



**CARBON FRIENDLY SOLUTIONS INC.**

**ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON FRIDAY, DECEMBER 28, 2012**

**NOTICE OF MEETING**

**AND**

**INFORMATION CIRCULAR**

November 19, 2012

This document requires immediate attention. If you are in doubt as to how to deal with the documents or matters referred to in this Information Circular, you should immediately contact your advisor.



*Suite 2500, 555 West Hastings Street  
Vancouver, BC V6B 3N5  
Telephone: 604 676-9792  
Facsimile: 604 677-3171*

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 28, 2012**

NOTICE IS HEREBY GIVEN that the 2012 annual and special general meeting (the “**Meeting**”) of shareholders of Carbon Friendly Solutions Inc. (the “**Company**” or “**USC**”) will be held at Suite 2500, 555 West Hastings Street, Vancouver, British Columbia, on Friday, December 28, 2012, at the hour of 10:00 a.m. (Vancouver time) for the following purposes:

1. to receive the audited financial statements of the Company for the fiscal year ended June 30, 2012, and accompanying report of the auditors;
2. to re-appoint BDO Canada LLP, Chartered Accountants, as the auditors of the Company for the fiscal year ending June 30, 2013 and to authorize the directors of the Company to fix their remuneration;
3. to set the number of directors for the ensuing year at four;
4. to elect the directors of the Company to serve until the next annual general meeting of the shareholders;
5. to consider and, if thought advisable, ratify, confirm and approve the Company’s advance notice policy as more particularly described in the Information Circular;
6. to consider and, if thought advisable, approve a special resolution to increase the authorized share capital to an unlimited number of common shares without par value; and
7. to transact such further or other business as may properly come before the Meeting and any adjournment or postponement thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this Notice of Meeting.

The Board of Directors of the Company has fixed November 19, 2012 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. If you are unable to attend the Meeting in person, please read the Information Circular and enclosed proxy (the “**Proxy**”) and then complete, sign, date and return the Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof with the Company’s registrar and transfer agent, Computershare Trust Company of Canada, at 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 at least 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or adjournment thereof. As set out in the notes to the Proxy, the Proxy is solicited by management, but you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting. Unregistered shareholders who received the Proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.

If you are a non-registered shareholder of the Company and received this Notice of Meeting and accompanying materials through a broker, a financial institution, a participant, a trustee or administrator of a self-administered retirement savings plan, retirement income fund, education savings plan or other similar self-administered savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing that holds your security on your behalf (the “**Intermediary**”), please complete and return the materials in accordance with the instructions provided to you by your Intermediary.

DATED at Vancouver, British Columbia, this 19th day of November, 2012.

**CARBON FRIENDLY SOLUTIONS INC.**

Per:  /s/ “Stan Lis”  
Stan Lis  
President

PLEASE VOTE. YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY FORM AND PROMPTLY RETURN IT IN THE ENVELOPE PROVIDED.



*Suite 2500, 555 West Hastings Street  
Vancouver, BC V6B 3N5  
Telephone: 604 676-9792  
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## **INFORMATION CIRCULAR**

Dated November 19, 2012 (unless otherwise noted)

This Information Circular accompanies the Notice of Annual and Special Meeting of Shareholders (the “**Notice**”) and is furnished to the shareholders (the “**Shareholders**”) holding common shares (the “**Common Shares**”) in the capital of Carbon Friendly Solutions Inc. (the “**Company**”) in connection with the solicitation by the management of the Company of proxies to be voted at the annual and special meeting (the “**Meeting**”) of the Shareholders to be held at the offices of the Company at Suite 2500, 555 West Hastings Street, Vancouver, British Columbia, on Friday, December 28, 2012, at the hour of 10:00 a.m. Vancouver time, or at any adjournment or postponement thereof.

This Information Circular is being mailed by the management of the Company to everyone who was a shareholder of record of the Company on November 19, 2012, which is the date that has been fixed by the directors of the Company as the record date to determine the shareholders who are entitled to receive notice of the Meeting.

Pursuant to National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to deliver proxy solicitation materials to the beneficial owners of the Common Shares. The Company may pay the reasonable costs incurred by such persons in connection with such delivery.

### **Currency**

Unless otherwise indicated, all dollar amounts referred to herein are in Canadian dollars unless otherwise indicated.

### **Management Solicitation**

The solicitation of proxies by management of the Company will be conducted by mail and may be supplemented by telephone or other personal contact and such solicitation will be made without special compensation granted to the directors, regular officers and employees of the Company. The Company does not reimburse shareholders, nominees or agents for costs incurred in obtaining, from the principals of such persons, authorization to execute forms of proxy, except that the Company has requested brokers and nominees who hold stock in their respective names to furnish this Information Circular and related proxy materials to their customers. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by the Company. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

## VOTING

### How a Vote is Passed

Voting at the Meeting will be by a show of hands, each shareholder having one vote, unless a poll is requested or otherwise required, in which case each shareholder is entitled to one vote for each share held. In order to approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an "**ordinary resolution**") unless the motion requires a special resolution in which case a majority of 66 2/3% of the votes cast will be required (a "**special resolution**").

### Who Can Vote?

A registered shareholder, or a non-objecting beneficial owner ("**NOBO**") whose name has been provided to the Company's Transfer Agent, as at November 19, 2012, will appear on a list of shareholders prepared by the Transfer Agent for purposes of the Meeting and be entitled to attend and vote at the Meeting.

If your shares are registered in the name of a "nominee" (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled "Non-Registered Shareholders" set out below.

### Methods of Voting

#### *Voting in Person at the Meeting*

To vote in person at the Meeting each registered shareholder or NOBO will be required to register with the Meeting by identifying themselves as such to the scrutineer. If the shares are registered in the name of a corporation, a duly authorized officer of the corporation may attend on its behalf but documentation indicating such officer's authority should be presented at the Meeting.

It is important that your shares be represented at the Meeting regardless of the number of shares you hold. If you will not be attending the Meeting in person, the Company invites you to complete, date, sign and return your form of proxy as soon as possible so that your shares will be represented. See "*Voting by Proxy at the Meeting*".

#### *Voting by Proxy at the Meeting*

Registered shareholders or NOBOs who do not wish to or cannot attend the Meeting in person may appoint someone else to attend the Meeting and act as their proxyholder to vote in accordance with their instructions. To do so, the registered shareholder or NOBO should sign, date and deliver the accompanying proxy, together with the power of attorney or other authority if any, under which it was signed or a notarially certified copy, to Computershare Trust Company of Canada, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 so that it is received at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) prior to the time set for the Meeting or any adjournment thereof. In the case of a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation.

Unregistered shareholders who receive the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary. See "Non-Registered Shareholders" below.

The persons named in the accompanying proxy are directors or executive officers of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE PROXY AS PROXYHOLDERS. TO EXERCISE THIS RIGHT, THE SHAREHOLDER MUST STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE PROXY AS PROXYHOLDERS AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED OR COMPLETE ANOTHER PROXY.** A shareholder giving a proxy has the right to attend the Meeting, or appoint someone else to attend in his or her proxy at the Meeting and the proxy submitted earlier may be revoked in the manner described above under the heading "Revocation of Proxies" below.

**The persons named in the accompanying proxy will vote or withhold from voting the Common Shares in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon, and if the shareholder specifies a choice with respect to any matter to be acted upon, the**

**shares will be voted accordingly. In the absence of such specifications, such Common Shares will be voted in favour of each of the matters referred to herein. Each such matter is described in greater detail elsewhere in this Information Circular.**

The accompanying proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. **It is the intention of the persons designated in the accompanying proxy to vote in accordance with their best judgement on such matters or business.** At the time of printing of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting.

### **Revocation of Proxies**

A shareholder who or an intermediary acting on behalf of a shareholder which has given a Proxy has the power to revoke it. Revocation can be effected by an instrument in writing signed by the intermediary or shareholder or his attorney authorized in writing, and, in the case of a corporation, executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation and either delivered to the Company's head office at Suite 2500, 555 West Hastings Street, Vancouver, B.C. V6B 3N5 at any time up to 4:00 p.m. (Vancouver time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or deposited with the Chairman of the Meeting on the day of the Meeting, prior to the hour of commencement.

### **Non-Registered Holders**

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders are "non-registered" Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. More particularly, a person is not a registered Shareholder in respect of Common Shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators or self-administered RRSP's, RRIF's, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. ("**CDS**")) of which the Intermediary is a participant. In accordance with the requirements as set out in National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), the Company has distributed copies of the Notice of Meeting, this Information Circular and the form of Proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Transfer Agent as provided above; or
- (b) more typically, be given 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 (often called a "**voting instruction form**") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. The Non-Registered Holder must properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit a Non-Registered Holder to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above

forms 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 persons named in the form of proxy and insert the name of such Non-Registered Holder or such other person's name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

There are two kinds of beneficial owners – those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners). Pursuant to NI 54-101, issuers can obtain a list of their NOBOs from intermediaries for distribution of proxy-related materials directly to NOBOs.

These security holder materials are being sent to both registered and non-registered owners of the Common Shares. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the Record Date, determined by the Board of Directors of the Company (the “**Board**”) to be the close of business on November 19, 2012, a total of 58,431,721 Common Shares were issued and outstanding. Each Common Share carries the right to one vote at the Meeting.

Only those common shareholders and NOBOs of record November 8, 2012 will be entitled to vote at the Meeting or any adjournment thereof.

To the knowledge of the Company's directors and executive officers, and based upon the Company's review of the records maintained by the Company's registrar and transfer agent and insider reports filed with the System for Electronic Disclosure by Insiders (“**SEDI**”), as at the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to the outstanding Common Shares of the Company.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Financial Statements

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The Board has approved the audited comparative financial statements for the fiscal year ended June 30, 2012, together with the auditor's report thereon. Copies of these financial statements have been sent to those shareholders who had requested receipt of same. Copies of these materials are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### 2. Re-Appointment of Auditors

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Shareholders of the Company will be asked to vote for the re-appointment of BDO Canada LLP, Chartered Accountants, of Vancouver, British Columbia, as the Company's auditors for the fiscal period ending June 30, 2013, and to authorize the directors to fix the auditors' remuneration.

**Management recommends the appointment of BDO Canada LLP to serve as auditor of the Company for the fiscal year ending June 30, 2013.**

The Company's management recommends that shareholders vote in favour of the re-appointment of BDO Canada LLP, Chartered Accountants, as the Company's auditor for the ensuing year and in favour of granting the Board the authority to determine the remuneration to be paid to the auditor. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of BDO Canada LLP as the auditor of the Company until the close of the next annual meeting and also intend to vote FOR the proposed resolution to authorize the Board of Directors to fix the remuneration to be paid to the auditor.**

### 3. Election of Directors

At present, the directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with the Company's Articles or until such director's earlier death, resignation or removal. The Company's current Board consists of Stan Lis, Slawomir Smulewicz, Ian Hume and William Hudson.

It is proposed to fix the number of directors at four. This requires the approval of the shareholders of the Company by an ordinary resolution, which approval will be sought at the Meeting.

Management of the Company does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

Management of the Company proposes to nominate all of the current directors, as further described in the table below, for election by the Shareholders as directors of the Company to hold office until the next annual meeting. Information concerning such persons, as furnished by the individual nominees, as at the Record Date, is as follows:

Name, Province or State, and Country of Residence	Present Principal Occupation, Business or Employment for the Past Five Years	Previously a Director Since	Number of Securities of Each Class of Voting Securities Held <sup>(1)</sup>
<b>STAN LIS</b> <sup>(2)</sup> Vancouver, BC  <i>President and Director</i>	Mr. Lis is a co-founder, President and director of the Company since its inception in 2006. From 2000 until 2006, he was President, CEO and director of Stream Communications Network & Media Inc., a cable company where he was directly responsible for taking the company from start up to 60,000 subscribers and personally raised over \$37 million USD for the company. From 1993 until 2000, Mr. Lis acted as President, CEO and director of Trooper Technologies Inc., an environmental company focused on waste management in Central Europe. In 1988 he founded International UNP Holdings Ltd., a Toronto Stock Exchange Investment Company used to acquire and finance privatized Polish state enterprises. Mr. Lis studied Business Administration and Securities at the Simon Fraser University.	August 7, 2008	1,117,000
<b>SLAWOMIR SMULEWICZ</b> Vancouver, BC  <i>Chief Executive Officer and Director</i>	Mr. Smulewicz has been CEO of the Company since June 2011. He operated as Vice President of the Company from 2008 until his appointment as CEO; he is also a director of the Company since 2008. Mr. Smulewicz has served on the Board of several European private companies in consulting, IT and construction industries; especially during the start-up phase or restructuring processes. From 2006 until 2009, he led a successful remedial process, completing the financing of over 50 million PLN for a European private company. In 2001, he founded BDSG Grupa Finansowa Sp. z o. o., where he acted as CEO and Director until 2008. In 1998, he co-founded Internetowy Instytut Infomacji 3i Sp. z o. o. where he acted as CEO and Director until 2001. Mr. Smulewicz was an advisor to Vice Marshal of Presidium of The Sejm of The Republic of Poland (Polish Parliament) in 1998 and received his license as a broker of Warsaw Exchange (WGT S.A.), Poland in 1995. He has a M.Sc. in Agriculture & Business Administration from the Warsaw University of Life Science (SGGW) in Warsaw, Poland.	October 7, 2008	56,500



Name, Province or State, and Country of Residence	Present Principal Occupation, Business or Employment for the Past Five Years	Previously a Director Since	Number of Securities of Each Class of Voting Securities Held <sup>(1)</sup>
<b>IAN HUME</b> <sup>(2)</sup> Washington, D.C.  <i>Director</i>	Mr. Hume joined the World Bank in 1969 as an economist. His career at the World Bank included macroeconomic work, project assignments, and management positions from Division Chief, Assistant Director of Energy Department, Resident Representative and Country Director in Poland. Since 1994, Mr. Hume has worked on a range of private energy ventures in electric power and coal industries including: technical advisor to EUROGAZ Gas Pipeline from 1995 to 1996, coordinator of a consortium for an LNG Feasibility Study in Poland in 2007, and in 2012, an underground coal gasification and electric power project in South Africa. In the years 2002-2012 he has acted as senior consultant to the World Bank in a number of consulting assignments, including on quality assessment, procurement policy and internal controls.	September 15, 2010	Nil
<b>WILLIAM HUDSON</b> <sup>(2)</sup> Brownsville, Texas  <i>Director</i>	Mr. Hudson founded The Domus Group in 1992, a private holding company that invests in and develops real estate properties in South Texas including a 1,000-acre Master Planned Community with 2,600 households and over \$300 million of tax base created to date. Mr. Hudson was also co-founded, in 1989, International UNP Holdings Ltd. Mr. Hudson was a key team leader in the acquisition of control of the public shell corporation, designing the business plan, assembling a first-rate board and competent management team and raising the initial \$20 million in investment capital. In 1979, he co-founded Hudson & Hudson Partners, a Texas general partnership that managed real estate, mineral exploration & production and securities investments. Mr. Hudson worked as a Geologist with the Continental Oil Company from 1975 to 1980. He was also a director of First Valley Bank Group, Inc. a \$450 million bank with branches in the Rio Grande Valley of Texas from 1968 to 1997, and was crucial in growing the bank 10-fold while retaining strong earnings.	October 26, 2010	135,000

(1) The approximate number of shares of the Company carrying the right to vote in all circumstances beneficially owned, directly or indirectly, or over which control or direction is exercised by each proposed nominee as of November 19, 2012. This information is not within the knowledge of the management of the Company and has been furnished by the respective individuals, or has been extracted from the register of shareholdings maintained by the Company's transfer agent or from insider reports filed by the individuals and available through the Internet at [www.sedi.ca](http://www.sedi.ca).

(2) Member of the Audit Committee

Mr. Lis is a co-founder, President and director of the Company since its inception in 2006. From 2000 until 2006, he was President, CEO and director of Stream Communications Network & Media Inc., a cable company where he was directly responsible for taking the company from start up to 60,000 subscribers and personally raised over \$37 million USD for the company. From 1993 until 2000, Mr. Lis acted as President, CEO and director of Trooper Technologies Inc., an environmental company focused on waste management in Central Europe. In 1988 he founded International UNP Holdings Ltd., a Toronto Stock Exchange Investment Company used to acquire and finance privatized Polish state enterprises. Mr. Lis studied Business Administration and Securities at the Simon Fraser University.

The Company does not have an executive committee. Pursuant to the provisions of the *Business Corporations Act* (British Columbia) the Company is required to have an audit committee whose members are indicated above. See also "Audit Committee Disclosure" below.

The Company's management recommends that shareholders vote in favour of the nominees for election as directors. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the election of the four nominees as directors of the Company for the ensuing year.**

### *Corporate Cease Trade Orders or Bankruptcy*

To the best of management's knowledge, as of the date of this Information Circular, no proposed nominee for election as a director of the Company is, or has been, within ten years before the date of this Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period or more than 30 consecutive days; or
- (c) 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.

### *Penalties or Sanctions*

To the best of management's knowledge, as of the date of this Information Circular, no proposed nominee for election as a director of the Company is, or has been, subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable investor making an investment decision.

### *Personal Bankruptcy*

As of the date of this Information Circular, no proposed nominee for election as a director of the Company has, within the ten 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.

### *Conflicts of Interest*

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Except as disclosed in this Information Circular, to the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management may from time to time serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

## **4. Ratification and Approval of Advance Notice Policy**

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### *Background and Purpose of Advance Notice Policy*

Effective November 19, 2012, the Board adopted an advance notice policy (the "**Advance Notice Policy**") for the purpose of providing shareholders, directors and management of the Company with a clear framework for nominating directors of the Company in connection with any annual or special meeting of shareholders.

The purpose of the Advance Notice Policy is to (i) ensure that all shareholders receive adequate notice of director nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) facilitate an orderly and efficient process for annual or, where the need arises, special meetings of shareholders of the Company. The Advance Notice Policy fixes a deadline by which holders of record of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in a written notice to the Company for any director nominee to be eligible for election at such annual or special meeting of shareholders.

A copy of the Company's Advance Notice Policy is attached to this Information Circular as Schedule "A". In order to remain effective following termination of the Meeting, the Advance Notice Policy must be ratified, confirmed and approved by the shareholders of the Company at the Meeting.

#### ***Terms of the Advance Notice Policy***

The following is a brief summary of certain provisions of the Advance Notice Policy and is qualified in its entirety by the full text of the Advance Notice Policy which is attached to this Information Circular as Schedule "A".

1. Other than pursuant to: (i) a "proposal" made in accordance with Division 7 of the *Business Corporations Act* (British Columbia) (the "Act"); or (ii) a requisition of the shareholders made in accordance with section 167 of the Act, shareholders of the Company must give advance written notice to the Company of any nominees for election to the Board.
2. The Advance Notice Policy fixes a deadline by which holders of record of common shares of the Company must submit, in writing, nominations for directors to the Secretary of the Company prior to any annual or special meeting of shareholders and sets forth the specific information that such holders must include with their nominations in order to be effective. Unless nominated in accordance with the provisions of the Advance Notice Policy, no person will be eligible for election as a director of the Company.
3. For an annual meeting of shareholders, notice to the Company must be not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10th day following such public announcement.
4. For a special meeting of shareholders (that is not also an annual meeting), notice to the Company must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of such special meeting was made.

For the purposes of the Advance Notice Policy, "public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on SEDAR at [www.sedar.com](http://www.sedar.com)

The Board may, in its sole discretion, waive any requirement of the Advance Notice Policy.

#### ***Shareholder Approval of Advance Notice Policy***

If approved at the Meeting, the Advance Notice Policy will continue to be effective and in full force and effect in accordance with its terms beyond the termination of the Meeting. Thereafter, the Advance Notice Policy will be subject to an annual review by the Board, and will be updated from time to time to reflect changes required by securities regulatory agencies or stock exchanges, or to conform to industry standards.

If not approved at the Meeting, the Advance Notice Policy will terminate and be of no further force or effect from and after the termination of the Meeting.

Accordingly, at the Meeting the shareholders will be asked to consider, and if deemed advisable, to pass the following resolution:

*"RESOLVED, as an ordinary resolution, THAT:*

1. *The Company's Advance Notice Policy (the "Advance Notice Policy") as set forth in the Company's Information Circular dated November 19, 2012 be and is hereby ratified, confirmed, authorized and approved;*
2. *The board of directors of the Company be and is authorized, in its sole discretion, to administer the Advance Notice Policy and amend or modify same from time to time in accordance with the provisions thereof, without further shareholder approval, to reflect changes required by securities regulatory agencies or stock exchanges, to conform to industry standards, or as otherwise determined to be in the best interests of the Company and its shareholders; and*
3. *Any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions.*

**The Company's Board recommends a vote "FOR" the approval of the Advance Notice Policy. Unless the shareholder directs that his or her shares be otherwise voted or withheld from voting in connection with the approval of the Advance Notice Policy, the persons named in the enclosed Proxy will vote FOR the approval of the above resolution.**

## **5. Increase Authorized Share Capital**

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The Company proposes an amendment to its Notice of Articles to increase the Company's authorized capital from 100,000,000 common shares to an unlimited number of common shares without par value. As the British Columbia *Business Corporations Act* allows for an unlimited number of authorized shares, it is a fairly common practice for public companies to have an authorized share capital of an unlimited number of shares.

Management believes that having unlimited authorized capital provides the Company with greater flexibility for future corporate activities. This resolution must be passed by not less than two-thirds of the votes cast by the Shareholders present in person or by proxy at the Meeting.

Shareholders will be asked to consider and, if thought fit, to pass the following special resolution:

*"RESOLVED, as a special resolution, that:*

- (a) the number of shares of the Company authorized to be issued be increased to an unlimited number of Common Shares without par value;*
- (b) the Company's Notice of Articles be altered accordingly;*
- (c) any director or officer of the Company is authorized to execute and file a Notice of Alteration of the Notice of Articles with the Registrar of Companies (British Columbia) along with all other documents and to take such further actions that may be necessary to effect the amendment; and*
- (d) the board of directors of the Company is hereby authorized, at any time in its sole discretion, to determine whether or not to proceed with this resolution without further approval, ratification or confirmation by the Shareholders."*

This amendment to the Notice of Articles shall take effect immediately on the date and time the Form 11 - Notice of Alteration is filed with the Registrar of Companies (British Columbia).

## 6. Other Matters

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Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. **If any other matter properly comes before the Meeting, it is the intention of the Designated Persons to vote the Common Shares represented thereby in accordance with their best judgment on such matter.**

### STATEMENT OF EXECUTIVE COMPENSATION

#### General

As defined under applicable securities legislation, the Company had four "Named Executive Officers" during the financial year ended June 30, 2012 as set out below:

Stan Lis	-	President
Slawomir Smulewicz	-	Chief Executive Officer
Ping Shen	-	Chief Financial Officer
Ben Zion Livneh	-	Former Chief Executive Officer, MicroCoal Inc.

#### Definitions: For the purpose of this Information Circular:

"**CEO**" means an individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"**CFO**" means an individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

"**closing market price**" means the price at which the Company's security was last sold, on the applicable date,

- (a) in the security's principal marketplace in Canada, or
- (b) if the security is not listed or quoted on a marketplace in Canada, in the security's principal marketplace;

"**company**" includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

"**equity incentive plan**" means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of IFRS 2 *Share-based Payment*;

"**external management company**" includes a subsidiary, affiliate or associate of the external management company;

"**grant date**" means a date determined for financial statement reporting purposes under IFRS 2 *Share-based Payment*;

"**incentive plan**" means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

"**incentive plan award**" means compensation awarded, earned, paid, or payable under an incentive plan;

"**NEO**" or "**named executive officer**" means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was,

individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of National Instrument 51-102, for that financial year; and

- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year;

**"non-equity incentive plan"** means an incentive plan or portion of an incentive plan that is not an equity incentive plan;

**"option-based award"** means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features;

**"plan"** includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons;

**"replacement grant"** means an option that a reasonable person would consider to be granted in relation to a prior or potential cancellation of an option;

**"repricing"** means, in relation to an option, adjusting or amending the exercise or base price of the option, but excludes any adjustment or amendment that equally affects all holders of the class of securities underlying the option and occurs through the operation of a formula or mechanism in, or applicable to, the option; and

**"share-based award"** means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

## **Objective**

The following disclosure of all direct and indirect compensation provided to certain executive officers and directors for, or in connection with, services they have provided to the Company or a subsidiary of the Company is being made in accordance with Form 51-102F6 - *Statement of Executive Compensation*.

The objective of this disclosure is to communicate the compensation the Board intended the Company to pay, make payable, award, grant, give or otherwise provide to each NEO and director for the financial year. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the Company and will help investors understand how decisions about executive compensation are made.

## **Compensation Discussion and Analysis**

The Company's compensation policies and programs are designed to be competitive with similar biotech companies and to recognize and reward executive performances consistent with the success of the Company's business. The significant objectives, elements and formula for compensation awarded to, earned by, paid to, or payable to NEOs for the year ended June 30, 2012, were to:

- (a) attract and retain experienced and talented executive officers;
- (b) inspire excellence in the performance of executive officers; and
- (c) align shareholder and executive officer interests.

The Company relies solely on the discussions of the Board, without any formal objectives, criteria and analysis, for determining executive compensation.

## **Option Based Awards**

The Company has put in place a stock option plan (the "Plan") dated September 3, 2009, which was previously approved by the Company's shareholders on December 29, 2010, in accordance with applicable regulatory requirements.

The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the Board. The Plan provides that options will be issued pursuant to option agreements to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

The Board approves base salaries, annual cash incentives and stock options at the same time to facilitate consideration of target direct compensation to executive officers. Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for the options is the closing price of the stock on the date of grant or the day after the grant if the grant day falls on a weekend or non-market day.

### Summary Compensation Table

The following table sets out certain information respecting the compensation paid to the NEOs of the Company, and its subsidiaries, Global CO2 RedBen ution Inc. and MicroCoal Inc., for the financial year ended June 30, 2012.

Name and Principal Position	Year Ended June 30	Salary <sup>(1)</sup> (\$)	Share-based Awards (\$)	Option-based Awards <sup>(2)</sup> (\$)	Non-equity Incentive Plan Compensation <sup>(1)</sup> (\$)		Pension Value (\$)	All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-term Incentive Plans (\$)			
<b>Stan Lis</b> <i>President and Director</i>	2012	183,785	Nil	37,896	Nil	Nil	Nil	14,400	236,081
	2011	181,458	Nil	23,525	Nil	Nil	Nil	15,341	220,324
	2010	166,200	Nil	61,250	Nil	Nil	Nil	15,408	242,858
<b>Slawomir Smulewicz</b> <sup>(4)</sup> <i>CEO and Director</i>	2012	84,000	Nil	41,341	Nil	Nil	Nil	14,400	139,741
	2011	105,975	Nil	26,139	Nil	Nil	Nil	15,341	147,455
	2010	146,200	Nil	61,250	Nil	Nil	Nil	14,400	221,850
<b>Ping Shen</b> <sup>(5)</sup> <i>CFO</i>	2012	123,700	Nil	11,484	Nil	Nil	Nil	Nil	135,184
	2011	69,500	Nil	17,426	Nil	Nil	Nil	Nil	86,926
	2010	29,900	Nil	17,500	Nil	Nil	Nil	Nil	47,400
<b>Ben Zion Livneh</b> <sup>(6)</sup> <i>Former CEO, MicroCoal Inc.</i>	2012	225,862	Nil	Nil	Nil	Nil	Nil	10,199	236,061
	2011	95,958	Nil	19,604	Nil	Nil	Nil	Nil	115,562
	2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Includes the dollar value of cash and non-cash base salary earned during the year.

(2) These amounts represent the dollar amount based on the grant date fair value of the award for the year and include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts.

(3) These amounts cover compensation other than amounts already set out in the table and include auto allowance, fitness membership and health insurance.

(4) Slawomir Smulewicz was appointed as the CEO of the Company effective June 23, 2011.

(5) Ms. Ping Shen was appointed as the CFO of the Company effective August 26, 2009.

(6) Mr. Ben Zion Livneh resigned from all positions with the Company and its MicroCoal subsidiaries on July 9, 2012.

### Incentive Plan Awards

The following table summarizes all share-based and option-based awards granted by the Company to its NEOs which were outstanding as at the financial year ended June 30, 2012.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (CAN\$)	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 (\$)
Stan Lis	300,000	\$0.23	October 6, 2013	Nil	N/A	N/A
	175,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	120,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Slawomir Smulewicz	300,000	\$0.23	October 6, 2013	Nil	N/A	N/A
	175,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	250,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Ping Shen	50,000	\$0.36	December 16, 2014	Nil	N/A	N/A
	200,000	\$0.20	February 8, 2016	Nil	N/A	N/A
Ben Zion Livneh	225,000	\$0.20	February 8, 2016	Nil	N/A	N/A

(1) The value of unexercised “in-the-money options” means the excess of the market value of the Company’s common shares on June 30, 2012 over the exercise price of the options. The last closing price of the Company’s common shares on the CNSX during the period ended June 30, 2012 was CAN\$0.285.

(2) Calculated using the closing price of the Common Shares on the CNSX on June 30, 2012 of \$0.13 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

### Pension Plan Benefits

As at the year ended June 30, 2011, the Company did not maintain any defined benefit plans, defined contribution plans or deferred compensation plans.

### Termination and Change of Control Benefits

Stan Lis, President of the Company, entered into a Consulting Agreement with the Company dated as of July 1, 2007, commencing July 1, 2007 and continuing until June 30, 2010 (the “Lis Agreement”). The Lis Agreement will be automatically renewed for consecutive periods of one year unless the Company or Mr. Lis gives the other party 30 days written notice of non-renewal prior to the expiry of the term of engagement. Pursuant to the terms of the Lis Agreement, Mr. Lis will receive a consulting fee of \$144,000 per annum, plus applicable GST, payable in monthly installments of \$12,000 per month on the first day of each month. In addition, Mr. Lis will receive a car allowance of \$1,200 per month commencing on October 1, 2007. Mr. Lis will receive an increase of a minimum of 5% per annum, the first of which was provided on July 1, 2008. Mr. Lis is entitled to receive an incentive bonus at any time during the term of the Lis Agreement as determined by the Board. He will be reimbursed for all reasonable expenses incurred in connection with his duties as a consultant for the Company. He is also entitled to receive options to purchase common shares of the Company and benefit from all life insurance, pension plans, medical insurance and similar benefits as made available and as determined by the Board. The Company may at any time during the term of the Lis Agreement terminate the Lis Agreement for cause, without notice and without liability for any claim, action or demand as set out in the Lis Agreement. In the event of a change in control during the term of the Lis Agreement, and should Mr. Lis be terminated within 12 months of any change in control, he is entitled to receive a lump sum payment equal to the greater of (i) a portion of the consulting fee remaining for the rest of the period; and (ii) one year’s consulting fee. Mr. Lis may terminate the Lis Agreement at any time by providing 30 days’ written notice to the Company and any consulting fee or bonus to which he is entitled will case on the date of termination. The Company is in the process of preparing an updated consulting agreement with Mr. Stan Lis.

Slawomir Smulewicz, Chief Executive Officer, Vice-President of the Company, entered into a Consulting Agreement with the Company dated as of June 30<sup>th</sup>, 2011, commencing July 1, 2011 and continuing until June 30, 2014 (the “Smulewicz Agreement”). The Smulewicz Agreement will be automatically renewed for consecutive periods of one year unless the Company or Mr. Smulewicz gives the other party 30 days written notice of non-renewal prior to the expiry of the term of engagement. Pursuant to the terms of the Smulewicz Agreement, Mr. Smulewicz will receive a consulting fee of \$84,000 per annum, plus applicable GST, payable in monthly installments of \$7,000 per



month on the first day of each month. In addition, Mr. Smulewicz will receive a car allowance of \$1,200 per month commencing on July 1, 2011. Mr. Smulewicz will receive an increase of a minimum of 5% per annum, the first of which was provided on July 1, 2012. Mr. Smulewicz is entitled to receive an incentive bonus at any time during the term of the Smulewicz Agreement as determined by the Board. He will be reimbursed for all reasonable expenses incurred in connection with his duties as a consultant for the Company. He is also entitled to receive options to purchase common shares of the Company and benefit from all life insurance, pension plans, medical insurance and similar benefits as made available and as determined by the Board. The Company may at any time during the term of the Smulewicz Agreement terminate the Smulewicz Agreement for cause, without notice and without liability for any claim, action or demand as set out in the Smulewicz Agreement. In the event of a change in control during the term of the Smulewicz Agreement, and should Mr. Smulewicz be terminated within 12 months of any change in control, he is entitled to receive a lump sum payment equal to the greater of (i) a portion of the consulting fee remaining for the rest of the period under the term of engagement; and (ii) two year's consulting fee. Mr. Smulewicz may terminate the Smulewicz Agreement at any time by providing 30 days' written notice to the Company and any consulting fee or bonus to which he is entitled will cease on the date of termination.

### Director Compensation

There were no arrangements under which directors were compensated by the Company and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants, other than as set out herein.

The following table sets out all share-based awards and option-based awards outstanding as at June 30, 2012, for each non-executive director of the Company.

Name	Fees Earned (\$) <sup>(1)</sup>	Option-based Awards			Share-based Awards		
		Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (CAN\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
William Hudson	\$26,000	150,000	\$0.20	Feb. 8, 2016	Nil	N/A	N/A
Ian Hume	\$44,256	150,000	\$0.20	Feb. 8, 2016	Nil	N/A	N/A

(1) Includes fees paid or accrued during the fiscal year.

(2) Refer to footnote (2) in the "Summary of Compensation" table for Named Executive Officers for the method of determining the value of options based awards.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

During fiscal 2009, the Company maintained a 10% rolling stock option plan (the "2009 Stock Option Plan") dated September 3, 2009, which was approved by the Company's shareholders at the shareholder meeting held on October 8, 2009 and reapproved at the shareholders meeting held on December 29, 2010 in accordance with applicable regulatory requirements. Pursuant to the 2009 Stock Option Plan, the directors, or a committee of directors appointed by the Board, granted to directors, officers, employees, management company employees and consultants of the Company options to purchase common shares.

The 2009 Stock Option Plan was the only equity compensation plan of the Company for fiscal 2012. The following table sets forth information with respect to the options outstanding under the 2009 Stock Option Plan as at November 19, 2012.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	4,990,000	\$0.23	833,172
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>4,990,000</b>	<b>\$0.23</b>	<b>833,172</b>

### **Description of the 2009 Stock Option Plan**

The following is a summary of the substantive terms of the 2009 Stock Option Plan.

- (a) the Company may grant stock options representing over 5% of the issued shares in any 12 month period to any one individual with the approval of disinterested shareholders;
- (b) the Company has the right to extend expiry of options granted to optionees to expire beyond 90 days following the termination of the relationship between the optionee and the Company to a maximum of one year;
- (c) the Company may grant stock options without an Exchange Hold Period on the underlying shares where the exercise price of the options is greater than or equal to the Market Price. The Exchange Hold Period will only apply if the exercise price of the stock option is based on the Discounted Market Price;
- (d) the Company has the right to extend expiry of options granted to persons performing Investor Relations Activities beyond 30 days following the termination of the relationship between the optionee performing Investor Relations Activities and the Company to a maximum of one year;
- (e) the Company may grant options having a term of up to 10 years; and
- (f) subject to any regulatory approval the Board may in its absolute discretion, amend or modify the 2009 Stock Option Plan or any Option granted in order to make
  - (i) it may make amendments which are of a typographical, grammatical or clerical nature only;
  - (ii) it may change the vesting provisions of an Option granted hereunder;
  - (iii) it may change the termination provision of an Option granted hereunder which does not entail an extension beyond the original Expiry Date of such Option;
  - (iv) it may make amendments necessary as a result in changes in securities laws applicable to the Company;
  - (v) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSX.V, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
  - (vi) it may make such amendments as reduce, and do not increase, the benefits of the 2009 Stock Option Plan to Service Providers.

For the purposes of this disclosure, the definitions of “**Exchange Hold Period**”, “**Market Price**” and “**Discounted Market Price**” are set out in TSX.V Policy 1.1 *Interpretation*.

## AUDIT COMMITTEE DISCLOSURE

### Audit Fees

National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”) requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its external auditor as set forth below.

### Audit Committee Charter

The Company’s audit committee is governed by an audit committee charter, the text of which is attached as Schedule “B” to this Information Circular.

### Composition of Audit Committee

The Audit Committee is currently comprised of three directors Ian Hume, William P. C. Hudson and Stan Lis. Ian Hume and William Hudson are considered “independent” as that term is defined in applicable securities legislation. Stan Lis is the Company’s President and therefore is not independent.

All three audit committee members have the ability to read and understand 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 and are therefore considered “financially literate”.

### Relevant Education and Experience

All of the audit Committee members are businessmen with experience in financial matters; each has a understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavor.

Mr. Hume joined the World Bank in 1969 as an economist. His career at the World Bank included macroeconomic work, project assignments, and management positions from Division Chief, Assistant Director of Energy Department, Resident Representative and Country Director in Poland. Since 1994, Mr. Hume has worked on a range of private energy ventures in electric power and coal industries including: technical advisor to EUROGAZ Gas Pipeline from 1995 to 1996, coordinator of a consortium for an LNG Feasibility Study in Poland in 2007, and in 2012, an underground coal gasification and electric power project in South Africa. In the years 2002-2012 he has acted as senior consultant to the World Bank in a number of consulting assignments, including on quality assessment, procurement policy and internal controls.

Mr. Hudson founded The Domus Group in 1992, a private holding company that invests in and develops real estate properties in South Texas including a 1,000-acre Master Planned Community with 2,600 households and over \$300 million of tax base created to date. Mr. Hudson was also co-founded, in 1989, International UNP Holdings Ltd. Mr. Hudson was a key team leader in the acquisition of control of the public shell corporation, designing the business plan, assembling a first-rate board and competent management team and raising the initial \$20 million in investment capital. In 1979, he co-founded Hudson & Hudson Partners, a Texas general partnership that managed real estate, mineral exploration & production and securities investments. Mr. Hudson worked as a Geologist with the Continental Oil Company from 1975 to 1980. He was also a director of First Valley Bank Group, Inc. a \$450 million bank with branches in the Rio Grande Valley of Texas from 1968 to 1997, and was crucial in growing the bank 10-fold while retaining strong earnings.

Mr. Lis is a co-founder, President and director of the Company since its inception in 2006. From 2000 until 2006, he was President, CEO and director of Stream Communications Network & Media Inc., a cable company where he was directly responsible for taking the company from start up to 60,000 subscribers and personally raised over \$37 million USD for the company. From 1993 until 2000, Mr. Lis acted as President, CEO and director of Trooper Technologies Inc., an environmental company focused on waste management in Central Europe. In 1988 he founded International UNP Holdings Ltd., a Toronto Stock Exchange Investment Company used to acquire and finance privatized Polish state enterprises. Mr. Lis studied Business Administration and Securities at the Simon Fraser University.

## Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year ended June 30, 2012, the Board has not failed to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

## Reliance on Certain Exemptions

Since the effective date of NI 52-110, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

## Pre-Approval Policies and Procedures

The audit committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter set out in Schedule "B" to this Information Circular.

## External Audit Service Fees

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its external auditor <sup>(1)</sup> for services rendered to the Company in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
June 30, 2012	\$35,200	\$25,700	\$8,140	\$Nil
June 30, 2011	\$38,558	\$Nil	\$5,000	\$Nil

(1) Paid to BDO Canada LLP, the Company's external auditor. See Part 3 "The Business of the Meeting – Appointment of the Auditor".

## Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110, which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

## CORPORATE GOVERNANCE DISCLOSURE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes 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 Company. The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company.

National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201") establishes corporate governance guidelines, which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted.

National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) also requires the Company to disclose annually in its Information Circular certain information concerning its corporate governance practices. As a “venture issuer” the Company is required to make such disclosure with reference to the requirements of Form 58-101F2, which disclosure is set forth below.

## **Board of Directors**

### *Structure and Composition*

The Board is currently composed of four directors. All of the proposed nominees for election as directors at the 2012 annual and special general meeting are currently directors of the Company.

NP 58-201 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as “independent” directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect “material relationship” with the company. “Material relationship” is defined as a relationship which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgment.

Of the current directors, Stan Lis and Slawomir Smulewicz, as officers of the Company, are “inside” or management directors and accordingly are considered “non-independent”. Ian Hume and William P.C. Hudson as outside directors, are considered independent. See Part 4 “EXECUTIVE COMPENSATION – Director Compensation Table”.

While, following the 2012 annual and special general meeting, the Board will have more “non-independent” than “independent” directors, it is the objective of the Company to strive to attain a majority of independent Board members.

### *Mandate of the Board*

The mandate of the Board is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company’s affairs directly and through its Audit Committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company’s overall business strategies and its annual business plan, reviewing and approving the annual corporate budget and forecast, reviewing and approving significant capital investments outside the approved budget; reviewing major strategic initiatives to ensure that the Company’s proposed actions accord with shareholder objectives; reviewing succession planning; assessing management’s performance against approved business plans and industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders’ equity interests through the optimum utilization of the Company’s capital resources. The Board also takes responsibility for identifying the principal risks of the Company’s business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company’s development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate and securities legislation and regulatory policies. However, as the Company grows, the Board will move to develop a formal written mandate.

The Board delegates to management, through the Chief Executive Officer, Chief Financial Officer and other executive officers, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company’s business in the ordinary course, managing the Company’s cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

Although the Board is currently composed of more “non-independent” than “independent” directors, given the size of the Company’s current operations, the Board believes that the independence of the Board from management is not compromised by such composition. The Board believes that the fiduciary duties placed on management by the Company’s governing corporate legislation and common law and the restrictions on an individual director’s participation in decisions of the Board in which the director has an interest under applicable corporate and securities legislation provide the “independent” directors with significant input and leadership in exercising their responsibilities for independent oversight of management. In addition, each member of the Board understands that

he is entitled to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances and the “independent” directors have the ability to meet independently of management whenever deemed necessary.

Notwithstanding the foregoing, it is the Board’s objective to have a majority of independent directors.

#### *Directorships*

As of the date of this Information Circular, none of the directors of the Company are currently directors and/or executive officers of other reporting issuers (or equivalent) in a Canadian jurisdiction or a foreign jurisdiction.

#### *Ethical Business Conduct*

The Board of Directors expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company’s business plan and to meet performance goals and objectives.

To this end, the Board has established an ethics, governance & compliance committee (the “**EGC Committee**”) whose principal responsibility is to monitor the ethical conduct of the Company to ensure that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. See “Committees of the Board of Directors” below.

The Board has also adopted a formal written Code of Business Conduct and Ethics (the “**Code**”) which applies to all senior officers of the Company and persons performing similar functions as well as all directors, other officers and employees of the Company and independent contractors and consultants providing services to the Company (collectively “**Employees**”). The Code covers a wide range of business practices and procedures and, while not exhaustive, is intended to guide all Employees as to the standards of honesty, integrity and accountability and outlines the basic principles and policies, with the intent of maintaining the highest ethical standards of behaviour while conducting the Company’s business.

The Board has also adopted a Corporate Disclosure Policy and Insider Trading Policy (the “**Disclosure Policies**”) with the objective of ensuring that communications to the investing public about the Company are (a) timely, factual and accurate, and (b) consistent and broadly disseminated in accordance with all applicable legal and regulatory requirements. The Disclosure Policies also set out restrictions and obligations on Employees with respect to the disclosure of undisclosed material information regarding the Company and trading in securities of the Company whilst in possession of such undisclosed material information.

The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and 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 independent of management and in the best interest of the Company.

#### *Nomination and Assessment*

Given its current size and stage of development, the Board has not appointed a nominating committee and these functions are currently performed by the Board as a whole. Nominees are generally the result of recruitment efforts by Board members, including both formal and informal discussions among Board members and the President and Chief Executive Officer, and proposed directors’ credentials are reviewed in advance of a Board meeting with one or more members of the Board prior to the proposed director’s nomination.

New directors are briefed on strategic plans, short, medium and long term corporate objectives, business risks and mitigation strategies, corporate governance guidelines and existing company policies. However, there is no formal orientation for new members of the Board, and this is considered to be appropriate, given the Company’s size and current operations.

The skills and knowledge of the Board of Directors as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management’s assistance. Board members have

full access to the Company's records. Reference is made to the table under the heading "Election of Directors" in Part 3 of "Particulars of Matters to be Acted Upon" for a description of the current principal occupations of the Company's Board.

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's current size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness and the effectiveness and contribution of its committees or individual directors on an ad hoc basis.

#### *Committees of the Board of Directors*

At the present time, the Board of Directors of the Company has appointed one formal committee, being the Audit Committee.

The Audit Committee is comprised of Ian Hume, William P.C. Hudson and Stan Lis, and is primarily responsible for the policies and practices relating to integrity of financial and regulatory reporting of the Company, as well as internal controls to achieve the objectives of safeguarding the Company's assets; reliability of information; and compliance with policies and laws. For further information regarding the mandate of the Company's audit committee, its specific authority, duties and responsibilities, as well as the Audit Committee Charter, see "Audit Committee Disclosure" in this Information Circular.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

#### *Aggregate Indebtedness*

As of the date hereof, there is no indebtedness owing to the Company, any of its subsidiaries or any other entity (where such indebtedness to such other entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries) in connection with the purchase of securities or otherwise by any current or former executive officers, directors or employees of the Company or any of its subsidiaries.

#### *Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs*

No individual who is, or at any time during the most recently completed financial year of the Company was, a director or officer of the Company, no proposed nominee for election as a director of the Company, and no associate of any one of them is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries (other than in respect of amounts which would constitute routine indebtedness) or to another entity (where such indebtedness to such other entity is, or was at any time during the most recently completed financial year of the Company, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries).

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than disclosed herein, no informed person (as such term is defined under applicable securities legislation), proposed nominee for election as a director, or any associate or affiliate of any informed person or proposed nominee, has had a material interest, direct or indirect, in any transaction with the Company or any of its subsidiaries or in any proposed transaction since the beginning of the last completed financial year that has materially affected the Company or any of its subsidiaries or is likely to do so.

For the above purposes, "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON AT THE MEETING**

None of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last completed financial year, none of the other insiders of the Company and no associate or affiliate of any of the foregoing persons 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 (other than the election of the directors and the appointment of auditors).

## **MANAGEMENT CONTRACTS**

The management functions of the Company are performed by its directors and executive officers and the Company has no management agreements or arrangements under which such management functions are performed by persons other than the directors and executive officers of the Company. See Part 4 "Executive Compensation" for details of the fees paid to the Company's Named Executive Officers.

## **OTHER MATTERS**

Management of the Company is not aware of any other matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies this Information Circular. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

## **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein.

## **ADDITIONAL INFORMATION**

Financial information about the Company is provided in its comparative financial statements and Management's Discussion and Analysis for the year ended June 30, 2012. You may obtain copies of such documents without charge upon request to the Company at Suite 2500, 555 West Hastings Street, Vancouver, B.C., Canada V6B 3N5 – telephone (604) 676-9792 / facsimile (604) 677-3171. You may also access such documents, together with the Company's additional disclosure documents, through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **BOARD APPROVAL**

The Board of Directors of the Company has approved the contents and the delivery of this Information Circular to its shareholders.

DATED at Vancouver, British Columbia, this 19th day of November, 2012.

ON BEHALF OF THE BOARD OF DIRECTORS

**CARBON FRIENDLY SOLUTIONS INC.**

Per:       /s/ "Stan Lis"        
Stan Lis  
President



## SCHEDULE "A"

### CARBON FRIENDLY SOLUTIONS INC. (the "Company")

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#### ADVANCE NOTICE POLICY

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#### BACKGROUND

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This advance notice policy (the "**Policy**") has been adopted by the board of directors of the Company with a view to providing shareholders, directors and management of the Company with a fair and transparent procedure for nominating directors. This Policy establishes a deadline on or before which a holder(s) of record of the Company's common shares must submit, in writing, director nominations to the Company prior to any annual or special meeting of shareholders and the information that such holder(s) must include with such nominations in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

By adopting this Policy, the Company seeks to: (i) establish an orderly and efficient process for electing directors at annual general or, if applicable, special meetings of the Company; (ii) ensure all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees to make an informed vote with respect to the election of directors after having been afforded reasonable time and information for appropriate deliberation; and (iii) avoid the potentially negative impact of a relatively small group of dissent shareholders taking control of the board of directors of the Company by way of a surprise proxy vote at an annual or special meeting without paying any premium for such control and without providing the remaining shareholders of the Company with the ability to evaluate and vote on any directors nominated by such dissent shareholders.

The Company believes this Policy is in the best interests of the Company, its shareholders and other stakeholders.

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#### INTERPRETATION

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1. For purposes of this Policy:

- (a) "**Annual Meeting**" means any annual meeting of shareholders of the Company;
- (b) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such laws and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission or similar securities regulatory authority of each province and territory of Canada;
- (c) "**BCA**" means the *Business Corporations Act* (British Columbia), as amended;
- (d) "**Board**" means the board of directors of the Company as constituted from time to time;
- (e) "**Nominating Shareholder**" has the meaning ascribed to such term in paragraph 2(c) below;
- (f) "**Public Announcement**" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com); and
- (g) "**Special Meeting**" means any special meeting of shareholders of the Company if one of the purposes for which such meeting is called is the election of directors.

In this Policy, other words and phrases that are capitalized have the meaning assigned in this Policy.

## NOMINATIONS OF DIRECTORS

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2. In order to be eligible for election to the Board at any Annual Meeting or Special Meeting of shareholders of the Company, persons must be nominated in accordance with one of the following procedures:
  - (a) by or at the direction of the Board, including pursuant to a notice of meeting;
  - (b) by or at the direction or request of one or more shareholders pursuant to a "proposal" made in accordance with Division 7 of the BCA, or a requisition of the shareholders made in accordance with section 167 of the BCA; or
  - (c) by any person (a "**Nominating Shareholder**"):
    - (i) who, at the close of business on the date of giving by the Nominating Shareholder of the notice provided for below and at the close of business on the record date for notice of such meeting, is entered in the central securities register of the Company as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
    - (ii) who complies with the notice procedures set forth in this Policy.
3. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must give notice, which is both timely (in accordance with paragraph 4) and in proper written form (in accordance with paragraph 5), to the Corporate Secretary of the Company at the principal executive offices of the Company.
4. A Nominating Shareholder's notice to the Corporate Secretary of the Company will be deemed to be timely if:
  - (a) in the case of an Annual Meeting, such notice is made not less than 30 nor more than 65 days prior to the date of the Annual Meeting; provided, however, that in the event that the Annual Meeting is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first Public Announcement of the date of the Annual Meeting is made, notice by the Nominating Shareholder is made not later than the close of business on the tenth (10th) day following the Notice Date; and
  - (b) in the case of a Special Meeting (which is not also an Annual Meeting) called for the purpose of electing directors (whether or not called for other purposes), such notice is made not later than the close of business on the fifteenth (15th) day following the day on which the first Public Announcement of the date of the Special Meeting is made.

For greater certainty, the time periods for the giving of notice by a Nominating Shareholder as aforesaid shall, in all cases, be determined based on the original date of the applicable Annual Meeting or Special Meeting of shareholders, and in no event shall any adjournment or postponement of an Annual Meeting or Special Meeting or the announcement thereof commence a new time period for the giving of such notice.

5. A Nominating Shareholder's notice to the Corporate Secretary of the Company will be deemed to be in proper form if:
  - (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director, such notice sets forth:
    - (i) the name, age, business address and residential address of the person;
    - (ii) the principal occupation or employment of the person;
    - (iii) the citizenship of such person;
    - (iv) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of

shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and

- (v) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the BCA and Applicable Securities Laws; and
- (b) as to the Nominating Shareholder giving the notice, such notice sets forth full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct the voting of any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the BCA and Applicable Securities Laws.

The Company shall have the right to require any proposed nominee for election as a director to furnish such additional information as may reasonably be requested by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

- 6. No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Policy. Notwithstanding the foregoing, nothing contained in this Policy shall be deemed to restrict or preclude discussion by a shareholder (as distinct from the nomination of directors) at an Annual Meeting or Special Meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the BCA or the discretion of the Chairman. The Chairman of any Annual Meeting or Special Meeting shall have the power and duty to determine whether any nomination for election of a director has been made in accordance with the procedures set forth in this Policy and, if any proposed nomination is not in compliance with such procedures, to declare such nomination defective and that it be disregarded.
- 7. Notwithstanding any other provision of this Policy, notice given to the Corporate Secretary of the Company pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Corporate Secretary of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Corporate Secretary at the address of the principal executive offices of the Company, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.
- 8. The Board may, in its sole discretion, waive any requirement of this Policy.

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#### **EFFECTIVE DATE**

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This Policy was approved and adopted by the Board on November 19, 2012 (the "**Effective Date**") and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date. Notwithstanding the foregoing, if this Policy is not approved by ordinary resolution of shareholders of the Company present in person or voting by proxy at the next Annual Meeting or Special Meeting of those shareholders validly held following the Effective Date, then this Policy shall terminate and be void and of no further force and effect following the termination of such meeting of shareholders.

This Policy will be subject to an annual review by the Board, and will reflect changes as required from time to time by securities regulatory agencies or stock exchanges, or so as to conform to industry standards.

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#### **GOVERNING LAW**

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This Policy shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

Adopted by the Board with immediate effect on November 19, 2012.

## SCHEDULE "B"



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### Audit Committee Charter

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#### **I. Committee Composition**

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The audit committee (“the Committee”) shall be comprised of three or more members, and each member of the committee must be a member of the Board of Directors (“Board”). The members of the Committee shall, subject to appointments made as a result of resignations, removals and retirements, be appointed annually by the Directors of Carbon Friendly Solutions Inc. (the “Company”), taking into account the recommendations made by the Nominating and Corporate Governance Committee with respect to who should serve on the Committee. The Board shall annually designate a Chair of the Committee from among the members of the Committee. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

Majority of the members of the Committee must be determined by the Board to be independent and shall satisfy the independence requirements under applicable securities law, stock exchange and any other regulatory requirements applicable to the Corporation.

Each member of the Committee must be financially literate, meaning that they have an 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 could reasonably be expected to be raised by the Corporation’s financial statements.

In addition, where possible, at least one member of the Committee shall qualify as an “Audit Committee financial expert” within the meaning of applicable securities law.

#### **Sub-committees**

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant a pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

#### **II. Meetings**

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The Committee shall hold at least four (4) regularly scheduled meetings in each calendar year in person or by conference call or by means of similar communications equipment hook-up, and shall meet more frequently if circumstances warrant, including convening a meeting to cover any matters at the request of the independent auditors. Attendance by a majority of members of the Committee either in person or by conference call or by means of similar communications equipment hookup shall constitute a quorum for the transaction of any business that may properly come before any meeting of such Committee.

The Committee is authorized to invite officers and employees of the Corporation and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate. In addition, the Committee will meet with the Auditor and management annually to review the Company’s financial statements in a manner consistent with Section III of this Charter.

The Committee will appoint a Secretary who will keep minutes of all meetings. The Secretary may be the Company's Corporate Secretary or another person who does not need to be a member of the Committee. The Secretary for the Committee can be changed by simple notice from the Chair.

### **III. Duties and Responsibilities**

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#### **(A) Purpose**

The purpose of the Committee is to provide independent and objective assistance to the Board in its oversight of:

1. The financial statements and other financial information provided by the Company to its shareholders, the public and others;
2. The Company's compliance with legal and regulatory requirements;
3. The qualification, independence and performance of the Auditors; and
4. The Company's risk management and internal financial and accounting controls, and management information systems.

In fulfilling their responsibilities, it is recognized that majority of the members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of accountants or auditors. As such, it is not the duty or responsibility of the Committee or any of its members to serve in such capacity.

#### **(B) Duties and Responsibilities**

The Committee shall:

With respect to the external auditors (the "Auditors"):

1. Recommend to the Board the Auditors to be nominated for appointment as auditors of the Company at the Company's annual meeting; be responsible for the oversight of the work of the Auditors, including the resolution of disagreements between management and the auditors regarding financial reporting; and recommend to the Board and the shareholders the termination of the appointment of the auditors, if and when advisable;
2. Approve, or recommend to the Board for approval, all audit engagement fees and terms, as well as all non-audit engagements of the auditors prior to the commencement of the engagement. Review and approve any disclosures required to be included in periodic reports under applicable securities law, stock exchange and other regulatory requirements with respect to non-audit services;
3. Evaluate the independence of the Auditor and any potential conflicts of interests and (to assess the auditors' independence) all relationships between the Auditors and the Company, including obtaining and reviewing an annual report prepared by the Auditors describing all relationships between the Auditors and the Company;
4. Review with the Auditors the plan and scope of the quarterly review and annual audit engagements. Also review their staffing, materiality, and general audit approach;
5. Setting hiring policies with respect to the employment of current or former employees of the Auditors; and
6. Consider the tenure of the lead audit partner on the engagement in light of applicable securities law, stock exchange or applicable regulatory requirements.

With respect to **financial statements and financial information**:

1. Review, discuss with management and recommend to the Board for approval the annual audited financial statements and related "management's discussion and analysis of financial and operating results" prior to filing with securities regulatory authorities and delivery to shareholders;
2. Review and discuss with the Auditors the results of their reviews and audit, any issues arising and managements' response, including any restrictions on the scope of the external auditors' activities or requested information and any significant disagreements with management, and resolving any disputes;
3. Review and discuss with management and the Auditors, the Company's interim financial statements, including managements' discussion and analysis, and the auditors' review of interim financial statements, prior to filing or distribution of such statements;
4. Review and discuss with management and the Auditors major issues regarding accounting principles used in the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles. Review and discuss analyses prepared by management and the Auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under generally accepted accounting principles;
5. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information and extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures;
6. Review and discuss with management the Company's earnings press releases, as well as any type of financial information and earnings guidance (if any) provided to analysts and ratings agencies;
7. Review and discuss such other relevant public disclosures containing financial information as the Committee may consider necessary or appropriate; and
8. Review and discuss with management any regulatory initiatives and material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses. Obtain explanations from management of all significant variances between comparative reporting periods.

With respect to **internal control and risk management:**

1. Review and discuss with management the effectiveness of the Company's internal controls over financial reporting, particularly any significant deficiencies in the design or operation of internal controls, and any possibility of fraud being perpetrated, whether or not material, by management or other employees who have a significant role in the Company's internal controls over financial reporting;
2. In consultation with management, review the adequacy of the Company's internal control structure and procedures designed to insure compliance with laws and regulations, and discuss the responsibilities, budget and staffing needs of the Company's financial and accounting group;
3. Review and discuss with management The Company's process with respect to risk assessment (including fraud risk), risk management and the Company's major financial risks and financial reporting exposures, all as they relate to internal controls over financial reporting, and the steps management has taken to monitor and control such risks;
4. Approve and recommend to the Board for adoption of policies and procedures on risk oversight and management to establish an effective system for identifying, assessing, monitoring and managing risk;
5. Review and discuss with management the Company's Code of Business Conduct and Ethics and anti-fraud program and the actions taken to monitor and enforce compliance; and
6. Establish procedures for:

- a. The receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters; and
- b. the confidential; anonymous submission by employees of the Company of concerns regarding questionable accounting, internal controls or auditing matters;

With respect to **reporting**:

1. Meet separately, periodically, with each of management, and the Auditors;
2. Report regularly to the Board and shall submit the minutes of all meetings of the Committee to the Board. The Committee shall also report to the Board on the proceeding and deliberations of the Committee at such times and in such manner as the Board may require;
3. Review and assess its mandate and recommend any proposed changes to the Nominating and Company Governance Committee of the Board on an annual basis; and
4. Evaluate the functioning of the Committee on an annual basis, including with reference to the discharge of its mandate, with the results to be reported to the Nominating and Company Governance Committee, which shall report on the Board.

#### **IV. Authority and Resources**

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The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall have unrestricted access to the Company's internal accounting staff, managers, other staff and Auditors as necessary to carry out these duties. While acting within the scope of its stated mandate, the Committee shall have all the authority of, but shall remain subject to, the Board.

The Committee shall have the authority, including approval of fees and other retention terms, to obtain advice and assistance from outside legal, accounting or other advisors in its sole discretion, at the expense of the Company, which shall provide adequate funding for such purposes. The Company shall also provide the Committee with adequate funding for the ordinary administrative expenses of the Committee.