

# **GLOBAL RAILWAY INDUSTRIES LTD.**

## **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR**

Date and Time: August 8, 2013  
at 8:30 AM (Vancouver time)

Place: 416 – 375 Water Street  
Vancouver, British Columbia

July 9, 2013

**NOTICE OF GENERAL ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
OF GLOBAL RAILWAY INDUSTRIES LTD.**

NOTICE IS GIVEN that the annual general and special meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Global Railway Industries Ltd. (the "**Corporation**") will be held at 416 – 375 Water Street, Vancouver, British Columbia on August 8, 2013 at 8:30 a.m. (Vancouver Time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2012, together with the report of the auditors thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors for the ensuing year;
4. to consider and, if deemed appropriate, to pass, a resolution authorizing the Board of Directors of the Corporation to, at its discretion, amend the Corporation's articles to effect a consolidation of the Corporation's common shares, on the basis of one post-consolidation common share for each four pre-consolidation common shares;
5. to consider and, if deemed appropriate, to pass a special resolution authorizing the Board of Directors of the Corporation to, at its discretion, amend the Corporation's articles to include advance notice provisions; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Corporation's board of directors has fixed the close of business on July 9, 2013 as the record date for the Meeting. Only Shareholders of record at the close of business on the record date are entitled to receive notice of and to vote at the Meeting.

Registered shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out therein and in the management information circular accompanying this notice of meeting. A proxy will not be valid unless it is received by Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.

DATED at Vancouver, this 9th day of July, 2013.

By order of the Board of Directors.

/s/ Tom Kusumoto

Tom Kusumoto

Chairman, Chief Executive Officer, President and Director

*If you are a non-registered Shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.*

# GLOBAL RAILWAY INDUSTRIES LTD.

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## MANAGEMENT INFORMATION CIRCULAR

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This management information circular (the "**Circular**") is being furnished to holders (the "**Shareholders**") of Class A Voting common shares ("**Common Shares**") in the capital of Global Railway Industries Ltd. (the "**Corporation**") in connection with the solicitation of proxies by management of the Corporation for use at the annual general and special meeting of Shareholders to be held at 8:30 a.m. (Vancouver time) on August 8, 2013 at 416 – 375 Water Street, Vancouver, British Columbia, Canada (the "**Meeting**"), and any adjournment(s) or postponement(s) thereof, for the purposes set forth in the notice of meeting dated July 9, 2013 (the "**Notice of Meeting**").

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of this solicitation will be borne by the Corporation. The Notice of Meeting, this Circular and a form of proxy (the "**Proxy**") will be mailed to beneficial owners of Common Shares commencing on or about July 18, 2013. In this Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian currency.

The information contained in this Circular is given as at July 9, 2013, unless otherwise noted.

### RECORD DATE

The Corporation's board of directors (the "**Board**") has set the close of business on Tuesday, July 9, 2013, as the record date (the "**Record Date**") for determining which Shareholders shall be entitled to receive notice of and to attend and vote at the Meeting. Only Shareholders of record as of the Record Date are entitled to receive notice of and to attend and vote at the Meeting. Persons who acquire Common Shares after the Record Date will not be entitled to vote such Common Shares at the Meeting.

### APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying Proxy as proxyholders are management's representatives. **A Shareholder has the right to appoint a person or company who need not be a Shareholder, other than the persons designated in the enclosed Proxy, to attend and act on behalf of the Shareholder at the Meeting.** A Shareholder wishing to exercise this right may do so either by striking out the printed names and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another proper Proxy.

To be valid, the Proxy must be signed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney. The Proxy, to be acted upon, must be deposited with the Corporation, c/o its agent, Computershare Trust Company of Canada, by delivery to: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time. **Failure to properly complete or deposit a Proxy may result in its invalidation.**

### VOTING OF PROXIES

If the Proxy is completed, signed and delivered to the Corporation, the persons named as proxyholders therein shall vote the Common Shares in respect of which they are appointed as proxyholders at the Meeting in accordance with the instructions of the Shareholder appointing them, on any show of hands and/or on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at

the Meeting, the person(s) appointed as proxyholders shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to: (a) each matter or group of matters identified therein for which a choice is not specified; (b) amendments or variations to the matters identified therein; and (c) transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

**If no choice is specified by a Shareholder with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the persons designated by management in the Proxy will vote the Common Shares represented thereby in favour of such matter.**

### NON-REGISTERED HOLDERS

**Only registered Shareholders or duly appointed proxyholders are permitted to attend and vote at the Meeting. Most Shareholders are "non-registered shareholders" because the Common Shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust corporation through which they purchased their 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 of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a depository (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as non-objecting beneficial owners ("**NOBOs**"). Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as objecting beneficial owners ("**OBOs**"). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has elected to distribute copies of the Notice of Meeting, Proxy and this Circular (collectively, the "**Meeting Materials**") to depositories 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. Typically, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) receive a 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 Proxy, this 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 and deliver the Proxy; or
- (b) more typically, receive 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 "**proxy authorization form**") which the Intermediary must follow.

In either case, the purpose of these procedures is to permit Non-Registered Holders 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 attend and vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided, or in the case of a proxy authorization form, follow the corresponding instructions on the form. **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.**

### **REVOCABILITY OF PROXY**

Any Shareholder returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either with Computershare Trust Company of Canada or at the registered office of the Corporation, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, or with the chairperson of the Meeting prior to the commencement of the Meeting. A revocation of a Proxy will not affect a matter on which a vote is taken before such revocation.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Corporation's authorized capital consists of an unlimited number of Common Shares and an unlimited number of preferred redeemable shares, issuable in series. The Common Shares are the only issued and outstanding voting securities of the Corporation, the holders thereof being entitled to one vote for each Common Share held. As at the date hereof, there were a total of 13,890,965 Common Shares issued and outstanding and no preferred redeemable shares issued and outstanding. A quorum for the transaction of business at the Meeting is Shareholders representing 5% of the issued shares entitled to vote at the Meeting being present in person or by proxy, irrespective of the number of persons actually present.

To the knowledge of the directors and executive officers of the Corporation, the only person who beneficially owns, directly or indirectly, or controls or directs, Common Shares carrying 10% or more of the voting rights attached to the issued and outstanding Common Shares as at the date hereof is disclosed in the table below:

<b>Name</b>	<b>Number of Common Shares Owned</b>	<b>Approximate Percentage of Total Issued Common Shares</b>
North Group Finance Limited	5,386,800 <sup>(1)</sup>	38.8%

(1) 13,000 Common Shares are held directly and 5,373,800 Common Shares are held through a wholly-owned subsidiary, 0719906 B.C. Ltd.

### **ELECTION OF DIRECTORS**

The Board is recommending four persons for election at the Meeting. Each of the four persons whose name appears below is proposed by the Board to be nominated for election as a director of the Corporation to serve until the next annual general meeting of the shareholders or until the director sooner ceases to hold office.

The following table (and notes thereto) states the name and province and country of residence of each Nominee, his principal occupation, the period of time for which he has been a director of the Corporation and the number of Common Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof:

Name and Province and Country of Residence	Director Since	Number of Common Shares	Principal Occupation
Tom Kusumoto Alberta, Canada	December 14, 2012	Nil	Chairman, CEO, President and Director of the Corporation and President, Secretary and Director of North Group Finance Limited
Kenneth MacLeod British Columbia, Canada	December 14, 2012	Nil	CEO of Pan Pacific Power Corp.
Alex Blodgett British Columbia, Canada	Proposed Director	Nil	Businessman
Gregory MacRae British Columbia, Canada	Proposed Director	Nil	President of CSI Capital Solutions Inc.

Two of the current directors, Michael Kuiak and Andrew Mah, are not standing for re-election. The Board expects to appoint Tom Kusumoto, Alex Blodgett and Greg MacRae to the audit committee after the Meeting.

Set out below are profiles of our director nominees, including the principal occupations, businesses and employments within the five preceding years:

*Tom Kusumoto, Chairman, Chief Executive Officer, President and Director.* Mr. Kusumoto is the CEO and President of North Group Finance Limited, a TSX Venture Exchange listed company. Mr. Kusumoto has over 15 years' experience in corporate finance and financial analysis in Canada and Europe. Mr. Kusumoto graduated with a Bachelor of Arts degree in Economics and a Bachelor of Commerce degree in Finance and has acted as a director and officer of numerous public companies in Canada and the United States.

*Kenneth MacLeod, Director.* Mr. MacLeod is the CEO of Pan Pacific Power Corp., a private renewable energy company with hydro-electric power and geothermal energy projects under development in Asia. Mr. MacLeod has over three decades of experience in developing resource assets in the United States, Canada, the Philippines and the Democratic Republic of Congo, mostly as a senior executive with Canadian-listed public companies. From 2001 to 2009, Mr. MacLeod was President and CEO of Western GeoPower Corp, a TSX listed renewable energy company with geothermal assets in California and Canada. Western GeoPower Corp. was acquired by Ram Power Corp. in 2009.

*Proposed Directors*

*Gregory MacRae, Proposed Director.* Mr. MacRae is President of CSI Capital Solutions Inc. Mr. MacRae has over two decades of experience with Canadian and US public companies.

*Alex Blodgett, Proposed Director.* Mr. Blodgett has over two decades of corporate finance experience in Canada, the United States and Asia. Mr. Blodgett was formerly a partner with Gordon Capital Corporation ("**Gordon Capital**") in Toronto and Vancouver, a Canadian investment and merchant banking company. In addition, Mr. Blodgett was the President of Gordon Capital's real estate research and consulting firm, which provided services to North American and Asian companies. Prior to his tenure with Gordon Capital, Mr. Blodgett was Vice President of Corporate Finance with Bankers Trust Company in New York, Dallas and Los Angeles, with emphasis on large-scale project financing and management leveraged buyouts.

Mr. Blodgett was an officer and director of Rhona Online.com Inc. ("**Rhona**"). A cease trade order was issued against Rhona by both the British Columbia Securities Commission and the Alberta Securities Commission in 2003 for failure to file financial statements. Both such orders were revoked in September 2003 upon filing of the financial statements.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The Corporation ceased to have any employees following completion of the sale of its former business, on September 23, 2011. Concurrently with the sale of the former business, the Corporation entered into a services agreement with FTM Capital Inc., Fausto Levy, the Corporation's previous President & Chief Executive Officer, and Ross Corcoran, the Corporation's previous Vice President & Chief Financial Officer (for the purposes of the services agreement, Messrs. Levy and Corcoran are referred to as the "**Designated Executives**").

FTM Capital Inc. is a company controlled by Mr. Levy and is an affiliate of the acquirer of the Corporation's former business. The address of FTM Capital Inc. is 152 Notre-Dame East, Suite 500, Montreal, Quebec, H2Y 3P6. Both of the Designated Executives reside in the Province of Quebec.

Pursuant to the services agreement, FTM Capital Inc. provided, through the Designated Executives, the following management services to the Corporation:

- Monitored compliance with the Corporation's obligations under the July 14, 2010 asset and share purchase agreement with Wabtec Corporation and the escrow agreement entered into in connection therewith and co-ordinated with the Corporation's legal counsel.
- Prepared and filed with appropriate governmental authorities all tax returns required to be filed by the Corporation and its subsidiaries.
- Remitted all taxes required to be remitted by the Corporation in accordance with applicable statutes, all outstanding Canada Pension Plan contributions and employment insurance premiums, and assisted in obtaining clearance certificates from all governmental bodies, including Canada Revenue Agency.
- Prepared and (with the approval of the Board) caused to be filed with the appropriate governmental authority all financial statements and reports required to be filed by the Corporation.
- Maintained the continuous disclosure requirements applicable to the Corporation under all applicable securities laws.
- Maintained a listing for the common shares of the Corporation to the extent determined appropriate by the Board.
- Assisted in the liquidation and dissolution of the Corporation's subsidiaries.
- Reported to the Board in respect of the foregoing.

In consideration of the foregoing services, FTM Capital Inc. was paid a monthly fee from the Corporation in the amount of \$15,000 during the term of the services agreement. The Designated Executives were not entitled to any other compensation from the Corporation for serving as senior officers of the Corporation.

The Corporation agreed to indemnify FTM Capital Inc. and the Designated Executives from and against all liabilities arising from the services provided under the services agreement, other than liabilities arising as a result of their fraud, gross negligence or wilful misconduct. The Corporation is also required to maintain directors' and officers' insurance for the benefit of Designated Executives.

The services agreement was cancelled effective April 30, 2013 upon notice from the Corporation.

Since the change of management on December 14, 2012, the Board determines the executive compensation policy for the executives of the Corporation. The Board's objective is to ensure that executive compensation is market competitive, while at the same time reflecting the Corporation's current state of development and overall financial status. The Board also seeks to ensure that the Corporation's executive compensation policy is aligned with the near and long term interests of the shareholders of the Corporation. In determining compensation, the Board relies on discussions with the Corporation's management, and does not utilize any formal performance goals or benchmarks.

Due to its present stage of operations, the Corporation does not presently employ base compensation, equity participation or performance bonuses for any of its executive officers and does not plan to use its stock option plan.

### **Summary Compensation Table**

Pursuant to applicable securities legislation, the Corporation is required to provide a summary of all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the three most recently completed financial years in respect of each individual who served as the Chief Executive Officer or Chief Financial Officer of the Corporation or acted in a similar capacity during the most recently completed financial year and the other three most highly compensated executive officers of the Corporation, including any of its subsidiaries, whose individual total compensation for the most recently completed financial year exceeded \$150,000 and any such individual who would have satisfied these criteria but for the fact that the individual was not serving as such an officer at the end of the most recently completed financial year (the "**Named Executive Officers**").

The following table states the name of each Named Executive Officer, his annual compensation, consisting of salary, bonus and other annual compensation, and long-term compensation, including stock options paid, for the three most recently completed financial years of the Corporation.



Name and Principal Position	Year Ended December 31,	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan (\$)	Long-term Incentive Plan (\$)			
Tom Kusumoto <sup>(1)</sup> Chief Executive Officer	2012	Nil	N/A	N/A	N/A	N/A	N/A	Nil	Nil
Fausto Levy Chief Executive Officer	2012 2011 2010	Nil 280,419 298,970	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	180,000 <sup>(2)</sup> 100,000 592,307	180,000 380,419 891,277
Christine McPhie <sup>(3)</sup> Chief Financial Officer	2012	Nil	N/A	N/A	N/A	N/A	N/A	14,500 <sup>(4)</sup>	14,500
Ross Corcoran Chief Financial Officer	2012 2011 2010	Nil 148,373 139,596	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	Nil 15,000 Nil	Nil 163,373 139,596

(1) Appointed on December 14, 2012.

(2) \$15,000 paid per month under the management services agreement with FTM Capital Inc.

(3) Appointed on December 19, 2012.

(4) Comprised of an annual retainer of \$10,000 and fees billed for accounting services.

### Employment Agreements – Termination Benefits

The Corporation terminated its services agreement with FTM Capital Inc. (pursuant to which Messrs. Levy and Corcoran provided management services to the Corporation) effective April 30, 2013. No termination fees were incurred by the Corporation in connection with this agreement. The Corporation currently has no employment agreements.

### Incentive Plan Awards

The Corporation has not awarded any stock options to its directors since 2008. None of the directors held any stock options as at December 31, 2012. No incentive plan awards vested or were earned during 2012 by the directors.

During the year ended December 31, 2013, neither the Corporation, nor any of its subsidiaries, had or currently has an employment contract with any Named Executive Officer, other than the services agreement with FTM Capital Inc. (pursuant to which Messrs. Levy and Corcoran provided management services to the Corporation), which was cancelled effective April 30, 2013 without incurring any termination fees. The Corporation has no compensatory plan or arrangement with respect to any Named Executive Officer to compensate such Named Executive Officer in the event of the resignation, retirement or any other termination of employment, a change in control of the Corporation or any of its subsidiaries or in the event of a change in responsibilities following a change in control.

## Pension Plan Benefits

The Corporation does not have any pension, retirement, defined benefit or actuarial plans.

## Director Compensation

Name	Fees Earned (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Tom Kusumoto	Nil	N/A	N/A	N/A	N/A	Nil	Nil
Andrew Mah	1,000	N/A	N/A	N/A	N/A	Nil	1,000
Ken MacLeod	1,000	N/A	N/A	N/A	N/A	Nil	1,000
Michael Kuiack	1,000	N/A	N/A	N/A	N/A	Nil	1,000
Laurie Bennet <sup>(1)</sup>	20,462	N/A	N/A	N/A	N/A	Nil	20,462
Jacques Côté <sup>(1)</sup>	15,749	N/A	N/A	N/A	N/A	Nil	15,749
Thomas Dea <sup>(1)</sup>	16,296	N/A	N/A	N/A	N/A	Nil	16,296
Alan Sellery <sup>(1)</sup>	17,188	N/A	N/A	N/A	N/A	Nil	17,188

(1) Resigned as a director effective December 14, 2012.

During the fiscal year ended December 31, 2012, the Corporation paid \$73,894 in compensation to its independent directors. The Corporation paid its independent directors a retainer of \$11,869 per year and \$742 per Board meeting and \$742 per audit committee meeting participation, as well as audit committee chair retainer of \$15,578 per year, before the change in management that occurred on December 14, 2012. All of these fees are reflected in the director compensation table, above. Following the change in management in December 2012, the directors have been paid an aggregate of \$3,000 for their services as directors as of December 31, 2012.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The company's stock option plan is its only equity compensation plan. As shown in the table below, there are no stock options outstanding as of December 31, 2012. The company ceased issuing new stock options upon the commencement of its strategic review in 2009.

<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 available for future issuance under equity compensation plans (excluding options, warrants and rights issued and outstanding) (#)</b>
Equity compensation plans approved by security holders	Nil	Nil	1,389,065
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	Nil	Nil	1,389,065

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

To the knowledge of management of the Corporation, other than as described herein, no director or executive officer of the Corporation at any time since the beginning of the last completed financial year of the Corporation, and no associate or affiliate of any such director or officer 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.

## **AUDIT COMMITTEE**

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

The Audit Committee is currently composed of Tom Kusumoto, Andrew Mah and Micheal Kuiack. The Audit Committee is proposed to be composed of Tom Kusumoto, Greg MacRae and Alex W. Blodgett.

Each current and proposed member of the Audit Committee is financially literate within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). Andrew Mah, Michael Kuiack, Greg MacRae and Alex W. Blodgett are independent members of the Audit Committee as that term is used in NI 52-110. Tom Kusumoto is an executive officer of the Corporation and therefore is not an independent member of the Audit Committee.

### **Relevant Education and Experience**

*Tom Kusumoto.* Mr. Kusumoto has served as director, president and CEO of the Corporation since December 2012. Mr. Kusumoto has over 15 years' experience in corporate finance and financial analysis in Canada and Europe. Mr. Kusumoto graduated with a Bachelor of Arts degree in Economics and a Bachelor of Commerce degree in Finance and has acted as a director and officer of numerous public companies in Canada and the United States.

*Andrew Mah.* Mr. Mah has over two decades of experience in financial management and operations, mergers and acquisitions, debt financings, initial public offerings, and restructuring/turnaround. Mr. Mah also has a wealth of experience in the capital markets, having served as director and executive management on several TSX-V listed companies. He is currently a director of Cavan Ventures Inc., a junior exploration company listed on the TSX Venture Exchange.

*Micheal Kuiack.* Mr. Kuiack has over 15 years of experience in mergers and acquisitions, investment banking, management consulting and business development worldwide. Mr. Kuiack holds the Certified Mergers & Acquisition Advisor (CM&AA) designation and has a Master's Degree in International Management.

### *Proposed Members*

*Greg MacRae.* Mr. MacRae is President of CSI Capital Solutions Inc. Mr. MacRae has over two decades of experience with Canadian and US public companies.

*Alex Blodgett.* Mr. Blodgett has over two decades corporate finance experience in Canada, the United States and Asia. Mr. Blodgett was formerly a partner with Gordon Capital Corporation ("**Gordon Capital**") in Toronto and Vancouver, a Canadian investment and merchant banking company. In addition, Mr. Blodgett was the President of Gordon Capital's real estate research and consulting firm, which provided services to North American and Asian companies. Prior to his tenure with Gordon Capital, Mr. Blodgett was Vice President of Corporate Finance with Bankers Trust Company in New York, Dallas and Los Angeles, with emphasis on large-scale project financing and management leveraged buyouts.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis* Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8.

### **Pre-approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee's charter attached hereto as Schedule "A".

### **External Auditor Service Fees (by category)**

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

<b>Fiscal Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
2012	\$94,660	Nil	\$18,900	Nil
2011	\$165,000	\$232,000	\$90,000	Nil

### **Exemption**

The Corporation is relying on the exemption provided by Section 6.1 of NI 52-110 which exempts issuers from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of that instrument. As a result, the members of the Audit Committee are not required to be "independent" within the meaning of NI 52-110.

The text of the Audit Committee's charter is attached hereto as Schedule "A".

## **CORPORATE GOVERNANCE**

Effective June 30, 2005, the securities regulatory authorities in Canada adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"). NP 58-201 provides a series of guidelines for effective corporate governance. The guidelines deal with such matters as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance.

The Board believes that sound corporate governance practices are essential to the effective, efficient and prudent operation of the Corporation and to the enhancement of shareholder value. The Board fulfils its mandate directly and through committees at regularly scheduled meetings or as required.

### **Board of Directors**

The directors are responsible for managing and supervising the management of the business and affairs of the Corporation. Each year, the Board must review the relationship that each director has with the Corporation in order to satisfy themselves that the relevant independence criteria have been met.

Prior to the change of management on December 14, 2012, all four directors were independent.

Tom Kusumoto is an executive officer of the Corporation and therefore not independent.

Kenneth MacLeod, Michael Kuick and Andrew Mah are independent directors of the Corporation in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Therefore, a majority of the Board is independent.

Alex W. Blodgett and Greg MacRae are nominees who, if elected, will be independent directors of the Corporation in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Therefore if these nominees are elected, a majority of the Board will continue to be independent.

### **Directorships**

All of the other reporting issuers of which the Corporation's current directors and proposed directors are also directors are listed below.

Tom Kusumoto is currently a director of North Group Finance Ltd., which is listed on the TSX Venture Exchange.

Kenneth MacLeod is currently a director of a director of Zuri Capital Corp., which is listed on the TSX Venture Exchange.

Andrew Mah is currently a director of Cavan Ventures Inc., which is listed on the TSX Venture Exchange.

### *Proposed Directors*

Greg MacRae is currently a director of North Group Finance Ltd., which is listed on the TSX Venture Exchange.

Alex W. Blodgett is also currently a director of North Group Finance Ltd., which is listed on the TSX Venture Exchange.

### **Orientation and Continuing Education**

The Corporation does not have a formal process of orientation and education for new members of the Board. The Corporation does, however, provide continuing education for its directors as such need arises.

### **Ethical Business Conduct**

Each director, officer and employee in the exercise of his or her duties and responsibilities must act honestly and in good faith in the best interest of the Corporation and in compliance with applicable laws, rules and regulations.

In addition, the Board must comply with conflict of interest provisions in Canadian corporate law, including relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### **Nomination of Directors**

The Corporation has not constituted a nominating committee to propose new Board nominees. Nomination and review of potential new directors is reviewed by the complete Board and senior management.

### **Compensation**

The Corporation has not constituted a compensation committee to discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Board periodically reviews compensation paid to its directors and officers.

### **Assessments**

The Board is responsible for keeping management informed of its evaluation of the performance of the Corporation and its senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to the Corporation's business and affairs as necessary to discharge their duties as directors effectively.

## **APPOINTMENT OF AUDITORS**

Management is proposing that the shareholders re-appoint the firm of KPMG LLP, Chartered Accountants, as the auditors of the Corporation, to hold office until the next annual meeting of shareholders or until their successor is appointed, and authorize the directors to fix their remuneration. KPMG LLP have been the auditors of the Corporation since December 2003.

Management recommends, and the persons named in the accompanying form of proxy intend to vote in favour of, the approval of the appointment of KPMG LLP, Chartered Accountants, as the auditors for the ensuing year and to authorize the Board to fix their remuneration unless otherwise directed.

## PROPOSED CONSOLIDATION OF SHARE CAPITAL

### General

By resolution approved effective July 3, 2013, the Board authorized the submission to the Shareholders of a resolution (the "**Consolidation Resolution**"), the text of which is set forth in Schedule "B", approving the consolidation of the Corporation's issued and outstanding Common Shares. If the Consolidation Resolution is approved, the Board of Directors will have the authority, in its sole discretion, to implement a consolidation (the "**Share Consolidation**") of the Corporation's issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for every four (4) pre-consolidation Common Shares (the "**Consolidation Ratio**").

Approval of the Consolidation Resolution by Shareholders would give the Board authority to implement the Share Consolidation. In addition, notwithstanding approval of the proposed Share Consolidation by Shareholders, the Board, in its sole discretion, may revoke the Consolidation Resolution, and abandon the Share Consolidation without further approval or action by or prior notice to Shareholders.

### Background and Reasons for the Share Consolidation

The Board believes that it is in the interest of Shareholders for the Board to have the authority to implement the Share Consolidation. The Board believes that the current issued capital structure is too large for the growth strategy of the Corporation.

The Board proposes to reduce the number of Common Shares on the basis of one (1) post-consolidation Common Share for every four (4) pre-consolidation Common Shares that are currently issued and outstanding. There are currently 13,890,965 Common Shares issued and outstanding. Accordingly, if the Share Consolidation occurs, there should be approximately 3,472,741 Common Shares issued and outstanding.

No fractional Common Shares of the Corporation will be issued if, as a result of the Share Consolidation, a registered Shareholder would otherwise be entitled to a fractional share. Instead, any fractional Common Shares resulting from the Share Consolidation will be rounded down to the nearest whole share if the fraction is less than one-half of a share and will be rounded up to the nearest whole share if the fraction is at least one-half of a share. In general, the Share Consolidation will not be considered to result in a disposition of Common Shares by Shareholders.

The aggregate adjusted cost base to a Shareholder will not change as a result of the Share Consolidation; however, the Shareholder's adjusted cost base per Common Share will increase.

Notwithstanding Shareholder approval, the Share Consolidation will be subject to the approval of the TSX Venture Exchange.

In connection with the Share Consolidation, management proposes to change the Corporation's name to Chinook Tye Industry Limited. Such name change is also subject to the approval of the TSX Venture Exchange.

### Certain Risks Associated with the Share Consolidation

There can be no assurance that the total market capitalization of the Corporation (the aggregate value of all Common Shares at the market price then in effect) immediately after the Share Consolidation will be equal to or greater than the total market capitalization immediately before the Share Consolidation. In addition, there can be no assurance that the per-share market price of the Common Shares following the Share Consolidation will equal or exceed the direct arithmetical result of the Share Consolidation. In addition, a decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of the Share Consolidation and the liquidity of the Common Shares could be adversely affected.

The Share Consolidation may result in some shareholders owning "odd lots" of less than 500 common shares on a post-consolidation basis which may be more difficult to sell, or require greater transaction costs per share to sell.

### **Effect on Stock Options**

The Corporation has no outstanding stock options.

### **Principal Effects of the Share Consolidation**

If approved and implemented, the Share Consolidation will occur simultaneously for all of the Corporation's Common Shares and the Consolidation Ratio will be the same for all of such Common Shares.

The principal effects of the Consolidation will be that the number of Common Shares of the Corporation issued and outstanding will be reduced on the basis of the Consolidation Ratio.

### **Effect on Non-Registered Shareholders**

Non-registered Shareholders holding their Common Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the Share Consolidation than those that will be put in place by the Corporation for registered Shareholders. If you hold your Common Shares with such a bank, broker or other nominee and if you have questions in this regard, you are encouraged to contact your nominee.

### **Effect on Share Certificates**

In connection with this Information Circular, registered Shareholders have been sent a transmittal letter from the Corporation's transfer agent, Computershare Trust Company of Canada. The letter of transmittal contains instructions on how to surrender your certificate(s) representing your pre-consolidation Common Shares to the transfer agent. The transfer agent will forward to each registered Shareholder who has sent the required documents a new share certificate representing the number of post-consolidation Common Shares to which the Shareholder is entitled. Until surrendered, each share certificate representing pre-consolidation Common Shares of the Corporation will be deemed for all purposes to represent the number of whole post-consolidation Common Shares to which the holder is entitled as a result of the Share Consolidation.

**SHAREHOLDERS SHOULD NOT DESTROY ANY SHARE CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY SHARE CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

The Articles of the Corporation require an ordinary resolution to effect a share consolidation. Accordingly, the shareholders of the Corporation will be asked at the Meeting to pass an ordinary resolution as set out in Schedule "B" to this Information Circular.

Management of the Corporation recommends that shareholders vote in favour of the foregoing resolution. Unless otherwise directed, the persons named in the enclosed form of Proxy intend to vote **FOR** the approval of the foregoing resolution at the Meeting.

## **PROPOSED ALTERATION TO THE ARTICLES TO INCORPORATE ADVANCE NOTICE PROVISIONS**

### **Background**

The directors of the Corporation are proposing that the Articles of the Corporation be amended to include certain advance notice provisions ("**Advance Notice Provisions**") which are similar in substance the Corporation's Advance Notice Policy, which will cease to be effective following the Meeting.



The Advance Notice Provisions will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. The full text of the proposed alteration of the Articles to include the Advance Notice Provision is set out in Appendix “A” to this Circular.

### **Purpose of the Advance Notice Provisions**

The purpose of the Advance Notice Provisions is to provide shareholders, directors and management of the Corporation with direction on the procedure for shareholder nomination of directors. The Advance Notice Provisions are the framework by which the Corporation seeks to fix a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

### **Effect of the Advance Notice Provisions**

Subject only to the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) and the Corporation's articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors: (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 the provisions of the BCBCA, or a requisition of the shareholders made in accordance with the provisions of the BCBCA; or (c) by any person (a “**Nominating Shareholder**”): (A) who, at the close of business on the date of the giving of the notice provided for below in the Advance Notice Provision and on the record date for notice of such meeting, is entered in the securities register 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 (B) who complies with the notice procedures set forth below in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation at the principal executive offices of the Corporation.

To be timely, a Nominating Shareholder’s notice to the Secretary of the Corporation must be made: (a) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders 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 was made, notice by the Nominating Shareholder is to be made not later than the close of business on the tenth (10th) day after the Notice Date in respect of such meeting; and (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), 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 of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.

To be in proper written form, a Nominating Shareholder’s notice to the Secretary of the Corporation must set forth: (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) the class or series and number of shares in the capital of the Corporation 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 (iv) 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 BCBCA and Applicable Securities Laws (as defined below); and (b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation 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 BCBCA and Applicable Securities Laws (as defined below). The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice Provisions; provided, however, that nothing in the Advance Notice Provisions shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the BCBCA. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

For purposes of the Advance Notice Provisions: (a) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and (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 statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

Notwithstanding any other provision of the Advance Notice Provisions, notice given to the Secretary of the Corporation pursuant to the Advance Notice Provision may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Secretary of the Corporation 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, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary of the Corporation at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a 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 subsequent day that is a business day.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in the Advance Notice Provisions.

### **Shareholder Confirmation**

Under the Corporation's articles and the BCBCA, the Corporation's governing statute, the alteration of the Corporation's Articles requires the approval by at least two-thirds of the votes cast in person or represented by proxy at the Meeting by the shareholders of the Corporation by a special resolution.

Accordingly, at the Meeting, shareholders will be asked to pass the resolution set forth in Schedule "C" to this information circular.

Management of the Corporation recommends that shareholders vote in favour of the foregoing resolution. Unless otherwise directed, the persons named in the enclosed form of Proxy intend to vote **FOR** the approval of the foregoing resolution at the Meeting.

### **OTHER BUSINESS**

Management of the Corporation knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matters which are not known to management of the Corporation shall properly come before the Meeting, the Proxy given pursuant to the solicitation by management of the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the Proxy.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request copies of the Corporation's financial statements and MD&A by sending a written request to Suite 416 - 375 Water Street, Vancouver, British Columbia V6B 5C6, Attention: Secretary. Financial information is provided in the Corporation's comparative financial statements for the financial year ended December 31, 2012 and related MD&A which are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **APPROVAL OF INFORMATION CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Circular have been approved by the directors of the Corporation.

DATED at Vancouver, British Columbia, this 9th day of July, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF THE CORPORATION RAILWAY  
INDUSTRIES LTD.**

/s/ Tom Kusumoto

Tom Kusumoto

Chairman, Chief Executive Officer, President and  
Director

## **SCHEDULE "A"**

### **AUDIT COMMITTEE CHARTER**

The Audit Committee is appointed by the Corporation's Board to assist the Board in monitoring: (1) the integrity of the financial statements of the Corporation; (2) the compliance by the Corporation with legal and regulatory requirements; and (3) the independence and performance of the Corporation's external auditors, which external auditors shall report directly to the Audit Committee.

The members of the Audit Committee shall meet the independence and experience requirements of applicable securities laws and any exchange or quotation system upon which the Corporation's securities are listed or quoted. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee shall have the authority to retain independent legal, accounting or other consultants to advise the Committee as the Audit Committee determines necessary to carry out its duties and the Audit Committee shall have the authority to set and pay the compensation for any such advisors. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements, the interim financial statements, management's discussion and analysis with management and annual and interim earnings press releases, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Corporation's financial statements. Such review must occur prior to the Corporation publicly disclosing any such information.
3. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.
4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including an analysis of the effect of alternative GAAP methods on the Corporation's financial statements.
5. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
6. Meet with management to review the Corporation's major financial risk exposures and the Corporation's internal controls.
7. Review major changes to the Corporation's internal controls and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.

8. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, which independent auditor is ultimately accountable to the Audit Committee and the Board.
9. Review the experience and qualifications of the senior members of the independent auditor team, the audit procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.
10. Approve the compensation to be paid to the independent auditor for audit services.
11. Pre-approve the retention of the independent auditor for all audit and any non-audit services, including tax services, and the fees for such non-audit services which are provided to the Corporation or its subsidiary entities.
12. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
13. Evaluate together with the Board the performance of the independent auditor. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.
14. Recommend to the Board guidelines for the Corporation's hiring of partners, employees and former partners and employees of the present and former independent auditor who were engaged on the Corporation's account.
15. Review the significant reports to management pertaining to the presentation and significant accounting policies of the Corporation's financial statements.
16. Obtain reports from management, the Corporation's senior accounting and financial personnel and the independent auditor that the Corporation and its subsidiaries are in conformity with applicable legal requirements, including disclosures of insider and affiliated party transactions.
17. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
18. Review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Corporation and any management letter provided by the auditor and the Corporation's response to that letter. Such review should include:
  - (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
  - (b) The internal accounting and financial responsibilities; and
  - (c) The investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Corporation.

19. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.
20. Meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.
21. Establish a procedure for:
  - (a) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (b) The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

## **SCHEDULE "B"**

### **Share Consolidation Resolution**

#### **"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. the Corporation be and is hereby authorized to consolidate all of its issued Class A Voting Common Shares without par value ("Common Shares") on the basis of four (4) pre-consolidation Common Shares being consolidated into one (1) Common Share;
2. if as a result of the Share Consolidation, a holder of Common Shares would otherwise be entitled to a fraction of a Common Share, any fraction, if it is less than one-half of a Common Share, shall be cancelled, and if it is at least one-half of a Common Share, shall be rounded up to one whole Common Share;
3. any director or officer of the Corporation be and is hereby authorized and directed on behalf of the Corporation to sign and deliver all documents and to do all things necessary and advisable in connection with the foregoing; and
4. notwithstanding the approval of the proposal this Ordinary Resolution, the directors of the Corporation be and they are hereby authorized without further approval of the Shareholders to not proceed with the consolidation or to revoke the resolution consolidating the issued share capital of the Corporation before it is acted upon if the directors deem it would be in the best interests of the Corporation."

## **SCHEDULE "C"**

### **Advance Notice Articles Amendment Resolution**

**“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the Articles of the Corporation be altered by the addition of Section 14A, following Section 14, in the form attached as Appendix A to this Circular;
2. any director or officer of the Corporation be and is hereby authorized and directed on behalf of the Corporation to sign and deliver all documents and to do all things necessary and advisable in connection with the foregoing; and
3. notwithstanding the approval of this Special Resolution, the Corporation be authorized to revoke this special resolution and abandon or terminate the alteration of the Articles if the Board deems it appropriate and in the best interests of the Corporation to do so without further confirmation, ratification or approval of the shareholders.”



## APPENDIX A

### ALTERATION TO ARTICLES

#### 14A Nominations of Directors

**14A.1 Limitation on nomination of directors.** Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:

- (1) by or at the direction of the board, including pursuant to a notice of meeting;
- (2) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Business Corporations Act, or a requisition of the shareholders made in accordance with the provisions of the Business Corporations Act; or
- (3) by any person (a “**Nominating Shareholder**”); (A) who, at the close of business on the date of the giving of the notice provided for below in this Article 14A and on the record date for notice of such meeting, is entered in the securities register 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 (B) who complies with the notice procedures set forth below in this Article 14A.

**14A.2 Requirement for timely notice.** In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Secretary of the Company at the principal executive offices of the Company.

**14A.3 Meaning of timely notice.** To be timely, a Nominating Shareholder’s notice to the Secretary of the Company must be made:

- (1) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders 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 (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day after the Notice Date in respect of such meeting; and
- (2) In the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), 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 of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.

**14A.4 Proper form of notice.** To be in proper written form, a Nominating Shareholder’s notice to the Secretary of the Company must set forth:

(1) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (a) the name, age, business address and residential address of the person; (b) the principal occupation or employment of the person; (c) 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 (d) 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 Business Corporations Act and applicable Securities Laws (as defined below); and

(2) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote 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 Business Corporations Act and Applicable Securities Laws (as defined below).

**14A.5 Other information of nominee.** The Company may require any proposed nominee to furnish such other information as may reasonably be required 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.

**14A.6 Requirements do not preclude shareholder proposals.** No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Article 14A; provided, however, that nothing in this Article 14A shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Business Corporations Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

**14A.7 Definitions.** For purposes of this Article 14A:

(1) "public announcement" shall mean 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 at [www.sedar.com](http://www.sedar.com); and

(2) "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 statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

**14A.8 Delivery requirements.** Notwithstanding any other provision of this Article 14A, notice given to the Secretary of the Company pursuant to this Article 14A may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the 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, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Company; 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 subsequent day that is a business day.

**14A.9 Board may waive.** Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 14A.