



**Annual and Special Meeting of  
Shareholders  
to be held  
June 16, 2016**

**Management Information Circular  
Dated May 2, 2016**

**220 BAY STREET, 12<sup>TH</sup> FLOOR, TORONTO, ONTARIO, CANADA M5J 2W4**  
**Telephone: 416-362-8243    Facsimile: 416-368-5344**  
**Email: [info@xtierra.ca](mailto:info@xtierra.ca)    Website: [www.xtierra.ca](http://www.xtierra.ca)**

**XTIERRA INC.**  
**NOTICE OF ANNUAL AND SPECIAL**  
**MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "**Meeting**") of the shareholders of Xtierra Inc. (the "**Corporation**") will be held at 220 Bay Street, 12<sup>th</sup> Floor, Toronto, Ontario M5J 2W4 on Thursday, June 16, 2016 at 2:30 P.M. (Toronto time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2015, together with the report of the auditors thereon;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix their remuneration;
4. to consider and, if thought advisable, to approve an ordinary resolution, as more particularly set forth in the accompanying Information Circular prepared for the purposes of the Meeting ratifying the Corporation's existing Stock Option Plan; and
5. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

DATED at Toronto, Canada as of the May 2, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"Neil J.F. Steenberg"*

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Neil J.F. Steenberg  
Director & Secretary

NOTES: Shareholders are entitled to vote at the Meeting in person or by proxy. If it is not your intention to be present at the Meeting, please exercise your right to vote by promptly signing, dating and returning the enclosed form of proxy in the envelope provided for that purpose to the Corporation's transfer agent and registrar, TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, no later than 2:30 p.m. (Toronto time) on June 14, 2016.

The accompanying information circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice is a form of proxy and a financial statement and MD&A request form. Any adjournment of the Meeting will be held at a time and place to be specified at the Meeting.

Only holders of common shares of record at the close of business on May 2, 2016 will be entitled to receive notice of and vote at the Meeting. If you are unable to attend the Meeting in person, please complete, sign and date the enclosed form of proxy and return the same in the enclosed return envelope provided for that purpose within the time and to the location set out in the form of proxy accompanying this notice.

As provided under the *Business Corporation Act*, (Ontario) the directors have fixed a record date of May 2, 2016. Accordingly, shareholders registered on the books of the Corporation at the close of business on May 2, 2016 are entitled to Notice of the Meeting.

A copy of the consolidated financial statements of the Corporation for the financial year ended December 31, 2015 will be mailed to shareholders of the Corporation who requested same and are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.xtierra.ca](http://www.xtierra.ca)

If you are a beneficial shareholder and receive these materials through your broker or another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or intermediary.

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**XTIERRA INC**  
220 Bay Street, 12<sup>th</sup> Floor,  
Toronto, Ontario  
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## MANAGEMENT INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of XTIERRA INC. (the "**Corporation**" or "**Xtierra**") for use at the Annual and Special Meeting of Shareholders of the Corporation (the "**Meeting**") to be held on Thursday, June 16, 2016 at 2:30 P.M. (Toronto time), in the offices of the Corporation at 220 Bay Street, 12<sup>th</sup> Floor, Toronto, Ontario, M5J 2W4 for the purposes set out in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail. Proxies may be solicited by officers, directors and regular employees of the Corporation personally or by telephone. The cost of such solicitation will be borne by the Corporation.

#### Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the "**Proxy**") as proxyholders, are officers and/ or directors of the Corporation. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than the persons designated in the Proxy, who need not be a shareholder, to attend and act for you on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided by the Proxy or by completing and delivering another suitable form of proxy.**

#### Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your shares will be voted accordingly. The Proxy confers discretionary authority on persons therein with respect to:

- (a) Each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) Any amendment to or variation of any matter identified therein; and
- (c) Any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the shares represented by the Proxy in favour of each matter identified on the Proxy and for the nominees of management for directors and auditors as identified in the Proxy, as applicable.**

#### Registered Shareholders

If you are a registered shareholder, you may wish to vote by proxy whether or not you attend the Meeting in person. If you submit a proxy, you must complete, date and sign the Proxy and return it to the Corporation's transfer agent, TMX Equity Financial Trust Company ("**Equity**"). Registered shareholders who elect to submit a Proxy may do so online at [www.voteproxyonline.com](http://www.voteproxyonline.com), by fax at 416-595-9593, or by mail to 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, in all cases in accordance with the instructions provided by Equity in the enclosed proxy materials and ensuring that the Proxy is received by 2:30 p.m. on June 14, 2016 or any adjournment thereof at which the Proxy is to be used.

#### Beneficial Shareholders

**The information in this section is of significant importance to shareholders who do not hold shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meetings are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered shareholders of shares) or as set out in the following disclosure.

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 Corporation. Such shares will more likely be registered under the names of the shareholder's broker or an agent of that broker (an "**intermediary**"). 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 of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders: those who object to their name being made known to the issuers of securities which they own (referred to as "**OBOs**" for "**Objecting Beneficial Owners**") and those who do not object to the issuers of the securities they own knowing who they are (referred to as "**NOBOs**" for "**Non-Objecting Beneficial Owners**").

### **Non-Objecting Beneficial Owners**

The Corporation is taking advantage of those provisions of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators, which permit the Corporation to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**") from Equity. These VIFs are to be completed and returned to Equity as set out in the instructions provided on the VIF. Equity will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs it receives. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation) other than any of the persons designated in the VIF to represent your shares at the Meeting and that person may be you.

This Information Circular, with related material, is being sent or made available to both registered and non-registered owners of the Corporation. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name, address and details about your shares in accordance with applicable securities regulatory requirements from the intermediary who holds your shares on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding your shares on your behalf) has assumed responsibility for (i) delivering the materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in your request for voting instructions that you receive.

### **Objecting Beneficial Owners**

Beneficial Shareholders who are OBOs should carefully follow the instructions of their broker or intermediary in order to ensure that their shares are voted at the Meeting.

The form of proxy that will be supplied by your broker will be similar to the Proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary how to vote your shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge will mail a VIF in lieu of a Proxy provided by the Corporation. The persons named in the VIF to represent your shares at the Meeting will be the same as those named to represent the registered shareholders in the Corporation's Proxy. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation) other than any of the persons designated in the VIF to represent your shares at the Meeting and that person may be you. To exercise this right, insert the name of your desired representative (which may be you) in the blank space provided by the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, the VIF must be returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your shares voted at the Meeting, or to have an alternative representative duly appointed to attend and to vote your shares at the Meeting.**

### **Voting by Telephone or Internet**

Shareholders may convey their voting instructions using a touch-tone telephone or the Internet. The relevant toll-free telephone number or website address is set out on the voting instruction form and form of proxy. Follow the instructions given over the telephone or through the Internet to cast your vote. When instructed to enter a control number or holder account number and proxy access number, refer to your voting instruction form or your form of proxy. Votes conveyed by telephone or the Internet must be received no later than the cut-off time given on the voting instruction form or the form of proxy.

## Notice to Shareholders in the United States

The solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of Canada and securities laws of the provinces in Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Corporation or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated under the *Business Corporation Act* (Ontario), as amended, certain of its directors and its executive officers are residents of Canada and countries other than the United States, and all of the assets of the Corporation and a substantial portion of the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

## Notice and Access

Under the notice and access rules adopted by the Canadian Securities Administrators, public companies are permitted to advise their shareholders of the availability of this Information Circular on an easily accessible website, rather than mailing paper copies.

The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Corporation's carbon footprint, and it will also reduce the Corporation's printing and mailing costs. The Corporation has therefore decided to deliver this Information Circular to Registered and Non-Registered Shareholders by posting it on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [http://www.xtierra.ca/investors/regulatory\\_filings/](http://www.xtierra.ca/investors/regulatory_filings/).

Registered and Non-Registered Shareholders who wish to receive paper copies of this Information Circular may request paper copies by calling toll free at 1-866-393-4891 Ext. 205.

Requests for paper copies must be received at least five business days in advance of the proxy deposit date in order to receive this Information Circular in advance of the Meeting. This Information Circular will be sent to such shareholders within three business days of their request. Those shareholders with existing instructions on their account to receive a paper copy of the Meeting Materials will receive a paper copy of this Information Circular.

## REVOCATION OF PROXY

A shareholder executing the enclosed form of proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing deposited 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 thereof at which the proxy is to be used or with the chairman of such Meeting on the day of the Meeting or adjournment thereof, and upon either of such deposits the proxy is revoked.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Each holder of common shares in the capital of the Corporation ("**Common Shares**") of record at the close of business on May 2, 2016 will be entitled to vote at the Meeting or at any adjournment thereof, either in person or by proxy, except to the extent that such holder has transferred any Common Shares after the record date and the transferee of such Common Shares establishes proper ownership thereof and demands, not later than ten days before the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee is entitled to vote.

As of May 2, 2016, the Corporation had 116,370,336 issued and outstanding Common Shares. Each Common Share carries the right to one vote per share. The outstanding Common Shares are listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "**XAG**".

To the knowledge of the directors and executive officers of the Corporation, the following table sets out the names of all persons who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the outstanding Common Shares:

Name	Number of Common Shares Beneficially Owned (Directly or Indirectly), Controlled or Directed	Percentage of Issued and Outstanding Common Shares as of May 2, 2016
Minco plc	30,000,003	25.78%
Pacific Road Holdings NV <sup>(1)</sup>	37,879,064	32.55%
Pacific Road Capital A Pty Ltd <sup>(1)</sup>	4,693,295	4.03%
Pacific Road Capital B Pty Ltd <sup>(1)</sup>	4,693,295	4.03%

Notes:

(1) These funds are managed or advised by Pacific Road Capital Management Pty. Limited of Sydney, Australia.

As at the date hereof, the directors and senior officers of the Corporation, as a group, beneficially own, directly, or indirectly less than one percent of the outstanding Common Shares.

Messrs. Kearney and McKillen, directors of the Corporation, are Directors of Minco plc.

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

No person who has been a director or executive officer since the beginning of the Corporation's last completed fiscal year, proposed nominee for election as a director, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any matter to be acted upon at the Meeting other than the election of directors or appointment of auditors.

## PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

### 1. RECEIVING THE FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation for the fiscal year ended December 31, 2015 together with the Auditors Report thereon are available on the Corporation's website at [www.xtierra.ca](http://www.xtierra.ca) or under the Corporation's Profile on the System for Electronic Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and have been mailed to the Corporation's registered and beneficial shareholders who requested them. Management will review the Corporation's financial results at the Meeting, and shareholders will be given an opportunity to discuss these results with management.

### 2. ELECTION OF DIRECTORS

Under the constating documents of the Corporation, the Board is to be elected annually. The Board currently consists of four directors. Management proposes to nominate four directors for election to the Board at the Meeting.

At the Meeting, shareholders will be asked to approve an ordinary resolution for the election of the four persons named hereunder as directors of the Corporation (the "Nominees"). **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of the Nominees.**

Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any Nominee or Nominees unable to serve. Each director elected will hold office until the close of the first annual meeting of shareholders of the Corporation following his or her election or until his or her successor is duly elected or appointed unless his or her office is earlier vacated in accordance with the by-laws of the Corporation. Each of the Nominees were elected at the last annual and special meeting of the Corporation's shareholders held on June 18, 2015.

The following table sets out the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation held by each of them, the principal occupation or employment of each of them for the past five years, the year in which each was first elected a director of the Corporation (where applicable) and the approximate number of Common Shares that each has advised are beneficially owned (directly or indirectly) or subject to his or her control or direction:

<b>Name and Municipality of Residence</b>	<b>Offices with the Corporation</b>	<b>Principal Occupation</b>	<b>Director/Officer Since</b>	<b>Shares held Directly or Indirectly or over which control or direction is exercised</b>
John F. Kearney <sup>(1) (2)</sup> Toronto, Ontario	Chairman and Director	Mining Executive Chairman of Canadian Zinc Corporation, and Labrador Iron Mines Holdings Limited	August 14, 2008	Nil
Terence N. McKillen <sup>(1)</sup> Mississauga, Ontario	Director	Geologist, Director of Conquest Resources Limited and Minco plc. Prior to April 2013 President and Chief Executive of the Corporation	August 14, 2008	Nil
Neil J.F. Steenberg Toronto, Ontario	Secretary and Director	Barrister & Solicitor, principal of Steenberglaw Professional Corporation, a law firm	August 14, 2008	Nil
Tim Gallagher <sup>(2)</sup> Toronto, Ontario	Director	Financial Executive, President Inflection Capital Inc.	August 14, 2008	376,487

Notes:

- (1) Messrs. Kearney and McKillen are directors and/or officers and shareholders of Minco plc which holds 30,000,003 Xtierra Shares (25.78%);  
(2) Member of the audit committee.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director, officer, promoter or other member of management of Xtierra is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been 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 as follows:

Mr. Steenberg served as a Director of Tagish Lake Gold Corp. ("**Tagish**"). On April 9, 2010, Tagish filed an application to the British Columbia Supreme Court and an Order was made granting an Initial Order under the *Companies' Creditors Arrangement Act*. This order was lifted and a plan of arrangement was implemented on October 27, 2010 pursuant to which all of the creditors of Tagish were paid in full.

Mr. Varma, Chief Financial Officer, was President and Managing Director of American Resource Corporation Limited in respect of which a cease trade order was issued in June 2004 for failure to file its financial statements. The cease trade order was revoked June 18, 2008.

Messrs. Kearney and Steenberg are Directors and/or Officers of Labrador Iron Mines Holdings Limited, which on April 2, 2015 instituted proceedings in the Ontario Superior Court of Justice for a financial restructuring by means of a plan of compromise or arrangement under the *Companies Creditors Arrangement Act*.

### **Director Compensation and Equity Ownership**

No cash compensation was paid to directors who are not officers of Xtierra for the most recently completed financial year. Directors who also provide professional or consulting services to the Corporation are compensated based upon the invoiced value of the services provided. Directors are reimbursed for all reasonable expenses incurred in attending meetings of the board or any committee of the board. The principal method used to compensate non-executive directors in their capacity as directors has been and, subject to the board determining otherwise as noted above, will continue to be the awarding of incentive stock options pursuant to the Corporation's Stock Option Plan.

The following table sets forth information in respect of all compensation paid to, or earned by the directors of the Corporation during the financial year ended December 31, 2015.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Tim Gallagher <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	\$2,500	\$2,500
John Kearney	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Terence McKillen	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Neil Steenberg <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	\$14,596	\$14,596

Notes:

- (1) Mr. Gallagher is compensated for financial consulting services provided to the Corporation.  
(2) Paid to a professional corporation controlled by Mr. Steenberg for legal services provided to the Corporation.

### Outstanding Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation

The following table shows all option-based and share-based awards outstanding to each director, other than those that are also Named Executive Officers, as at December 31, 2015.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Tim Gallagher	400,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
John Kearney	500,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
Terence McKillen	500,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
Neil Steenberg	250,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A

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

The following table shows all incentive plan awards values vested to or earned by each director, other than those that are also Named Executive Officers, as at December 31, 2015.

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 (\$)
Tim Gallagher	Nil	N/A	N/A
John Kearney	Nil	N/A	N/A
Terence McKillen	Nil	N/A	N/A
Neil Steenberg	Nil	N/A	N/A

Notes:

The value of vested options represents the aggregate dollar value that would have been realized if any of the options granted had been exercised on the vesting dates. The dollar value is the difference between the market price of the underlying securities at exercise and the exercise price of the options on the vesting date.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is, or was at any time during the most recently completed financial year of the Corporation an officer or director of the Corporation, no proposed nominee for election as a director, or any associate of any such person was indebted to the Corporation.



## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The by-laws of the Corporation provide that the Corporation is required to indemnify a director or officer, or former director or officer, or a person who acts or acted at the request of the Corporation as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of having been a director or officer of such body corporate if (a) he or she acted honestly and in good faith with a view to the best interests of the Corporation, and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

The Corporation has purchased insurance for the benefit of the Corporations directors and officers against liability incurred by them in their capacity as directors and officers in the period prior to 2016. The policy provides coverage on a claims made basis in respect of a maximum total liability of \$3 million, subject to a deductible of \$25,000 per event. The premium paid in 2015 was \$9,400. The policy contains standard industry exclusions.

### **3. RE-APPOINTMENT OF AUDITORS**

The directors propose to nominate McGovern, Hurley, Cunningham LLP, the present auditors, as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. McGovern, Hurley, Cunningham LLP were first appointed auditors of the Corporation effective August 26, 2008.

In the past, the directors have negotiated with the auditors of the Corporation on an arm's length basis in determining the fees to be paid to the auditors. Such fees have been based on the complexity of the matters in question and the time incurred by the auditors. The directors believe that the fees negotiated in the past with the auditors of the Corporation were reasonable and in the circumstances would be comparable to fees charged by other auditors providing similar services.

In order to appoint McGovern, Hurley, Cunningham LLP as auditors of the Corporation to hold office until the close of the next annual meeting, and authorize the directors to fix the remuneration thereof, a majority of the votes cast at the Meeting must be voted in favour thereof.

The management representatives named in the attached form of proxy intend to vote in favour of the appointment of McGovern, Hurley, Cunningham LLP as auditors of the Corporation and in favour of authorizing the directors to fix the remuneration of the auditors, unless a shareholder specifies in the proxy that his or her Common Shares are to be withheld from voting in respect of the appointment of auditors and the fixing of their remuneration.

### **4. RATIFICATION OF STOCK OPTION PLAN**

Shareholders will be asked at the Meeting to consider and, if thought advisable, to ratify the Corporation's existing incentive stock option plan (the "**Stock Option Plan**"), which is considered a "rolling" stock option plan, which reserves a maximum of 10% of the Corporation's total outstanding Common Shares at the time of grant for issuance pursuant to the Stock Option Plan. The policies of the TSXV provide that, where a Corporation has a rolling stock option plan in place, it must seek shareholder approval, for such plan annually.

The purpose of the Stock Option Plan is to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Corporation and reduce the cash compensation the Corporation would otherwise have to pay.

The Stock Option Plan complies with the current policies of the TSXV, including the requirement for annual approval by shareholders. Under the Stock Option Plan, a maximum of 10% of the issued and outstanding shares of the Corporation are proposed to be reserved at any time for issuance on the exercise of stock options. As the number of shares reserved for issuance under the Stock Option Plan increases with the issue of additional shares of the Corporation, the Stock Option Plan is considered to be a "rolling" stock option plan.

A full copy of the Stock Option Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the Stock Option Plan from the Corporation prior to the meeting upon written request.

As at the date of this Circular there are 116,370,336 common shares of the Corporation issued and outstanding and accordingly, the maximum number of options which may be issued as of the date of this Circular is 11,637,034.

During the financial year ended December 31, 2015, 2,351,250 options expired and 450,000 option were terminated, no stock options were granted and no stock options were exercised, leaving a total of 3,775,000 stock options outstanding and exercisable at December 31, 2015.

Shareholders will be asked at the Meeting to approve with or without variation the following resolution:

**"BE IT RESOLVED THAT** the Stock Option Plan of the Corporation be and it is hereby approved, and that in connection therewith a maximum of 10% of the issued and outstanding shares at the time of each grant be reserved for granting as options and that the board of directors be and they are hereby authorized, without further shareholder approval, to make such changes to the existing Stock Option Plan as may be required or approved by regulatory authorities."

Unless a shareholder who has given a proxy has instructed that the shares represented by such proxy are to be voted against, on any ballot that may be called for ratification of the Stock Option Plan, the person named in the enclosed proxy will cast the shares represented by such proxy FOR such ratification.

## **STATEMENT OF EXECUTIVE COMPENSATION**

The following discussion relates to the Corporation's financial year ended December 31, 2015 as required by National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. However, in the current financial year, due to the financial condition of the Corporation and to preserve cash resources, executive compensation has been suspended except for payment to specific management or professional services actually performed at the request of management of the Corporation. This policy is expected to continue until the Corporation's financial position merits its reconsideration.

The board of directors of the Corporation does not have a Compensation Committee. Compensation matters are reviewed by the full board of directors. An interested board member is required to abstain from voting on matters concerning his own compensation.

As a cost reduction, the Corporation has not paid any salaries or fixed retainers to Executive Officers in their capacity as executive officers during the last financial year. However, Executive Officers are compensated for professional or consulting services actually provided to the Corporation in accordance with industry rates based upon invoices submitted periodically. The Directors of the Corporation consider this compensation strategy to be appropriate in the current financial circumstances of the Corporation. Management believes the level of compensation is standard in comparable businesses within the mineral exploration industry.

The general compensation philosophy of the Corporation for executive officers is to provide a level of compensation that is competitive within the North American marketplace and that will attract and retain individuals with the necessary experience and qualifications necessary, and to provide long-term incentive compensation which aligns the interest of executives with those of shareholders and provides long-term incentives to members of senior management whose actions have a direct and identifiable impact on the performance of the Corporation.

The Corporation is in the mineral exploration and development business and, accordingly, does not yet have significant revenues from operations and often operates with sufficient financial resources only to ensure that funds are available to complete scheduled programs. As a result, the Board of Directors has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial situation of the Corporation in the mid-and long-term.

Upon achieving a reorganization of its financial affairs, the Corporation's compensation arrangements for the Named Executive Officers will be reviewed and may, in addition to salary, include compensation in the form of bonuses and, other long term benefits. No bonuses were paid to the Named Executive Officers during the fiscal year ended December 31, 2015.

### Stock Options

An additional component of the executive compensation program is stock options and to this end the Corporation has established an incentive stock option plan. The Stock Option Plan is administered by the board of directors of the Corporation. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. Stock option grants are considered when reviewing executive officer compensation packages as a whole.

### Other Incentives

The Corporation does not have a formal annual incentive bonus plan in place. Any award of a bonus to executive officers would be entirely at the discretion of the Board of Directors. No bonus was awarded in 2015.

### Defined Benefit or Actuarial Plan

The Corporation does not have a defined benefit or actuarial plan.

### **SUMMARY COMPENSATION TABLE**

The following table (presented in accordance with National Instrument 51-102F6) sets out total compensation for the year ended December 31, 2015 in respect of the Named Executive Officers of the Corporation.

Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term plans			
Gerald Gauthier President & Chief Operating Officer	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	43,800 <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	43,800
	2013	201,600 <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	201,600
Danesh Varma Chief Financial Officer	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	40,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	40,000
	2013	40,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	40,000

**Notes:**

- (1) The financial year ended December 31.
- (2) Paid to Mr. Gauthier for professional consulting services on a part time basis in 2015.
- (3) Paid to a private company controlled by Mr. Varma. Mr. Varma was not paid any compensation in 2015.
- (4) Perquisites have not been included, as they do not exceed 10% of total salary for the financial year ended December 31, 2015, 2014 and 2013.

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

The following table shows all awards outstanding to each Names Executive Officers as at December 31, 2015.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Gerald Gauthier President & Chief Operating Officer	400,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A
Danesh Varma Chief Financial Officer	250,000	\$0.51	April 26, 2016	Nil	N/A	N/A	N/A

**Notes:**

- (1) "In-the-money" options are options that can be exercised at a profit (i.e., the market value of the Common Shares is higher than the price at which they can be purchased from the Corporation). On December 31, 2015, the Corporation's common shares closed at \$0.005 on the TSXV.

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

Name	Option-based awards – Value Vested during the year (\$)	Share-based awards – Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(2)</sup>
Gerald Gauthier President & Chief Operating Officer	Nil	N/A	N/A
Danesh Varma, Chief Financial Officer	Nil	N/A	N/A

Notes:

(1) No share-based awards were granted during the fiscal year ended December 31, 2015.

(2) No non-equity incentive plan compensation was awarded during the fiscal year ended December 31, 2015.

### Termination and Change of Control Benefits

Except as otherwise disclosed herein, the Corporation and its subsidiaries have no compensatory plan or arrangement in respect of compensation received or that may be received by an executive officer of the Corporation in the Corporation's most recently completed or current financial year to compensate such executive officer in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control, where in respect of the executive officer the value of such compensation exceeds \$100,000.

### Stock Option Plan

Under the Stock Option Plan of the Corporation (the "**Stock Option Plan**"), options to purchase common shares of the Corporation may be granted to employees, officers and directors of the Corporation or subsidiaries of the Corporation and other persons or companies engaged to provide ongoing management or consulting services ("**Service Providers**") for the Corporation or any entity controlled by the Corporation. In determining the number of common shares of the Corporation subject to each option granted under the Stock Option Plan, consideration is given to the present and potential contribution by such person or company to the success of the Corporation.

### Pension Plan Benefits

The Corporation does not provide any form of group pension plan benefits to employee, officers or directors.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only equity compensation plan which the Corporation has in place is the Incentive Stock Option Plan which was last approved by the shareholders in June 2015. The Stock Option Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. The Stock Option Plan is administered by the directors of the Corporation. The Stock Option Plan provides that options will be issued to directors, officers, employees and consultants of the Corporation or a subsidiary of the Corporation. The Stock Option Plan provides that the number of common shares issuable under the Stock Option Plan, together with all of the Corporation's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2015.

### Equity Compensation Plan Information

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 security holders	3,775,000	\$0.51	7,862,034
Equity compensation agreements subject to approval by security holders	Nil	N/A	Nil
Total	3,775,000	\$0.51	7,862,034

### Summary of Stock Option Plan

The Corporation has established a stock option plan to provide incentive compensation to the Corporation's directors, officers, employees and consultants.

The Stock Option Plan is administered by the board of directors of the Corporation. Stock options may be granted at any time to any director, senior officer, key employee or other person providing services to the Corporation (each an "Optionee"), taking into consideration his or her contribution to the success of the Corporation and any other factor which the board of directors of the Corporation may deem proper and relevant. The aggregate number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan and any other share compensation arrangements of the Corporation will not exceed 10% of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis) from time to time.

Stock options granted under the Stock Option Plan are exercisable over a period not exceeding ten years, subject to earlier cancellation upon the termination of the optionee's employment with the Corporation, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Corporation, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. Under the Stock Option Plan, the Board of Directors, in its discretion but upon the advice of its Human Resources and Corporate Governance Committee, is authorized to impose deferred vesting restrictions on any options granted and to fix the exercise price provided that such price may not be lower than the market price of the Corporation's shares determined in accordance with the rules of any stock exchange or other trading market upon which the shares of the Corporation are then listed or quoted or, if the shares of the Corporation do not trade on any such exchange or market, by the Board of Directors in their discretion. The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of shares issuable in the event of a subdivision, consolidation, reclassification or change of the Common Shares, or a merger or other relevant changes in the Corporation's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Corporation in respect of stock options granted thereunder.

The Board may from time to time amend or revise the terms of the Stock Option Plan or may discontinue the Stock Option Plan at any time provided however that no such right may in any manner adversely affect an Optionee's rights under the option theretofore granted under the Stock Option Plan without consent of such Optionee.

Any amendments to the Stock Option Plan are subject to the prior approval of any stock exchange upon which shares of the Corporation are then listed for trading and any other regulatory authority having jurisdiction over the Corporation.

Shareholder approval will be required for the following types of amendments to the Stock Option Plan:

- an increase in the maximum number of Common Shares issuable under the Stock Option Plan;
- a change in the manner of determining the option price;
- an extension of the expiry date of an option;
- an extension of the period during which options may be granted; and
- an alteration or impairment of any option previously granted to an Optionee, without the prior written consent of the Optionee.

All other amendments to the Stock Option Plan will not require shareholder approval.

A full copy of the Stock Option Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the Stock Option Plan from the Corporation prior to the meeting upon written request.

As at the date of this Circular there are 116,370,336 common shares of the Corporation issued and outstanding and accordingly, the maximum number of options which may be issued as of the date of this Circular is 11,637,034.

During the financial year ended December 31, 2015, 2,351,250 options expired and 450,000 options terminated, no stock options were granted and no stock options were exercised, leaving a total of 3,775,000 stock options outstanding and exercisable at December 31, 2015.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### Corporate Governance

National Instrument 58-101 ("**NI 58-101**") of the Canadian Securities Administrators requires the disclosure by each listed corporation of its approach to corporate governance. It is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

The following discloses the Corporation's corporate governance practices as required by NI 58-101.

#### 1. Board of Directors

NI 58-101 suggests that a majority of the Board of Directors should be "independent" directors. NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is in turn defined as a relationship which could, in the view of the Corporation's board of directors (the "**Board**"), be reasonably expected to interfere with such member's independent judgement. The Board is currently comprised of four members and is not currently comprised of a majority of independent directors.

Mr. Kearney and Mr. McKillen are considered to be independent directors since they are independent of management and free from any material relationship with the Corporation. The basis for this determination is that, since the beginning of the fiscal year ended December 31, 2015, and the independent directors have not worked for the Corporation, received direct remuneration from the Corporation or had material contracts with or material interests in the Corporation which could interfere with their ability to act with a view to the best interests of the Corporation. Mr. Kearney and Mr. McKillen are directors of Minco Plc. which hold 26% of the Corporation's shares and is one of the Corporation's largest creditors.

Mr. Gallagher is not a member of Management but is compensated for providing Consulting Services to the Corporation. Mr. Steenberg operates an independent business law practice and provides legal services to, and acts as Secretary of the Corporation.

The Directors believe that a relatively small Board is appropriate for the current size and stage of development of the Corporation and to ensure that the Board can function effectively. The Board may in the future consider the enlargement of the Board and the appointment of additional "independent" directors.

#### 2. Participation of Directors in Other Reporting Issuers

The participation of the Directors in other reporting issuers is described in the following table:

Name of Director	Name of Other Reporting Issuer
John Kearney	Avnel Gold Mining Limited (Director) Anglesey Mining plc (Chairman & Director) Canadian Zinc Corporation (Chairman, President, CEO & Director) Conquest Resources Limited (Chairman & Director) Labrador Iron Mines Holdings Limited (Chairman, CEO & Director) Minco plc. (Chairman & Director)
Terence McKillen	Conquest Resources Limited (Director) Minco plc. (Director)
Neil J.F. Steenberg	Conquest Resources Limited (Secretary & Director) Labrador Iron Mines Holdings Limited (Secretary)
Tim Gallagher	Excalibur Resources Ltd. (Chairman & CEO)

### **3. Orientation and Continuing Education**

While the Corporation currently has no formal orientation and education program for Board members, sufficient information (such as recent reports, prospectus, proxy solicitation materials, technical reports and various other operating, property and budget reports) is provided to all Board members to ensure that directors are familiarized with the Corporation's business and the procedures of the Board. In addition, directors are encouraged to meet with management on a regular basis. The Corporation also encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation.

### **4. Ethical Business Conduct**

The Board has established a Whistle Blower Policy, which details the complaint procedure for concerns about any aspect of the Corporation's activities and operations.

In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, the directors must comply with the conflict of interest provisions under the Business Corporations Act, as well as the 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 officer has a material interest. Any interested director is required to declare the nature and extent of his or her interest and is not entitled to vote at meetings of directors where such a conflict arises.

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

### **5. Nomination Of Directors**

The Board performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Corporation's development and given the size of the Board.

While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with business knowledge and a particular knowledge of mineral exploration and development or other areas which provide knowledge which would assist in guiding the officers of the Corporation. As such, nominations tend to be the result of recruitment efforts by management of the Corporation and discussions among the directors prior to the consideration by the Board as a whole.

### **6. Compensation**

Currently, the independent directors of the Corporation do not receive fees in their capacities as directors, as described under "Compensation of Directors". All directors are eligible to participate in the Corporation's Stock Option Plan. See "Compensation of Directors".

### **7. Committees**

The Board has one committee: the Audit Committee. From time to time, the Board will form ad hoc committees to consider specific transactions comprised of persons unrelated to the transaction.

### **8. Assessments**

The Board does not, at present, have a formal process in place for assessing effectiveness of the Board as a whole or its individual directors.

### **9. Board and Corporate Diversity**

The Company currently does not have any women Board members or in executive officer positions (as such term is defined in the Canadian Securities Administrators guidelines for effective corporate governance). However the Company recognizes the value of individuals with diverse attributes on the Board and in executive officer positions and the desirability of representation of women on the Board and in executive officer positions.

The Company has not adopted a written policy relating to the identification and nomination of women directors or regarding the number of women in executive positions because it does not believe that a written policy is the best way to achieve the Company's business objectives.

The Company believes that the interests of the Company would be best served by ensuring that new directors or executives are identified and selected from the widest possible group of potential candidates. A formalized written diversity policy governing the identification and selection of potential women candidates may unduly restrict the Company's ability to select the best and most suitable candidate.

The Board is responsible for establishing qualifications and skills necessary for an effective Board and various committees of the Board and for senior executive positions, including factors such as professional experience, particular areas of expertise, personal character, potential conflicts of interest, diversity and other commitments.

Although diversity, which includes diversity in gender, age, ethnicity and cultural background, is one of the factors considered in the Company's identification and selection process, other factors, including knowledge and relevant experience, or particular areas of expertise, are given greater consideration in the identification and selection process. In light of the Company's view that candidates should be selected from the widest possible group of qualified individuals, the level of representation of women may be considered but is not a major factor in identifying and appointing individuals to the Board.

The Company's policy with respect to the representation of women in executive officer positions is the same as its views on the representation of women in the director identification and selection process. In making decisions as to executive officer appointments, the Company believes that decisions to hire or promote an individual should be based on that person's knowledge and experience, particular areas of expertise, character and merit. Accordingly, the representation of women in executive officer positions may be considered but is not a major factor and is not an issue when making executive officer appointments.

The Company has not adopted a target regarding the representation of women on the Board or in executive officer positions for the reasons set out above. The Company believes that adopting such a target would unduly restrict its ability to select, hire or promote the best and most suitable candidate for the position in question.

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

### ***Audit Committee***

The Audit Committee assists the board of directors in fulfilling its responsibilities for oversight of financial and accounting matters. The committee recommends the auditors to be nominated and reviews the compensation of the auditors. The committee is directly responsible for overseeing the work of the auditors, must pre-approve non-audit services, be satisfied that adequate procedures are in place for the review of Xtierra's public disclosure of financial information extracted or derived from Xtierra's financial statements and must establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. The current members of the Audit Committee are Messrs. Graber, Kearney and Gallagher, a majority of whom are independent and each of whom is financially literate in accordance with National Instrument 52-110 (NI 52-110) – *Audit Committees*.

The Audit Committee has adopted a Charter, the text of which is set out below:

### **PURPOSE**

The Audit Committee (the "**Committee**") is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for Xtierra Inc. The Committee's primary duties and responsibilities are to:

- review the quarterly and annual financial statements and management's discussion and analysis of the Corporation and report thereon to the Board;
- select and monitor the independence and performance of the outside auditors of the Corporation (the "**Independent Auditors**"), including meetings with the Independent Auditors;
- conduct such reviews and discussions with management and the independent auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- provide oversight to related party transactions entered into by the Corporation; and
- if necessary, assess the integrity of internal controls and financial reporting procedures of the Corporation and review the internal control report prepared by management required to be included with the annual report of the Corporation;



The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

### **COMPOSITION AND MEETINGS**

1. The Committee and its membership shall meet all applicable legal and listing requirements, including, without limitation, those of the TSX Venture Exchange.
2. The Committee shall be composed of three or more directors, one of whom shall serve as the Chair; both the members and the Chair shall be designated by the Board from time to time.
3. A majority of the members of the Committee shall be "independent" as defined by National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, and all of whom shall be financially literate in accordance with National Instrument 52-110 - *Audit Committees*.
4. The Committee shall meet at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, and a majority of the members of the Committee shall constitute a quorum.
5. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
6. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by, the Committee.
7. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
8. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
9. The Committee may invite such officers, directors and employees of the Corporation and its subsidiary as it may see fit, from time to time, to attend at meetings of the Committee.
10. The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.
11. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

The Committee members will be elected annually at the first meeting of the Board following the annual meeting of shareholders.

### **RESPONSIBILITIES**

#### **A Financial Accounting and Reporting Process and Internal Controls**

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
2. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
3. The Committee shall be satisfied 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, management's discussion and analysis and interim financial press releases, and periodically assess the adequacy of these procedures.
4. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim financial press releases, that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.

5. The Committee shall meet no less frequently than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
6. The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management, has taken to minimize such risks.
7. The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
8. The Committee shall establish procedures 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.
9. The Committee shall provide oversight to related party transactions entered into by the Corporation.

**B Independent Auditors**

1. The Committee shall recommend to the Board the external auditors to be nominated, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
3. The Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the external auditors in accordance with the terms of this charter.
4. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
5. The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
7. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within IFRS that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
8. The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
10. The Committee shall monitor and assess the relationship between management and the external auditors and monitor the independence and objectivity of the external auditors.

**C. Other Responsibilities**

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

**V. Composition of the Audit Committee**

The Audit Committee is composed of Tim Gallagher and John Kearney. The Board of Directors has determined that the Committee members have the appropriate level of financial understanding and industry specific knowledge to be able to perform the duties of the position. Furthermore, the Board has determined that each member of the Audit Committee is financially literate as defined in MI 52-110 and a majority are independent.

The education and experience of each Audit Committee Member is set forth below:

**Tim Gallagher:** Mr. Gallagher is a graduate in commerce from McMaster University and holds a Master of Business Administration from York University and is a Chartered Financial Analyst. He is currently Chairman & CEO of Excalibur Resources Ltd. He has been a director or senior officer of a number of public and private companies including Inflection Capital Inc. and Xmet Inc. Previously he was in institutional sales for Loewen Ondaatje McCutcheon and Union Bank of Switzerland (Canada). Mr. Gallagher has assisted a number of companies implement their growth plans primarily through the TSXV's Capital Pool Program since 1997.

Mr. Gallagher has served as an officer and director of public companies for a period in excess of twenty years. He has an in depth understanding of the accounting principles used by the Corporation to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience preparing, auditing, analyzing and evaluating financial statements with accounting issues at least comparable to the financial statements and the issues that can be reasonably be expected to be raised by the Corporation's financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

**John F. Kearney:** Mr. Kearney is financially literate. He is a mining and business executive with over forty years' experience in the mining industry internationally. He holds law and economics degrees from University College Dublin, a Masters Degree in Business Administration from Trinity College, Dublin and obtained the designation Associate of the Chartered Institute of Secretaries and Administrators (ACIS) in which he completed advanced accounting courses. He is a member of the Law Society of Ireland.

Mr. Kearney has been an officer and director of public companies for a period in excess of forty years. He has an in depth understanding of the accounting principles used by the Corporation to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience in supervising the preparation, auditing analyzing and evaluation of financial statements with accounting issues at least comparable to the financial statements and the issues that can be reasonably be expected to be raised by the Corporation's financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

**VI. Pre-approval Policies & Procedures**

The Audit Committee has adopted procedures requiring Audit Committee review and approval in advance of all particular engagement for services provided by the Auditors. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit services, to be approved by the Audit Committee provided the Audit Committee is informed of each particular service. All of the engagements and fees for Fiscal 2010 and 2009 were approved by the Audit Committee. The Audit Committee reviews with the auditors whether the non-audit services to be provided are compatible with maintaining the Auditor's independence.

Since the adoption of these procedures, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

**VII. Audit Fees & Services**

The aggregate amounts billed by Auditors for the two fiscal years ended December 31, 2015 and 2014 for audit fees, audit related fees, tax fees and all other fees are set forth below:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Audit Fees <sup>(1)</sup>	22,440	\$32,640
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	Nil	Nil
All Other Fees	Nil	Nil
Total	\$22,440	\$32,640

- (1) "Audit Fees" represent fees for the audit of the annual financial statements, and review in connection with statutory and regulatory filings.
- (2) "Audit Related Fees" represents fees for assurance and related services that are related to the performance of the audit.
- (3) "Tax Fees" represent fees for tax compliance, tax advice and planning.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS AND MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer since the beginning of the Corporation's last completed fiscal year, proposed nominee for election as a director, shareholder beneficially owning (directly or indirectly) or exercising control or direction over more than 10% of the Common Shares of the Corporation, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the beginning of the Corporation's last completed fiscal year or in any proposed transaction which, in either case, has materially affected or will materially affect the Corporation, other than,

- On January 7, 2014, the Corporation entered into an agreement with its two principal shareholders for US\$500,000 of short term financing. Each of the Pacific Road Resource Funds ("PRRF") and Minco plc. ("Minco") purchased US\$250,000 principal amount of 5% notes (the "Notes") due March 31, 2014 (subsequently extended to April 30, 2016).

- On April 25, 2014, the Corporation entered into an exchange and investment agreement (the "Exchange and Investment Agreement") with PRRF, Minco and the Corporation's subsidiary, Orca Minerals Limited ("Orca") which provided for the following transactions:
- On April 29, 2015, the Corporation's major shareholders, Pacific Road Group of Funds and Minco plc, both agreed to extend the due dates of the non-convertible 5% secured notes in the amount of \$965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to \$15,000 each to fund the Company's property maintenance costs and working capital.
- On August 24, 2015, Pacific Road and Minco both agreed to further extend the due dates of the Notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to \$17,500 each to fund the Company's property maintenance costs and working capital. The Company agreed to a fee and legal expenses reimbursement of \$29,000 to obtain the extension, which amount was added to the principal amount of the Notes.

On January 29, 2016 Pacific Road and Minco agreed to further extend the due date of the secured noted to April 30, 2016.

The purpose of the extension of the maturity date of the secured notes is to provide the Corporation additional time to assess its strategic alternatives.

The notes are secured by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds the Corporation's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited.

Messrs. Kearney, McKillen and Varma, are directors and/or officers of the Corporation, and are directors, officers and/or shareholders of Minco.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's Consolidated Financial Statements and Management Discussion and Analysis for the year ended December 31, 2015 which is also available on SEDAR and on the Corporation's website at [www.xtierra.ca](http://www.xtierra.ca). Shareholders may also contact the Secretary of the Corporation to request copies of the Corporation's Financial Statements and Management Discussion and Analysis.

#### **APPROVAL**

**The contents and the sending of this Management Information Circular have been approved by the directors of the Corporation.**

**Dated: May 2, 2016**

*"Neil J.F. Steenberg"*

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Neil J.F. Steenberg  
Director & Secretary