned during the year

The following table provides details regarding outstanding option-based awards relating to the NEOs which vested during the year ended December 31, 2011:

Name	Option-based awards - value vested during the year	Share-based awards - value vested during the year	Non-equity incentive plan compensation - value earned during the year
Frank C. Smeenk	227,910	N/A	N/A
Thomas E. Masters	93,890	N/A	N/A

Termination and Change of Control Benefits

NEO Contract

On October 8, 2008, the Corporation entered into an employment agreement with Mr. Frank C. Smeenk (the “**Smeenk Agreement**”). The term of the Smeenk Agreement is automatically extended from year to year. The Corporation may terminate the Smeenk Agreement at any time without cause provided that the Corporation pays at the time of termination an amount equal to 1.5 times his then-current annual salary and 1.5 times his annual performance bonus most recently paid. In the event Mr. Smeenk dies or becomes incapacitated, a payment of 12 months salary shall be paid to his wife or his estate. In the event of a change of control of the Corporation and the employment of Mr. Smeenk is terminated within the period of three (3) years following the date of the change of control (“**Involuntary Termination**”), the Corporation shall pay to Mr. Smeenk an amount equivalent to three (3) times the then-current annual salary and three (3) times the annual bonus most

recently paid. In addition, Mr. Smeenk will be allowed to exercise all stock options granted to him which had not previously been exercised, including options not otherwise exercisable or, at his election, receive from the Corporation an amount equal to the positive difference, if any, between the market price (as defined in the *Securities Act* (Ontario)) of the shares on the date of the Involuntary Termination and the average price at which Mr. Smeenk has the right to exercise the options or, he may elect to have the Corporation arrange for him to participate in the stock option plan or plans applicable to the Corporation's senior management for a further period of three (3) years from the date of the Involuntary Termination and to exercise all rights with respect to options granted under that plan or plans as if he were employed during this period. Within 10 days of a change of control of the Corporation, the Corporation shall pay to Mr. Smeenk a lump sum amount of \$125,000 as a retention bonus. The Smeenk Agreement defines change of control as, the occurrence of any of the following events after October 8, 2008: (i) any change in the holding, direct or indirect, of shares of the Corporation which would result in persons or a group of persons acquiring a position to exercise effective control of the Corporation (including any holdings of shares entitling the holders to cast 20% or more of the votes attaching to the Common Shares), (ii) the members of the Board, as at October 8, 2008, ceasing to constitute a majority of the Board within any 12 month period, or (iii) a sale of 50% of the assets of the business to a person who is not affiliated with the Corporation. In December 2010, the Smeenk Agreement was reviewed by the Compensation Committee following which Mr. Smeenk's annual salary was increased to \$240,000 for 2011 with all other terms and conditions of the Smeenk Agreement remaining the same.

Other Change of Control Commitments

On November 18, 2005, the Board approved a resolution which was reconfirmed and reapproved in October 2008 providing for lump sum payments to certain directors and officers of the Corporation, including a payment of \$125,000 to the CEO, on the occurrence of a merger, take-over or change of control of the Corporation, as defined by the Board. See "Summary Compensation Table".

The following tables provide estimates of the incremental amounts that would have been payable to NEOs assuming termination and/or change of control events occurred on December 31, 2011.

**Estimated Incremental Payments as of December 31, 2011
Termination without Cause**

Name	Salary and Bonus
Frank C. Smeenk	\$960,000
Total	\$960,000

**Estimated Incremental Payments as of December 31, 2011
Death or Permanent disability**

Name	Salary
Frank C. Smeenk	\$240,000
Total	\$240,000

**Estimated Incremental Payments as of December 31, 2011
Change of Control**

Name	Lump sum
Frank C. Smeenk	\$125,000

**Estimated Incremental Payments as of December 31, 2011
Termination without Cause Following a Change of Control**

Name	Salary and bonus
Frank C. Smeenk	\$1,920,000
Thomas E. Masters	-
Total	\$1,920,000

- (1) Under the Smeenk Agreement, all options granted to Mr. Smeenk will vest in the event of termination without cause following a change of control.
- (2) Mr. Masters does not have a contract or agreement with the Corporation that provides for payment to him of any amounts following or in connection with any termination, change of control or otherwise. However, under the Stock Option Plan, Mr. Masters would be entitled to exercise all outstanding Options granted to him (vested or unvested) within 90 days of a sale of all or substantially all of the assets of the Corporation.

DIRECTORS' COMPENSATION

The Compensation Committee is responsible for developing the directors' compensation plan which is approved by the Board. The objectives of the directors' compensation plan are to compensate the directors in a manner that is cost effective for the Corporation and competitive with other comparable companies and to align the interests of the directors with the shareholders.

Fees

Each director who is not an officer or employee of the Corporation receives a monthly retainer of \$1,000.

Summary Compensation Table

The following table summarizes the compensation paid and options granted in 2011 to the directors of the Corporation other than the CEO.

Name	Fees earned (\$)	Option-based awards (\$) ⁽¹⁾	All other compensation (\$)	Total (\$)
Douglas M. Flett	\$12,000	Nil	Nil	\$12,000
Bruce Reid	\$12,000	Nil	Nil	\$12,000
René Galipeau	\$59,500	\$81,000	Nil	\$140,500
Cynthia Thomas	\$12,000	\$81,000	Nil	\$93,000
Michael S. Harrington ⁽²⁾	\$12,000	Nil	Nil	\$12,000
Mousseau Tremblay ⁽³⁾	\$12,000	Nil	Nil	\$12,000

- (1) Represents the aggregate fair value on the dates of grant of the options under the Corporation's Stock Option Plan. The grant date fair value has been calculated using the Black Scholes model as shown in the consolidated financial statements of the Corporation for the year ended December 31, 2011. The key assumptions and estimates used for the calculation of the grant date fair value include: risk-free interest rate of 1.3%; expected volatility of 164.85%; expected life of 5 years; and no dividend yield.
- (2) Mr. Harrington did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.
- (3) Mr. Tremblay did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.

Incentive plan awards – value vested during the year

Outstanding option-based awards

The following table sets forth all awards outstanding as at December 31, 2011 for each of the directors of the Corporation other than the CEO.

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options (\$ ⁽¹⁾)
Michael Harrington ⁽²⁾	370,000	\$0.10	04-06-2012	\$Nil
	240,000	\$0.10	14-09-2012	
	450,000	\$0.12	19-11-2012	
	342,900	\$0.10	26-02-2013	
	36,900	\$0.10	29-05-2013	
	100,000	\$0.10	10-10-2013	
	260,000	\$0.10	15-10-2014	
	1,500,000	\$0.125	06-05-2015	
Mousseau Tremblay ⁽³⁾	370,000	\$0.10	04-06-2012	\$Nil
	395,000	\$0.10	14-09-2012	
	450,000	\$0.12	19-11-2012	
	259,000	\$0.10	26-02-2013	
	29,000	\$0.10	29-05-2013	
	100,000	\$0.10	10-10-2013	
	260,000	\$0.10	15-10-2014	
	1,500,000	0.125	06-05-2015	
Douglas M. Flett	260,000	\$0.10	04-06-2012	\$Nil
	140,000	\$0.10	14-09-2012	
	350,000	\$0.12	19-11-2012	
	175,000	\$0.10	26-02-2013	
	185,000	\$0.10	15-10-2014	
	1,500,000	\$0.125	06-05-2015	
	500,000	\$0.10	21-12-2015	
Bruce Reid	685,000	\$0.10	15-10-2014	\$Nil
	1,500,000	\$0.125	06-05-2015	
	500,000	\$0.10	21-12-2015	
René Galipeau	1,500,000	\$0.125	06-05-2015	\$Nil
	500,000	\$0.10	21-12-2015	
	750,000	\$0.115	23-03-2016	
Cynthia Thomas	1,500,000	\$0.14	30-06-2015	\$Nil
	500,000	\$0.10	21-12-2015	
	750,000	\$0.115	23-03-16	

(1) Based on the closing price of the Common Shares on the TSX Venture on December 31, 2011 of \$0.085.

(2) Mr. Harrington did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.

(3) Mr. Tremblay did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.

Incentive plan awards – value vested during the year

The following table provides details regarding the outstanding option-based awards vested and exercisable by directors, other than Mr. Smeenk, during the year ended December 31, 2011.

Name	Option-based awards - value vested during the year	Non-equity incentive plan compensation - value earned during the year
Michael S. Harrington ⁽¹⁾	\$94,110	N/A
Mousseau Tremblay ⁽²⁾	\$94,110	N/A
Douglas M. Flett	\$27,825	N/A
Bruce Reid	\$106,223	N/A
René Galipeau	\$137,325	N/A
Cynthia Thomas	\$170,025	N/A

(1) Mr. Harrington did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.

(2) Mr. Tremblay did not stand for re-election as a director of the Corporation at the last shareholders' meeting held in February 2012.

Other

The Corporation does not have a policy that would prohibit executive officers or directors from purchasing financial instruments that are designed or would have the effect of hedging the value of equity securities granted to, or held by these individuals.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at December 31, 2011 with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance, the Stock Option Plan being the sole such compensation plan of the Corporation.

Plan category	Number of Common Shares to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	60,593,200	\$0.104	6,369,194 ⁽¹⁾
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	60,593,200	\$0.10	6,369,194 ⁽¹⁾

(1) On the basis of a maximum number of shares reserved of 66,962,394. See “Other Business to be Considered at the Meeting – Amendment to the Stock Option Plan” for a description of proposed changes to the Stock Option Plan, in the event the Capital Reorganization is completed.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No person who is, or who was within the 30 days prior to the date of the Circular, a director, executive officer, employee or any former director, executive officer or employee of the Corporation or a subsidiary thereof, and furthermore, no person who is a nominee for election as a director of the Corporation, and no associate of such persons is, or was as of the date of this Circular indebted to the Corporation or a subsidiary of the Corporation or indebted to any other entity where such indebtedness is subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary of the Corporation.

During the fiscal year ended December 31, 2011, none of the directors or executive officers of the Corporation, proposed nominees for election as a director, or any associate of the foregoing was indebted to the Corporation or any subsidiary of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein and in the audited financial statements of the Corporation for fiscal year ended December 31, 2011, which are accessible on SEDAR at www.sedar.com, the Corporation is not aware that any director, executive officer, employee or any former director, executive officer or employee of the Corporation or a subsidiary thereof, or any person who is a nominee for election as a director of the Corporation, or any associate of such persons, has had an interest in any material transaction carried out since the commencement of the last fiscal period of the Corporation and which has materially affected, or is likely to materially affect, the Corporation.

MANAGEMENT CONTRACTS

During the most recently completed financial year, no management functions of the Corporation were to any degree performed by a person or company other than the directors or executive officers (or the companies controlled by them, either directly or indirectly) of the Corporation.

APPOINTMENT OF AUDITORS

Unless otherwise directed, it is the intention of management nominees to vote proxies in the accompanying form of proxy FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation until the next annual meeting of shareholders and the authorization of the Board to fix their remuneration.

OTHER BUSINESS TO BE CONSIDERED AT THE MEETING

Re-Approval of the Stock Option Plan

The Corporation has established the Stock Option Plan to provide incentive compensation to the Corporation's directors, officers, employees and consultants. As of the date hereof, options to purchase an aggregate of 60,643,200 Common Shares are outstanding pursuant to the Stock Option Plan. The maximum number of Common Shares which may be reserved and set aside for issuance under the Stock Option Plan shall not exceed 10% of the aggregate number of Common Shares outstanding at such time. The maximum number of Common Shares which may be reserved for issuance to any one person, in any 12-month period, under the Stock Option Plan is 5% of the issued Common Shares at the time of the grant (on a non-diluted basis). Pursuant to the Stock Option Plan, the maximum number of Common Shares which may be reserved for issuance to any consultant in any 12-month period shall not exceed 2% of the Common Shares outstanding at the date of grant (on a non-diluted basis) and the maximum number of Common Shares that may be granted to persons employed to provide investor relations activities must not exceed 2% of the Common Shares outstanding at the date of grant (on a non-diluted basis) in any 12-month period. The exercise price of Common Shares in respect of which an option may be granted shall not be less than the "market price" (as such term is defined in the Stock Option Plan) of the Common Shares at the time the option is granted. Options granted under the Stock Option Plan are exercisable over a period not exceeding five years, unless earlier terminated in accordance with Stock Option Plan and vest in accordance with the provisions of the Stock Option Plan. All options granted under the Stock Option Plan are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of Common Shares issuable in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Corporation's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Corporation in respect of options granted thereunder. The Stock Option Plan was previously approved by the shareholders of the Corporation on February 29, 2011.

The Exchange requires that "rolling" stock option plans be approved by shareholders on an annual basis. Therefore, at the Meeting, shareholders of the Corporation entitled to vote on the matter will be asked to consider, and if thought advisable, pass an ordinary resolution re-approving the Stock Option Plan (the "Stock Option Plan Resolution"), the full text of which is set out below. In the event that the Stock Option Plan Resolution is not passed by the requisite number of votes cast at the Meeting, the Corporation will not have an operative stock option plan and therefore the Board will not be able to issue additional options unless and until such time as another stock option plan is created and approved, and may consequently have difficulty attracting and retaining high calibre personnel. However, whether or not the Stock Option Plan Resolution is approved, all options currently outstanding under the Stock Option Plan will remain in effect in accordance with their terms.

Resolution to Re-Approve the Stock Option Plan

The rules of the Exchange require that the Stock Option Plan Resolution receives the affirmative vote of a majority of the votes cast at the Meeting. The shareholders of the Corporation will be asked to pass the Stock Option Plan Resolution set out below.

"BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Rolling Share Option Plan of KWG Resources Inc. be approved; and
2. any one director or officer of KWG Resources Inc. be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing."

The Board is recommending that shareholders vote FOR the approval of the Stock Option Plan Resolution. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for the approval of the Stock Option Plan Resolution.

INFORMATION ON THE AUDIT COMMITTEE

Charter of the Audit Committee

The Charter of the Audit Committee is annexed to this circular as Schedule "A".

Composition of the Audit Committee

During the whole of 2011, the Audit Committee was composed of Douglas Flett, René Galipeau and Michael Harrington. Under Multilateral Instrument 52-110 Audit Committees, a director of an Audit Committee is "independent" if he or she has no direct or indirect material relationship with the issuer, that is, a relationship which could, in the view of the Board, reasonably be expected to interfere with the exercise of the member's independent judgment. Michael Harrington was not independent as he had an employment agreement with the Company within the last three years. Mr. Harrington was replaced in 2012 by Thomas Pladsen who is independent.

The Board has determined that each of the three members of the Audit Committee is "financially literate" within the meaning of section 1.6 of Multilateral Instrument 52-110 *Audit Committees*, that is, each member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Education and Relevant Experience

The education and related experience of each of the members of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is set out below.

Mr. Douglas M. Flett completed three years of the Bachelor of Commerce program at the University of Windsor where he minored in accounting before transferring to the University of Windsor Law School. He was in private practice for over twenty years with a general, corporate and commercial firm where, during that time, he acted for 150 to 200 private companies.

René R. Galipeau is a C.G.A. with over 35 year experience in the mining industry. He has held senior positions with a number of gold and base metals mining companies in Canada and the United States.

Thomas Pladsen, CA, has extensive experience in corporate financing and financial reporting for public and private companies. Mr. Pladsen received his Chartered Accountant designation with KPMG LLP in Toronto and London, UK, in the mid 1980's and has since held various financial positions and/or has been a member of the Board of Directors with TSX listed, TSXV listed and private mining and technology companies.

Reliance on Exemption

The Corporation is relying on the exemption set out in section 6.1 of Multilateral Instrument 52-110 - *Audit Committees* with respect to certain reporting obligations.

Pre-approval Policies and Procedures for Audit Services

Under its charter, the Audit Committee has the mandate to review and pre-approve management requests for any consulting engagement to be performed by the auditors of the Corporation that is beyond the scope of their audit services. There were no such mandates in 2011 and 2010.

External Auditor Fees

(a) Audit Fees

Audit fees amounted to \$95,275.25 for the fiscal year ended December 31, 2011 and \$62,238 for the fiscal year ended December 31, 2010.

(b) *Non Audit-Related Fees*

Non audit-related fees paid during the fiscal year ended December 31, 2011 amounted to \$9,765 and \$50,154 for the fiscal year ended December 31, 2010.

(c) *Tax Fees*

No tax fees were billed during the fiscal years ended December 31, 2011 and 2010.

OTHER MATTERS

Management of the Corporation knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to the management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

CORPORATE GOVERNANCE PRACTICES

Information on Corporate Governance

The following information of the Corporation's Corporate Governance Policy is given in accordance with NI 58-101.

Board of Directors

Ms. Cynthia Thomas and Messrs. Douglas M. Flett, Bruce Reid, René Galipeau and Thomas Pladsen are independent. Mr. Frank C. Smeenk, President and Chief Executive Officer of the Corporation, is not considered independent.

Directorships

Director	Issuer
Frank C. Smeenk	Fletcher Nickel Inc. Debut Diamonds Inc. GoldTrain Resources Inc. Carlisle Goldfields Inc. MacDonald Oil Exploration Ltd.
Douglas M. Flett	Fletcher Nickel Inc. Debut Diamonds Inc. Canadian Silver Hunter Inc.
Bruce Reid	Carlisle Goldfields Inc. Debut Diamonds Inc. Rockex Mining Corporation Noravena Capital Corporation
René Galipeau	Nuinsco Resources Limited Victory Nickel Inc. Wallbridge Mining Corporation Limited
Cynthia Thomas	Victory Nickel Inc. Nautilus Minerals Inc.
Thomas Pladsen	Carrie Arran Resources Inc. Columbia Crest Gold Corp. EPM Mining Ventures Inc. Northfield Capital Corporation Nighthawk Gold Corp. White Pine Resources Inc.

Orientation and Continuing Education

The Board encourages directors to follow appropriate education programs offered by relevant regulatory bodies and provides them with the opportunity to enhance their understanding of the nature and operation of the Corporation.

Ethical Business Conduct

Each director of the Corporation, in exercising his powers and discharging his duties, must act honestly and in good faith with a view to the best interests of the Corporation and further must act in accordance with the law and applicable regulations, policies and standards.

In situation of conflict of interest, a director is required to disclose the nature and extent of any material interest he/she has in any material contract or proposed contract of the Corporation, as soon as the director becomes aware of the agreement or the intention of the Corporation to consider or enter into the proposed agreement and the director must refrain from voting.

Nomination of Directors

The Board selects nominees for election to the Board, after having considered the advice and input of the Corporate Governance Committee and having carefully reviewed and assessed the professional competencies and skills, personality and other qualities of each proposed candidate, including the time and energy that the candidate can devote to the task, and the contribution that the candidate can bring to the Board dynamic.

Governance Committee

The Governance Committee is currently composed of Douglas M. Flett, Frank C. Smeenk and Cynthia Thomas.

The Committee has the authority and responsibility for:

- (i) reviewing the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) reviewing annually the disclosure of corporate governance practices to be included in the Corporation's information circular;
- (iii) reviewing at least annually the size and composition of the Board, analyzing the needs of the Board and considering the skills, areas of experience, backgrounds, independence and qualifications of the Board members to ensure that the Board, as a whole, has a diversity of competencies and experience that support it in carrying out its responsibilities;
- (iv) assessing on a regular basis the effectiveness of the Board as a whole, the committees of the Board and the contribution of each director regarding his, her or its effectiveness and contribution;
- (v) acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (vi) determining at the earliest stage possible whether any proposed transaction discussed by the Board is or can be perceived as a related party transaction and, if such is the case, review any such transaction to ensure that it is being proposed and will be carried out with fairness and with the best interest of the Corporation in mind and or, alternatively, recommend that a special committee of disinterested directors be constituted to carry out the negotiations for such transaction and review and reported thereupon to the Board.

Assessments

Refer to the responsibilities of the Governance Committee described herein.

ADDITIONAL INFORMATION

On October 12, 2011, the Corporation implemented a normal course issuer bid (the “**NCIB**”) through the facilities of the Exchange following acceptance of the Corporation’s notice to the Exchange of the Corporation’s intent to conduct the NCIB. The Corporation intends to purchase up to 31,843,947 Common Shares under the NCIB, representing 5% of the issued and Common Shares as at October 3, 2011. The NCIB expires on the earlier of October 12, 2012 or the date that the maximum number of Common Shares purchasable under the NCIB has been purchased. All Common Shares acquired by the Corporation under the NCIB will be cancelled. As at the date hereof the Corporation has purchased 6,860,000 Common Shares.

A shareholder of the Corporation may obtain a copy of the Notice, without charge by contacting the Corporation as set forth below.

Additional information relating to the Corporation is available on SEDAR at WWW.SEDAR.COM.

Financial information relating to the Corporation is provided in the Corporation’s audited consolidated financial statements for the years ended December 31, 2011 and 2010 and the related management’s discussion and analysis (the “**MD&A**”). Shareholders who wish to obtain a copy of the financial statements and MD&A of the Corporation may contact the Corporation as follows:

By phone: 416 642-3575 or 1-888-642-3575

By fax: 416 644-0592

By e-mail: bh@kwgresources.com

By mail: **KWG RESOURCES INC.**
141 Adelaide Street West.
Suite 1000,
Toronto, Ontario M5H 3L5

BY ORDER OF THE BOARD OF DIRECTORS

(s) *Luce L. Saint-Pierre*

Luce L. Saint-Pierre
Secretary

Montréal, Québec
May 31, 2012

SCHEDULE "A"

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee (the "Committee") is a committee of the board of directors. The primary function of the Committee is to assist the board of directors in fulfilling its financial reporting and controls responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Committee. The Committee's primary duties and responsibilities are:

- overseeing the integrity of the Company's financial statements and reviewing the financial reports and other financial information provided by the Company to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Company's external auditors, overseeing the external auditors' qualifications and independence and providing an open avenue of communication among the external auditors, financial and senior management and the board of directors;
- monitoring the Company's financial reporting process and internal controls, its management of business and financial risk, and its compliance with legal, ethical and regulatory requirements.

II. COMPOSITION

The Committee shall consist of a minimum of three directors of the Company, including the Chair of the Committee, the majority of whom shall not be employees, officers or "control persons", as such term is defined hereunder, of the Company. All members shall, to the satisfaction of the board of directors, be "financially literate" as such term is defined hereunder.

The members of the Audit Committee shall be elected by the board of directors at the annual organizational meeting of the board of directors following the annual meeting of shareholders and hold office until their successors are duly elected and qualified. The board of directors may remove a member of the Audit Committee at any time in its sole discretion by resolution of the board.

III. DUTIES AND RESPONSIBILITIES

1. The Committee shall review and recommend to the board for approval the annual audited consolidated financial statements and the annual MD&A.
2. The Committee shall review with financial management and the external auditor the Company's financial statements, MD&A's and earnings releases prior to filing with regulatory bodies such as securities commissions and/or prior to their release.
3. The Committee shall review all documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or non audited interim financial statements results (e.g., prospectuses, press releases with financial results) prior to their release.
4. The Committee, in fulfilling its mandate, will:
 - (a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws.
 - (b) Satisfy itself that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than MD&A and annual and interim earnings press releases, and must periodically assess the adequacy of those procedures.

- (c) Recommend to the board of directors the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor.
- (d) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor, and discussing and resolving any material differences of opinion or disagreements between management and the external auditor.
- (e) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Company to determine their independence and report to the board of directors.
- (f) Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Consider with management the rationale for employing accounting/auditing firms other than the principal external auditor.
- (g) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- (h) Arrange for the external auditor to be available to the Audit Committee and the full board of directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- (i) Oversee the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.
- (j) Review and approve hiring policies for employees or former employees of the past and present external auditors.
- (k) Review the scope of the external audit, including the fees involved.
- (l) Review the report of the external auditor on the annual audited consolidated financial statements.
- (m) Review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue.
- (n) Review major positive and negative observations of the auditor during the course of the audit.
- (o) Review with management and the external auditor of the Company's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.
- (p) Review emerging accounting issues and their potential impact on the Company's financial reporting.
- (q) Review and approve requests for any engagement to be performed by the external auditor that is beyond the scope of the audit engagement letter and related fees.
- (r) Review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Company, and whether these matters have been appropriately disclosed in the financial statements.
- (s) Review the conclusions reached in the evaluation of management's internal control systems by the external auditors, and management's responses to any identified weaknesses.
- (t) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.
- (u) Review with management their approach with respect to business ethics and corporate conduct.
- (v) Review annually the legal and regulatory requirements that, if breached, could have a significant impact on the Company's published financial reports or reputation.
- (w) Receive periodic reports on the nature and extent of compliance with security policies. The nature and extent of non-compliance together with the reasons therefore, with the plan and timetable to correct such non-compliance will be reported to the board, if material.

- (x) Review with management the accuracy and timeliness of filing with regulatory authorities.
 - (y) Review periodically the business continuity plans for the Company.
 - (z) Review the annual audit plans of the external auditors of the Company.
 - (aa) Review annually general insurance coverage of the Company to ensure adequate protection of major corporate assets including but not limited to D&O and “Key Person” coverage.
 - (bb) Perform such other duties as required by the Company’s incorporating statute and applicable securities legislation and policies.
 - (cc) Establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or audit matters.
5. The Committee may engage and communicate directly and independently with outside legal and other advisors for the Committee as required and set and pay the compensation of such advisors.
6. On a yearly basis, the Committee will review the Audit Committee Charter and where appropriate recommend changes to the board of directors.

IV. SECRETARY

The Secretary of the Committee will be appointed by the Chair.

V. MEETINGS

- 1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.
- 2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.
- 3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.
- 4. Meetings of the Audit Committee shall be held from time to time as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of its members. The notice period may be waived by a quorum of the Committee.
- 5. The external auditors or any member of the Committee may also call a meeting of the Committee. The external auditors of the Company will receive notice of every meeting of the Committee.
- 6. The board shall be kept informed of the Committee’s activities by a report, including copies of minutes, at the next board meeting following each Committee meeting.

VI. QUORUM

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee.

VII. DEFINITIONS

In accordance with *Multilateral Instrument 52-110 - Audit Committee*,

“Financially literate” means that the director has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

“Control Person” means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company except where there is evidence showing that the holder of those securities does not materially affect the control of the Company.

APPROVED BY THE BOARD OF DIRECTORS

May 31, 201

