

# MONARCH ENERGY LIMITED

## INFORMATION CIRCULAR

as at February 7, 2011  
(unless otherwise stated)

## GENERAL PROXY INFORMATION

### Solicitation of Proxies

**This information circular is furnished to the shareholders of MONARCH ENERGY LIMITED (the “Company”) of Suite 404 – 999 Canada Place, Vancouver, British Columbia V6C 3E2 in connection with the solicitation by the management of the Company of proxies to be voted at the annual and special general meeting of shareholders to be held on Wednesday, March 16, 2011 at the time and place and for the purposes set out in the notice of meeting which this circular accompanies.**

The solicitation will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation by the directors, regular officers and employees of the Company. The Company does not reimburse shareholders, nominees or agents for the cost incurred in obtaining from their principals authorization to execute forms of proxy, except that the Company may reimburse brokers and nominees who hold stock in their respective names on behalf of shareholders for their related out of pocket expenses if the Company requests such brokers and nominees to furnish this material to their customers. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of any solicitation will be borne by the Company.

### Appointment of Proxyholders

The persons named in the accompanying form of proxy were designated as proxyholders by the directors of the Company.

**A shareholder has the right to appoint some other person or company (who need not be a shareholder) to attend and act for and on behalf of that shareholder at the meeting. To exercise this right, the shareholder may do so by striking out the printed names and inserting the name of such other person and, if desired, an alternate to such person in the blank space provided in the form of proxy.**

In order to be voted, the completed form of proxy should be received by the Company’s transfer agent and registrar, CIBC Mellon Trust Company, 1600 – 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1, fax number 604 688 4301 or at the office of the Company, Suite 404 - 999 Canada Place, Vancouver, British Columbia V6C 3E2, fax number 604 844 2834, by mail or by fax, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the meeting.

A proxy may not be valid unless it is dated and signed by the shareholder who is giving it or by that shareholder’s attorney-in-fact duly authorized by that shareholder in writing or, in the case of a corporation, dated and executed by a duly authorized officer of, or attorney-in-fact for, the corporation.

### Revocability of Proxies

A shareholder who has given a proxy may revoke it at any time, before it is exercised, by an instrument in writing: (a) executed by that shareholder or by that shareholder’s attorney-in-fact or, where the shareholder is a corporation, by a duly authorized officer of, or attorney-in-fact for, the corporation; and (b) delivered either: (i) to the Company at any time up to and including the last business day preceding the date of the meeting or, if adjourned or postponed,

any reconvening thereof, or (ii) to the chairman of the meeting prior to the vote on matters covered by the proxy on the day of the meeting or, if adjourned or postponed, any reconvening thereof; or (iii) in any other manner provided by law. Also, a proxy will automatically be revoked by either: (i) attendance at the meeting and participation in a poll (ballot) by a shareholder, or (ii) submission of a subsequent proxy in accordance with the foregoing procedures. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

## **Voting of Proxies**

The common shares represented by a properly executed and deposited proxy will be voted on any poll (ballot) that may be called for or required and, if the shareholder specifies a choice with respect to any matter to be acted upon, the common shares will be voted accordingly. **In the absence of any instructions, the designated persons or other proxy agent named on the proxy form will cast the shareholder's votes on any poll FOR the approval of all the matters in the items set out in the form of proxy and FOR each of the nominees named therein for election as directors.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the meeting, including any amendments or variations of the matters identified in the notice of meeting. At the date of this information circular, management of the Company knew of no such amendments, variations, or other matters to come before the meeting. If such should occur, the persons named in the proxy form will vote on them in accordance with their best judgement, exercising discretionary authority.

In the case of abstentions from or withholding of the voting of common shares on any matter, the shares which are the subject of the abstention or withholding will be counted for determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

## **Advice to Non-Registered Shareholders**

**The information in this section is of significant importance to many shareholders of the Company, as a substantial number of shareholders do not own shares in their own name.** Shareholders who do not hold their shares in their own name (referred to in this information circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of shares can be recognized and acted upon at the meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Company. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for the Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), and in the United States, under the name Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many US brokerage firms and custodian banks). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the meeting. Often, the form of proxy supplied to a Beneficial Shareholder by his broker (or the agent of that broker) is identical to the form of proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) on how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. Beneficial Shareholders

are asked to complete and return the voting instruction form to Broadridge by mail or facsimile or to follow specified telephone or internet voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of the shares to be represented at the meeting. **If a Beneficial Shareholder receives a voting instruction form from Broadridge it cannot be used as a proxy to vote shares directly at the meeting as the voting instruction form must be returned to Broadridge or the telephone or internet procedures completed well in advance of the meeting in order to have the shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the meeting for the purposes of voting shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend at the meeting as proxyholder for the registered shareholder and vote the shares in that capacity. A Beneficial Shareholder who wishes to attend at the meeting and directly vote his or her shares as proxyholder for the registered shareholder should enter his or her name or the name of his or her appointee in the blank space provided on the voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the meeting.

Alternatively, a Beneficial Shareholder may request in writing that his or her broker send to the Beneficial Shareholder a legal proxy which would enable the Beneficial Shareholder to attend at the meeting and vote his or her common shares.

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

The voting securities of the Company consist of an unlimited number of common shares without par value, of which 53,226,852 common shares are issued and outstanding as at February 9, 2011. Holders of common shares are entitled to one vote for each common share held. The share transfer books of the Company will not be closed, but the Company's Board of Directors has fixed Wednesday, February 9, 2011 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 of the meeting.

To the knowledge of the directors and executive officers of the Company, as at the date of this information circular no person or company beneficially owns, directly or indirectly, or controls or directs voting securities carrying more than 10% of the voting rights attached to the voting securities of the Company.

After the completion of the transaction described under "Approval of Acquisition", George S. Langdon will own, directly and indirectly through Tectonics Inc., 43,975,713 common shares of the Company, representing 47.45% of the issued shares.

As at February 7, 2011 CDS & Co., a Canadian depository, was the registered holder of 49,009,986 common shares (92.08%) on behalf of intermediaries/brokers who hold common shares for Beneficial Shareholders whose identities are not known to the directors and executive officers of the Company, except to the extent that they may include management shares held in brokerage accounts.

### **VOTES NECESSARY TO PASS RESOLUTIONS**

Under the Company's Articles, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders. A simple majority of the votes of those shareholders who are present and vote either in person or by proxy at the meeting is required in order to pass an ordinary resolution. A majority of two-thirds of the votes of those shareholders who are present and vote either in person or by proxy at the meeting is required to pass a special resolution. No special resolution is proposed.

## BUSINESS OF THE MEETING

To the knowledge of the Company's management, the only matters to be placed before the meeting are those set out in the notice of meeting:

### Appointment of Auditor

Effective August 14, 2008, Davidson & Company LLP, Chartered Accountants, were appointed the auditor of the Company by the directors. Management proposes to nominate Davidson & Company LLP as auditor to hold office until the next annual general meeting.

**Unless otherwise directed, proxies given pursuant to this solicitation will be voted on any poll FOR the appointment of Davidson & Company LLP, Chartered Accountants, as auditor of the Company.**

### Election of Directors

Directors are elected by the holders of common shares of the Company. Each director elected will hold office until the next annual general meeting unless he resigns or his office is earlier vacated in accordance with the Articles of the Company or he becomes disqualified under the *Business Corporations Act* (British Columbia) to act as a director.

The Company currently has four directors, and shareholders will be asked to pass an ordinary resolution to set the number of directors at four. **Unless otherwise indicated, proxies given pursuant to this solicitation will be voted on any poll in favour of this resolution.**

The Articles of the Company provide that the directors may, between annual general meetings, appoint one or more additional director to serve until the next annual general meeting but the total number of additional directors shall not at any time exceed one-third of the number of directors elected at the previous annual general meeting.

The persons named in the table below are proposed by management for election as directors. Management does not contemplate that any of the nominees will be unable to serve as directors; however, if for any reason any nominee does not stand for election or is unable to serve, **proxies given pursuant to this solicitation in favour of management nominees will be voted on any poll for another nominee in management's discretion unless the shareholder has specified in the proxy form that the shareholder's shares are to be withheld from voting on the election of directors.**

The following information concerning the respective nominees has been provided or confirmed by each of them:

Proposed Nominee, Province/State and Country of Residence and Present Position with the Company	Principal Occupation	Director Since	Number of Voting Securities <sup>(1)</sup>
George S. Langdon Alberta, Canada Chairman, President, Chief Executive Officer and Director	Consulting Petroleum Geologist and Exploration Geologist since 1997; Director of Gulf Shores Resources Ltd.; President of Shoal Point Energy Limited and Tectonics Inc.	April 3, 2007	4,525,713 <sup>(2)</sup>
Gerald Otterman British Columbia, Canada Chief Financial Officer, Director and Secretary	Chief Financial Officer of Gulf Shores Resources Ltd. since 2005.	August 4, 2009	489,142
Michael Turko British Columbia, Canada Director	Petroleum Geologist; President and Chief Executive Officer of Gulf Shores Resources Ltd.	June 4, 2006	3,724,858 <sup>(3)</sup>

Gerard M. Edwards Newfoundland & Labrador, Canada, Director	Chief Financial Officer of Canadian Imperial Venture Corp.	April 19, 2010	nil
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Notes:

- (1) Common shares beneficially owned, directly or indirectly, or controlled or directed.
- (2) 1,885,713 shares held by George S. Langdon; 2,640,000 shares held by Tectonics Inc., a company controlled by George S. Langdon.
- (3) 3,153,429 shares held by Michael Turko; 571,429 shares held by Starbright Energy Ltd., a company controlled by Michael Turko.

No proposed director

- (a) is, as at the date of this information circular, or has been, within 10 years before the date of this information circular, a director, chief executive officer or chief financial officer of any company (including the company in respect of which this information circular is being prepared) that,
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date of this information circular, or has been within 10 years before the date of this information circular, a director or executive officer of any company (including the company in respect of which this information circular is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, becoming 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, except that Gerard M. Edwards was a director and executive officer of Canadian Imperial Venture Corp. which, in 2004, underwent a successful restructuring under the Companies' Creditors Arrangement Act; or
- (c) has, within the 10 years before the date of this information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

For the purposes of paragraph (a) above, "order" means:

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

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

### **Re-Approval of Amended and Restated Incentive Stock Option Plan (2010)**

The TSX Venture Exchange (the "Exchange") requires that every company listed on the Exchange (other than a Capital Pool Company) implement a stock option plan to govern the granting and exercise of incentive stock options for directors, employees and consultants. In 2005 the Company implemented a "rolling" stock option plan whereby

a maximum of 10% of the issued shares of the Company, from time to time, are reserved for issuance pursuant to the exercise of options. In accordance with Exchange policy, a stock option plan must receive shareholder approval yearly at the Company's annual general meeting. The Company's stock option plan was originally approved by shareholders at the annual general meeting held on March 17, 2005 and re-approved at subsequent annual general meetings held in the years 2006 through 2009.

Effective April 9, 2010, the Company adopted the Amended and Restated Incentive Stock Option Plan (2010) (the "Plan"), which was approved at the annual general meeting held in 2010. The principal features of the Plan are as follows.

#### *Purpose*

The principal purposes of the Plan are to advance the interests of the Company by (i) promoting a proprietary interest among eligible persons in the success of the Company and its affiliates; (ii) attracting and retaining qualified directors, officers, employees and consultants the Company and its affiliates require; (iii) providing eligible persons with additional incentive and encouraging stock ownership by such eligible persons.

#### *Administration*

The Plan will be administered by the Board of Directors or a committee of the Board duly appointed for this purpose, and consisting of not fewer than three directors. The Board will have the authority to determine which eligible persons are to be granted options, to grant options, to determine the terms, limitations, restrictions and conditions respecting such grants and to interpret the Plan and adopt such administrative guidelines as it may deem advisable.

#### *Shares Reserved*

The maximum number of shares which may be reserved for issuance for all purposes under the Plan shall be equal to 10% of the number of common shares outstanding from time to time on a non-diluted basis. As of the effective date of the Plan options previously granted by the Company which are outstanding will be deemed to have been issued under the Plan.

#### *Limits*

The number of common shares for which options may be granted under the Plan to any one participant shall not exceed 5% of the outstanding issue in any 12-month period unless disinterested shareholder is obtained. The number of common shares for which options may be granted under the Plan to any one consultant shall not exceed 2% of the outstanding issue in any 12-month period. The number of common shares for which options may be granted under the Plan to employees conducting investor relations activities shall not exceed in the aggregate 2% of the outstanding issue in any 12-month period. Options granted to consultants performing investor relations activities (if exempt from the prospectus requirements of applicable securities legislation) must vest over 12 months with no more than one-quarter of the options vesting in any 3-month period.

#### *Eligibility*

Options may be granted under the Plan by the Board of Directors to any eligible person, subject to the limitations set out above. Eligible persons include directors, officers, employees, consultants or consultant companies of the Company or any of its affiliates, or any management company employee, or a personal holding company controlled by a director, officer or employee, the shares of which personal holding company are held directly or indirectly by the director, officer or employee.

#### *Exercise Price*

The exercise price of common shares subject to an option will be determined by the Board at the time of grant and will be not less than the discounted market price of the common shares at the date of grant, as determined under the policies of the Exchange.

#### *Time of Exercise*

Options granted must be exercised no later than 10 years after the date of grant or such lesser periods as may be determined by the Board. The Board may determine that any options shall vest and be exercisable in instalments.



### *Early Expiry*

If a participant in the Plan ceases to be an eligible person for any reason other than death, an option held by the participant will cease to be exercisable 30 days after termination. If a participant dies, the legal representatives of the participant may exercise the participant's options within 12 months after the participant's death.

### *Non-Assignable*

An option may be exercised only by the participant (or his legal representatives) and will not be assignable or transferable, provided that an option may be assigned or transferred to a registered retirement savings plan, a registered retirement income fund or a tax-free savings account established solely for the benefit of the eligible person and registered with the Minister of National Revenue, and provided further that there is no change in beneficial ownership of such registered retirement savings plan, registered retirement income fund or tax-free savings account.

### *Approvals*

The Plan is subject to acceptance by the Exchange and approval by the shareholders of the Company given by the affirmative vote of the holders of a majority of the voting shares of the Company present, or represented, and entitled to vote for this purpose, at an annual or special meeting of shareholders. The Company must obtain disinterested shareholder approval if the Company decreases the exercise price of options previously granted to insiders or to participants who are insiders at the time of the proposed decrease, and if the Plan, together with the Company's previously established and outstanding stock option plans or grants, could result at any time in the number of shares reserved for issuance under stock options granted to insiders exceeding 10% of the issued shares, or the grant to insiders, within a 12-month period, of the number of options exceeding 10% of the issued shares, or the issuance to any one participant within a 12-month period, of the number of common shares exceeding 5% of the outstanding shares.

A copy of the Company's Amended and Restated Incentive Stock Option Plan (2010) will be available for inspection at the meeting and, prior thereto, at the offices of the Company during normal business hours on the 3 business days before the meeting.

Management recommends that shareholders pass an ordinary resolution approving the Plan. **Unless otherwise indicated, proxies given pursuant to this solicitation will be voted on any poll in favour of this resolution.**

## **Authorization and Approval of Private Placements**

It may be necessary or advisable from time to time to negotiate private placements of the Company's securities in order to provide working capital and fund the Company's activities and operations.

Private placements are subject to the requirements of Exchange policies applicable to the Company. One such requirement is that if the issuance of the private placement shares and the shares issued on conversion of a warrant or convertible security will result in, or is part of a transaction that will result in the creation of a new control person, the Exchange requires shareholder approval of the private placement. For this purpose, a control person is a company or an individual that holds, or is one of a combination of persons that hold, a sufficient number of any of the securities of an issuer so as to affect materially the control of an issuer, or that holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect control of the issuer.

Private placements will only be negotiated if management believes that the subscription price is reasonable in the circumstances and if the funds are required by the Company to continue or expand its activities. Each private placement transaction authorized will be made with placees who may or may not be at arm's-length to the Company; however, the subscription price will comply with the policies of the Exchange. The following summarizes the policies of the Exchange applicable to the Company regarding the pricing of private placements: the purchase price shall be not less than the last closing price of the Company's shares before the issuance of the News Release or the filing of a Price Reservation Form required to fix the price at which the shares are to be issued, less the following maximum discounts, subject to a minimum price of \$0.05 per share.



<b>Closing Price</b>	<b>Discount</b>
Up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

If the Company announces material information regarding the affairs of the Company after providing notice of a private placement and if the Exchange determines that a party to the transaction should reasonably have been aware of that pending material information, then the price will be at least equal to the closing price of the shares on the trading day after the day on which the material information was announced, less the applicable discount referred to above.

Management recommends that shareholders pass an ordinary resolution authorizing and approving the sale by way of private placements of common shares (or securities convertible into common shares) including private placements where the number of common shares issued and the number of common shares issued on conversion of warrants or convertible securities, results in the creation of a new control person, as defined, and authorizing and directing any one of the directors or officers of the Company to do all such things that may be necessary or desirable, in the opinion of such officer of director, to give effect thereto. **Unless otherwise indicated, proxies given pursuant to this solicitation will be voted on any poll in favour of this resolution.**

### **Approval of Acquisition**

Monarch is acquiring a 60% working interest (subject to a 2% NSR) in Mineral License 016508M comprising 68 claims (approx. 1700 hectares, 4352 acres); Mineral License 018019M comprising 121 claims (approx. 3025 hectares, 7744 acres); Mineral License 018035M comprising 121 claims (approx. 3025 hectares, 7744 acres); and Mineral License 018387M comprising 3 claims (approx. 75 hectares, 290 acres) (collectively referred to as the “Odd Twins Property”) located on and offshore Long Point on the Port au Port Peninsula, Newfoundland and Labrador. The vendor is Tectonics Inc., of Calgary, Alberta. The Company will enter into a joint venture with the holder of the other 40% interest for the exploration, development and exploitation of the Odd Twins Property.

### **Consideration and Valuation**

In consideration of the acquisition, the Company will issue to Tectonics Inc. or its assigns, 39,450,000 common shares at a deemed price of \$0.05 per share. The value of the consideration was determined with reference to the consideration paid or payable for the other 40% interest in the Odd Twins property, which was negotiated at arm’s length. The cost to the other party to earn the 40% interest is \$1,315,000, which attributes a value to the 60% interest being acquired by the Company equal to the value of the 39,450,000 shares to be issued at a deemed price of \$0.05 per share, which is \$1,972,500.

### **Focus of Exploration**

The focus of the mineral exploration on the licensed area is a feature known as the “Odd Twins Magnetic Anomaly”. This feature has been identified on magnetic surveys, covers a license area of 19840 acres and includes two prospective sandstone units with a gross thickness of up to 506 meters. The possibility of low cost energy from the production of oil and gas in west Newfoundland raises the potential of commercial extraction of iron, titanium and chromium oxides. Preliminary estimates from limited outcrop indicate a concentration of heavy metals (magnetite, ilmenite and chromite) at approximately 5% of the total rock.

### **Geological Setting and Heavy Mineral Potential**

The upper Ordovician Long Point Group lies stratigraphically and structurally above both the upper Cambrian to middle Ordovician carbonate platform rocks, and their deepwater equivalents, the Cow Head Group/Green Point Formation petroliferous shales of the Humber Arm Allochthon, on the northern Port au Port Peninsula. As such, the Long Point Group includes clastic sediments derived from uplift of crystalline massifs lying to the east of the ancient Port au Port area at the end of the middle Ordovician Taconian Orogeny, and therefore represents the initiation of a foreland basin at this time. These massifs contained suites of heavy minerals which were eroded, transported westward, and deposited and distributed along a shoreline along the ancestral west coast of Newfoundland. Such bodies of sands with concentrations of heavy minerals are commonly found along shorelines in the modern environment (“black sands”). When they are found within lithified rock units they are known as “paleoplacers” and often bear significant quantities of heavy minerals, concentrated in the sandstone by the action of ancient winds, currents and tides, generally along shorelines, and within deltas and rivers. Such units have been identified in the upper part of the Long Point Group, which outcrops on Long Point, north of the village of Lourdes, and has been documented by Waldron *et al.* (2002, *Can. Jour. Earth Sciences*, p.1675). Modelling of the geophysical data and field observation suggest the gross thickness of the unit ranges from 294 to 506 metres, with a net magnetic sandstone thickness of 134 metres.

Petrography of the sandstones from Long Point shows the occurrence of three principal detrital heavy minerals: magnetite, ilmenite, and chromite, which are interpreted to have had their provenance principally in rocks of the Bay of Islands Ophiolite Complex. A preliminary estimate of the concentration of these three minerals from the very limited outcrop is placed at around 5% of the total rock. Other opaque minerals occur in the rock and have not yet been investigated for their economic potential.

### **Structural Attitude of the Long Point Group**

The Long Point Group lies within the foreland basin succession above and west of the east-verging roof thrust of the “triangle zone” which encloses the deformed sediments of the Humber Arm Allochthon, including oil-bearing units of the Green Point Formation. As such, the group is a relatively undeformed unit which dips uniformly north-westward about 34 degrees, for about 4 km offshore, where it is seen to flatten to horizontal on offshore seismic profiles at a depth of about 1200 metres.

### **Magnetic Signature of the Paleoplacers**

Two magnetic linear traces seen on magnetic surveys from the offshore north of the Port au Port Peninsula come onshore near Misty Point and continue into the paleoplacer units onshore. This feature was originally termed the “Odd Twins Magnetic Anomaly” by Ruffman and Woodside (*Can. J. Earth Sci.*, 1970, p. 326). Tectonics Inc. has completed a hand-held magnetometer survey in three traverses across the strike of the beds and these data will be used to site the locations of drilling. The magnetite in the sandstones, therefore, may not only have economic value in its own right, but acts as a tracer mineral for the other minerals in the paleoplacer units.

### **Work Program**

A 2010 work program conducted by Canadian Imperial Venture Corp. (CIVC) included the drilling of three core holes with orientations both normal and parallel to the dip of the sandstone units. The former will help establish the attitude and thickness of the units, while the latter will explore lateral changes in facies, and therefore, clast and heavy mineral composition, in a direction perpendicular to the ancient shoreline, which in general shows the most rapid facies transitions. Currently, an evaluation is underway which will consist of core examination, petrographic studies, field sampling and possibly trenching for bulk sample separation analysis, and other germane studies, directed toward an early assessment of potential commerciality. The results of this evaluation are expected to be released in February 2011.

The cost of the initial work program (\$200,000) was paid 100% by CIVC to earn a 40% interest in ML 016508M and ML 018387M. CIVC has the option to earn a 40% stake in ML 018019M and 018035M by issuing 5 million shares per licence and spending \$200,000 per licence.

## **Economic Climate for Strategic Metals**

Recently there has been a worldwide thrust to accumulate strategic metals, and indeed commodities in general, by emerging, particularly Asian, economies. Iron, titanium and chromium in particular have participated in dramatic price run-up in the last several years.

## **Disinterested Shareholder Approval**

The principal of Tectonics Inc., the vendor, is George S. Langdon, who is the Chairman, a director and the President and Chief Executive Officer of the Company. Accordingly, the acquisition is a Related Party transaction, and subject to approval by the disinterested shareholders of the Company.

Management recommends that shareholders pass the following resolution:

RESOLVED THAT the acquisition by the Company of a 60% working interest (subject to a 2% Net Smelter Return Royalty) in the property known as the Odd Twins Property in consideration of 39,450,000 common shares of the Company at a deemed price of \$0.05 per share, be approved.

**Unless otherwise indicated, proxies given to this solicitation will be voted in favour of this resolution. No effect will be given to votes attaching to any shares of the Company held by Tectonics Inc. and George S. Langdon.**

The acquisition is also subject to approval by the TSX Venture Exchange.

## **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

The aggregate indebtedness outstanding as at February 7, 2011 entered into in connection with (a) a purchase of securities and (b) all other indebtedness to (a) the Company and (b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, of all executive officers, directors, employees and former executive officers, directors and employees of the Company was nil.

No individual who is, or at any time during the most recently completed financial year of the Company was, a director or executive officer of the Company, no proposed nominee for election as a director, and no associate of any such director, executive officer or proposed nominee 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. No such person has indebtedness to another entity which indebtedness is, or at any time since the beginning of the most recently completed financial year of the Company has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries.

## **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's most recently completed financial year, no proposed nominee for election as a director, and no associate or affiliate 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 other than the election of directors, except to the extent that they may be granted incentive stock options under the plan referred to under "Re-Approval of Amended and Restated Incentive Stock Option Plan" and may participate in private placements referred to under "Authorization and Approval of Private Placements".

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no informed person, no proposed nominee for election as a director and no associate or affiliate of any informed person or proposed director has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year not previously disclosed in an information circular, or in any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries. An "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, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its shares.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain information as at September 30, 2010, the end of the Company's most recently completed financial year, with respect to compensation plans pursuant to which equity securities of the Company are authorized for issuance. "Equity compensation plans approved by securityholders" relate to the Company's Amended and Restated Incentive Stock Option Plan (2010) in effect as at September 30, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted average exercise price of outstanding options, warrants and rights  (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))  (c)
Equity compensation plans approved by securityholders	1,614,286 <sup>(1)</sup>	\$0.47 <sup>(1)</sup>	3,708,399 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	nil	nil	nil
<b>TOTAL:</b>	<b>1,614,286</b>		<b>3,708,399</b>

Note:

(1) Adjusted to reflect the 1.75:1 share consolidation.

## STATEMENT OF EXECUTIVE COMPENSATION

The Named Executive Officers ("NEOs") of the Company for the year ended September 30, 2010 are listed in the table below:

Name	Principal Position
Michael Turko	Chairman, President, Chief Executive Officer; and Secretary until July 29, 2010.
George S. Langdon	Chief Financial Officer until July 29, 2010; Chairman, President and Chief Executive Officer since July 29, 2010.
Gerald Otterman	Chief Financial Officer and Secretary since July 29,

Name	Principal Position
	2010.

## COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions related to its NEOs.

### Executive Compensation Philosophy and Objectives

The Company does not have a formal compensation program with set benchmarks. However, the Company does have an informal program which seeks to provide both current and long term rewards to the NEOs and other senior executives that are consistent with their individual performance and contribution to the Company's objectives.

### Compensation Review Process

The Board of Directors (the "Board") periodically reviews and approves the total compensation of the Company's senior executives. In establishing total compensation, the Board considers the Company's financial condition, the Company's performance and relative shareholder return, the value of similar incentive awards at comparable companies and the awards given to the executive officers in past years.

In setting the compensation of the Chief Executive Officer, the Board takes into consideration compensation paid to others in similar positions in the Company's industry. The compensation of NEOs is not tied to corporate goals or objectives such as production targets.

The Board reviews the results of and procedures for the evaluation of the performance of other executive officers by the Chief Executive Officer. The Board monitors the executive compensation program with the view to achieving superior executive management with a fair cost to the Company. As part of its review process, the Board reviews peer group and other industry compensation data reported through surveys and other sources. The components of total compensation for the Company's Chief Executive Officer are the same as those which apply to other senior executive officers of other companies of the Company's peer group.

### Elements of Executive Compensation

At this stage of the Company's development, the main elements of compensation consist of management, consulting and directors' fees, stock options and, when merited, bonuses. The Company does not maintain a pension plan for its executive officers, nor does it provide any other form of deferred compensation program.

#### *Management and Consulting Fees*

Currently, executive officers are paid management and/or consulting fees for services provided to the Company, and directors' fees. The Company has not paid direct salaries.

#### *Stock Options*

The Company believes these plans have assisted and will continue to assist the Company in attracting, retaining and motivating the key officers and employees it will need. The Company's Incentive Stock Option Plan is designed to provide executives with a long term incentive to achieve the Company's objectives and contribute to shareholder value. In determining the number of options to award to employees, the Company takes into consideration options previously awarded to each employee and other factors that would affect internal equity.

No stock options were granted to NEOs in the financial year ended September 30, 2010.

#### *Bonus Payments*

Bonuses, if awarded, recognize extraordinary contributions to achieving the Company's objectives. Because of the financial requirements for carrying out the Company's business activities, substantial reliance has historically been

placed by the Board on the use of non-cash compensation for certain of the executive officers. This has been achieved by use of the Company's stock based compensation plans.

No performance bonuses were awarded to NEOs in the financial year ended September 30, 2010.

### Option-based awards

The Board reviews any equity plans that the Company establishes for, or makes available to, its directors, officers, employees and consultants, the appropriateness of the allocation of benefits under the plans and the extent to which the plans are meeting their intended objectives and, where appropriate, the Board modifies any plan that yields payments and benefits that are not reasonably related to employee performance.

The Company has an incentive stock option plan that provides for the grant of incentive stock options to purchase common shares to the Company's directors, officers and key employees and other persons providing ongoing services to the Company. The stock option plan is administered by the Board of Directors. The maximum number of common shares which may be reserved and set aside for issuance under the stock option plan is equal to 10% of the number of common shares outstanding from time to time on a non-diluted basis. Each option upon its exercise entitles the grantee to one common share. The exercise price of common shares subject to an option will be determined by the Board of Directors at the time of grant and will not be less than the discounted market price of the common shares at the date of grant, as determined under the policies of the TSX Venture Exchange. Options may be granted under the stock option plan for an exercise period of up to ten years (refer to "Approval of Amended and Restated Incentive Stock Option Plan (2010)") from the date of grant of the option or such lesser periods as may be determined by the Board of Directors.

When granting stock options, the Chief Executive Officer and Chief Financial Officer assess the status of the stock option reserve and potential dilution resulting from a stock option grant.

### SUMMARY COMPENSATION TABLE

The following table sets out information concerning the compensation of NEOs.

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
George S. Langdon Chief Financial Officer until July 29, 2010; Chairman, President and Chief Executive Officer since July 29, 2010	2010	nil	nil	nil	nil	nil	nil	nil	nil
	2009	5,000 <sup>(1)</sup>	nil	nil	nil	nil	n/a	nil	5,000
Michael Turko Chairman, President, Chief Executive Officer and Secretary until July 29, 2010	2010	52,500 <sup>(2)</sup>	nil	nil	nil	nil	nil	nil	52,500
	2009	80,000 <sup>(3)</sup>	nil	nil	nil	nil	n/a	nil	80,000

Name and Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Gerald Otterman Chief Financial Officer and Secretary since July 29, 2010	2010	nil	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Directors' fees.
- (2) Management fees paid to Starbright Energy Ltd., a company controlled by Michael Turko.
- (3) Consisting of management fees of \$75,000 paid to Michael Turko and directors' fees of \$5,000 paid to Saffron Resources Ltd., a company controlled by Michael Turko.

## INCENTIVE PLAN AWARDS

### Outstanding share-based awards and option-based awards

The following table sets out the total number of options granted to each NEO which were outstanding as at September 30, 2010.

Name	Number of Options Outstanding <sup>(1)</sup>	Exercise Price <sup>(1)</sup>	Expiry Date	Value of Unexercised In-The-Money Options <sup>(2)</sup> (\$)
Michael Turko	285,714	\$0.35	Oct. 23, 2011	nil
	342,857	\$0.53	Mar. 11, 2012	nil
	571,429	\$0.53	May 21, 2012	nil
George S. Langdon	114,286	\$0.53	May 21, 2012	nil
Gerald Otterman	57,143	\$0.35	Oct. 23, 2011	nil
	14,286	\$0.53	Mar. 11, 2012	nil
	28,571	\$0.53	May 21, 2012	nil

Notes:

- (1) Adjusted to reflect the 1.75:1 share consolidation.
- (2) At September 30, 2010, all outstanding options were out-of-the-money.

The Company does not provide share-based awards to executive officers.

### Incentive plan awards – value vested or earned during the year

The incentive plan awards value vested or earned during the fiscal year ended September 30, 2010 for each NEO are set out below:

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
George S. Langdon	nil	nil	nil
Michael Turko	nil	nil	nil
Gerald Otterman	nil	nil	nil

### Summary of Stock Option Plan

Refer to “Re-Approval of Amended and Restated Incentive Stock Option Plan (2010)” for a summary of and the principal features of the Company’s stock option plan.

### PENSION PLAN BENEFITS

The Company does not have any pension plans and there are no pension plan benefits in place for the Named Executive Officers.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

The Company has no compensatory plan, contract or arrangement, where the Named Executive Officers are entitled to receive compensation from the Company in the event of the resignation, retirement or any other termination of the Named Executive Officers’ employment with the Company, a change of control of the Company, or a change in the Named Executive Officers responsibilities following a change of control.

There are no employment contracts between the Company or its subsidiaries and the Named Executive Officers.

### DIRECTOR COMPENSATION

Compensation provided to directors who are not Named Executive Officers for the year ended September 30, 2010 is set out below. Directors are eligible to participate in the Company’s incentive stock option plan.

Name and Principal Position <sup>(1)</sup>	Year	Fees earned <sup>(1)</sup> (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Gerard M. Edwards Director	2010	nil	nil	nil	nil	nil	nil	nil	nil

Note:

- (1) Director compensation for Michael Turko, George S. Langdon and Gerald Otterman has been reflected in the summary compensation table for NEOs.

### Outstanding share-based awards and option-based awards

The total number of options outstanding as at September 30, 2010 for directors who are not Named Executive Officers are set out below.



Name <sup>(1)</sup>	Number of Options Outstanding	Exercise Price	Expiry Date	Value of Unexercised In-the-Money Options (\$)
Gerard M. Edwards	nil	n/a	n/a	n/a

Note:

(1) Director outstanding share-based awards and option-based awards for Michael Turko, George S. Langdon and Gerald Otterman have been reflected in the outstanding share-based awards and option-based awards table for NEOs.

The Company does not provide share-based awards to directors.

### Incentive plan awards – value vested or earned during the year

The incentive plan awards value vested or earned for each director who is not a Named Executive Officer during the fiscal year ending September 30, 2010 are set out below:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Gerard M. Edwards	nil	nil	nil

## AUDIT COMMITTEE DISCLOSURE – FORM 52-110F2

### Audit Committee’s Charter

The Charter of the Company’s Audit Committee is attached to this circular as Schedule A.

### Composition of the Audit Committee

The members of the Audit Committee as at February 7, 2010 are Gerard M. Edwards, Michael Turko and Gerald Otterman. Gerard M. Edwards is independent under the meaning of “independence” in National Instrument 52-110 *Audit Committees* (“NI 52-110”). Michael Turko, a former executive officer of the Company, and Gerald Otterman, a current executive officer, are not independent. All members of the Audit Committee are considered to be “financially literate” under the meaning of “financial literacy” in NI 52-110.

### Relevant Education and Experience

**Gerard M. Edwards, MBA**, co-founded Imperial Venture Corp./Canadian Imperial Venture Corp. in 1995, serving initially as President and director and then as director and Chief Financial Officer. Mr. Edwards has served as director of a number of public resource-based companies over the past decade and is a principal and director of a number of private companies. Mr. Edwards also serves on the Audit Committee of Canadian Imperial Venture Corp.

**Michael Turko**, BSc. Geol, obtained his Bachelor of Science (Geology) degree at the University of British Columbia in 1981. In that year he joined Valley Oil & Gas Corp. (a listed company) as a geologist, and became its President in 1983. In 1993 he became President and CEO of Gulf Shores Resources Ltd., a listed company with interests in petroleum properties in the North Sea, Texas, Alberta, Manitoba and Newfoundland, a position he currently holds. Mr. Turko also controls several successful private oil and gas companies.

**Gerald Otterman** has been the Chief Financial Officer of Gulf Shores Resources Ltd. for the last 5 years. He has been an officer of Gulf Shores for the past 6 years and for the past 7 years has been employed in the management of

Gulf Shores. Previous to that he was an Investment Advisor with a major brokerage firm for 17 years. During that time he was involved in the restructuring and raising of capital for public companies, requiring the ability to analyze and understand accounting documents and financial statements.

### Audit Committee Oversight

Since October 1, 2009, the commencement of the Company's most recently completed financial year, there was no recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors of the Company.

### Reliance on Certain Exemptions

Since October 1, 2009, the commencement of the Company's last completed financial year, the Company has not relied on the exemption contained in section 2.4 (*De Minimis Non-Audit Services*), or an exemption granted under Part 8 (*Exemptions*), of NI 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies or procedures for engagement of non-audit services.

### External Auditor Service Fees (By Category)

The following table presents the amount of fees billed to the Company for professional services rendered by Davidson & Company LLP, Chartered Accountants, the Company's external auditor for the financial year ended September 30, 2010, for the audit of the financial statements and fees billed for other services rendered by Davidson & Company LLP.

	<u>2010</u>	<u>2009</u>
Audit Fees <sup>(1)</sup> .....	\$26,924	\$26,934
Audit-related Fees <sup>(2)</sup> .....	nil	nil
Tax Fees <sup>(3)</sup> .....	nil	nil
All Other Fees <sup>(4)</sup> .....	<u>nil</u>	<u>nil</u>
TOTAL:	<u>\$26,924</u>	<u>\$26,934</u>

Notes:

- (1) Consist of fees for professional services for the audit and review of the Company's financial statements.
- (2) Consist of fees for professional services that are reasonably related to the performance of the audit review of the Company's financial statements and which are not reported in (1) above.
- (3) Consist of fees for professional services for tax compliance, tax advice and tax planning services.
- (4) Consist of fees for professional services other than services reported under (1), (2) or (3) above.

### Exemption

The Company is relying on the exemption contained in section 6.1 of NI 52-110, which exempts venture issuers from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

## CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires the Company to disclose its corporate governance practices by providing in the information circular the disclosure required by Form 58-101F2 for venture issuers, as set out below. National Policy 58-201 establishes certain corporate governance **guidelines**. 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 of Directors 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 in their entirety at this time. The Company will continue to review and implement corporate governance guidelines as the business of the Company progresses.

## **CORPORATE GOVERNANCE DISCLOSURE (VENTURE ISSUERS) – FORM 58-101F2**

### **Board of Directors**

The Board of Directors currently consists of four directors. Gerard M. Edwards is independent in that he is free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with his ability to act in the best interests of the Company, other than interests and relationships arising from shareholdings.

Michael Turko, a former President and Chief Executive Officer, George S. Langdon, President and Chief Executive Officer, and Gerald Otterman, Chief Financial Officer, are executive officers of the Company and are therefore not independent.

### **Directorships**

As at the date of this circular, directors of the Company are also directors of other reporting issuers (or their equivalent) as follows:

<b>Name of Director</b>	<b>Reporting Issuer or Equivalent</b>
Michael Turko	Gulf Shores Resources Ltd.
George S. Langdon	Gulf Shores Resources Ltd., Shoal Point Energy Ltd.
Gerard M. Edwards	Canadian Imperial Venture Corp., Shoal Point Energy Ltd.

### **Orientation and Continuing Education**

The Board will ensure that all new directors receive a comprehensive orientation which will include education regarding the role of the Board and its committees, the expectations of individual directors and the nature and operation of the Company's business. The Board will ensure that directors are provided with continuing education opportunities to enhance their skills and abilities and understanding of the Company's business.

### **Ethical Business Conduct**

The Board monitors the Company's ethical conduct to ensure that it complies with applicable legal and regulatory requirements. The Board has not adopted a formal written code of ethics. The Board members' experience and their ability to refer to outside professional advisors are instrumental in ensuring adherence to ethical business standards.

### **Nomination of Directors**

The Board has no formal procedure in place to identify new candidates. Individual Board members may make recommendations to the Board as a whole, and the Board as a whole would nominate any new candidate for appointment or election to the Board.

### **Compensation**

Compensation of Board members for acting as directors is determined by the Board. Board members are entitled to, and do, participate in the Company's Incentive Stock Option Plan. All decisions on compensation in any form are made by the Board as a whole.

## **Other Board Committees**

Given the Company's stage of development, and in the interests of efficiency and cost-effectiveness, the Board as a whole carries out all functions of committees other than the Audit Committee.

## **Assessments**

The Board has not adopted formal procedures for assessing the effectiveness of the Board, its Audit Committee or individual directors.

## **OTHER MATTERS**

Management knows of no matters to come before the meeting other than as set out in the notice of meeting and this information circular. However, should any other matters properly come before the meeting, the shares represented by the proxy solicited hereby will be voted on such matters on any poll in accordance with the best judgement of the persons voting the shares represented by the proxy, exercising discretionary authority.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's audited comparative financial statements and MD&A for the year ended September 30, 2010. Copies of the financial statements and MD&A may be obtained upon request from the Company, Suite 404 – 999 Canada Place, Vancouver, British Columbia, V6C 3E2.

## **DIRECTORS' APPROVAL**

The contents of this information circular have been approved and its distribution and filing have been authorized by the directors of the Company.

DATED February 9, 2011

BY ORDER OF THE BOARD OF DIRECTORS

*“Michael Turko”*

Michael Turko  
Director

## **SCHEDULE A**

### **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF MONARCH ENERGY LIMITED (the “Company”)**

#### **Article 1 – Mandate and Responsibilities**

The Audit Committee is appointed by the board of directors of the Company (the “Board”) to oversee the accounting and financial reporting process of the Company and audits of the financial statements of the Company. The Audit Committee’s primary duties and responsibilities are to:

- (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) recommend to the Board the compensation of the external auditor;
- (c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements, if any, between management and the external auditor regarding financial reporting;
- (d) pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor;
- (e) review the Company’s financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information;
- (f) be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Company’s financial statements, and to periodically assess the adequacy of those procedures;
- (g) establish procedures for:
  - (i) the receipt, retention and treatment of complaints, if any, received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns, if any, regarding questionable accounting or auditing matters; and
- (h) review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The Board and management will ensure that the Audit Committee has adequate funding to fulfil its duties and responsibilities.

#### **Article 2 – Pre-Approval of Non-Audit Services**

The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditor. The pre-approval of non-audit services must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

The Audit Committee may satisfy its duty to pre-approve non-audit services by adopting specific policies and procedures for the engagement of the non-audit services, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each non-audit service and the procedures do not include delegation of the Audit Committee’s responsibilities to management.

### **Article 3 – External Advisors**

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

### **Article 4 – External Auditors**

The external auditors are ultimately accountable to the Audit Committee and the Board, as representatives of the shareholders. The external auditors will report directly to the Audit Committee. The Audit Committee will:

- (a) review the independence and performance of the external auditors and annually recommend to the Board the nomination of the external auditors or approve any discharge of external auditors when circumstances warrant;
- (b) approve the fees and other significant compensation to be paid to the external auditors;
- (c) on an annual basis, review and discuss with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence;
- (d) review the external auditors' audit plan to see that it is sufficiently detailed and covers any significant areas of concern that the Audit Committee may have;
- (e) before or after the financial statements are issued, discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants;
- (f) consider the external auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;
- (g) resolve any disagreements between management and the external auditors regarding financial reporting;
- (h) approve in advance all audit services and any non-prohibited non-audit services to be undertaken by the external auditors for the Company, and
- (i) receive from the external auditors timely reports of:
  - (i) all critical accounting policies and practises to be used;
  - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors; and
  - (iii) other material written communications between the external auditors and management.

### **Article 5 – Legal Compliance**

On at least an annual basis, the Audit Committee will review with the Company's legal counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

## **Article 6 – Complaints**

Individuals are strongly encouraged to approach a member of the Audit Committee with any complaints or concerns regarding accounting, internal accounting controls or auditing matters. The Audit Committee will from time to time establish procedures for the submission, receipt and treatment of such complaints and concerns, should any arise. In all cases the Audit Committee will conduct a prompt, thorough and fair examination, document the situation and, if appropriate, recommend to the Board appropriate corrective action.

To the extent practicable, all complaints will be kept confidential.