

INFORMATION CIRCULAR

As at September 28, 2011

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Information Circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of **SILVER PHOENIX RESOURCES INC.** (the "Company") for use at the Annual General Meeting of Shareholders of the Company (and any adjournment thereof) to be held on **Friday, October 28, 2011** (the "Meeting") at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors, officers and regular employees of the Company at nominal cost. All costs of solicitation by management will be borne by the Company. The Company has arranged for intermediaries to forward the meeting materials to Beneficial Shareholders of the Shares held of record by those intermediaries and the Company may reimburse the intermediaries for their reasonable fees and disbursements by them in so doing.

Notice of the Meeting was provided to the Canadian National Stock Exchange ("CNSX") and to the securities commissions in each jurisdiction where the Company is a reporting issuer under applicable securities laws.

In this Information Circular, references to "the Company", "Silver Phoenix", "we" and "our" refer to Silver Phoenix Resources Inc. "Shares" means common shares in the capital of the Company. "Beneficial Shareholders" means shareholders who do not hold Shares in their own name and "intermediaries" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

The contents and the sending of this Circular have been approved by the directors of the Company.

Appointment of Proxyholders

A shareholder entitled to vote at the Meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be Shareholders, to attend and act the Meeting for the shareholder on the shareholder's behalf.

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

Voting by Proxyholders

The Management Designees named in the Proxy will vote or withhold from voting the Shares represented thereby in accordance with the instructions of the shareholder 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 will confer discretionary authority on the nominees named 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 Management Designees will vote the Shares represented by the Proxy at their own discretion for the approval of such matter.

Registered Shareholders

If you are a Registered Shareholder, you may elect to submit a Proxy whether or not you are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by:

- (a) completing, dating and signing the enclosed form of Proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc., by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail or by hand to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- (b) using a touch-tone phone to transmit voting choices to a toll free number. Registered Shareholders must follow the instructions of the voice response system and refer to the enclosed Proxy for the toll free number, the holder's account number and the Proxy access number; or
- (c) using the internet through the website of the Company's transfer agent at www.computershare.com/ca/proxy.

Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy for the holder's account number and the Proxy access number; in all cases ensuring that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used.

Beneficial Shareholders

The following information 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 Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Shares). If Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder's name on the records of the Company. Such Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Shares are registered 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), and in Canada, 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).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings unless the Beneficial Shareholders have waived the right to receive meeting material. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

If you are a Beneficial Shareholder: You should carefully follow the instructions of your broker or intermediary in order to ensure that your shares are voted at the Meeting. The form of proxy supplied to you by your broker will be similar to the Proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote on behalf on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions Canada ("Broadridge") in the United States and in Canada. Broadridge mails a voting instruction form in lieu of a Proxy provided by the Company. The voting instruction form will name the same Management Designees to represent you at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Company), other than the persons designated in the voting instruction form, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the voting instruction form. The completed voting

instruction form 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. **If you receive a voting instruction form from Broadridge, you cannot use it to vote Shares directly at the Meeting - the voting instruction form must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have the Shares voted.**

Although as a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of your broker (or agent of your broker), you, or a person designated by you, may attend at the Meeting as proxyholder for your broker and vote your Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Shares as proxyholder for your broker, or have a person designated by you do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the voting instruction form provided to you and return the same to your broker (or your broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Alternatively, you can request in writing that your broker (or agent) send you a legal proxy which would enable you, or a person designated by you, to attend at the Meeting and vote your Shares.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by either:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare Investor Services Inc. or at the address of the head office of the Company at 4631 - 75th Ave NE, P.O Box 134, Canoe, British Columbia, V0E 1K0, facsimile (250 832-0338), at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder's Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board of Directors of the Company has fixed **September 23, 2011** as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Shares voted at the Meeting.

The Company is authorized to issue an unlimited number of common shares without par value. As of September 23, 2011, the Company had outstanding 6,900,520 fully paid and non-assessable common shares without par value, each share carrying the right to one vote. The Company has no other classes of voting securities. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the shares.

On a show of hands, every individual who is present and is entitled to vote as a shareholder or as a representative of one or more corporate shareholders, or who is holding a proxy on behalf of a

shareholder who is not present at the Meeting, will have one vote, and on a poll every shareholder present in person or represented by a proxy and every person who is a representative of one or more corporate shareholders, will have one vote for each Share registered in his name on the list of shareholders, which is available for inspection during normal business hours at Computershare Investor Services Inc. and will be available at the Meeting.

The Articles of the Company provide that at least 2 persons present in person or by proxy, being shareholders entitled to vote thereat or a duly appointed proxy holder or representative for a shareholder so entitled and holding or represented by proxy not less than 5% percent of the outstanding Shares of the Company entitled to vote at the Meeting, constitutes a quorum for the Meeting in respect of holders of the Shares.

As of the date hereof, to the knowledge of the directors and executive officers of the Company, no person owns of record or is known to the Company to own beneficially or exercise control or direction over, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company except as follows:

Name and Municipality of Residence of Shareholder	Number of Common Shares	Percentage ⁽³⁾
William J. Murray ⁽¹⁾ Canoe, BC V0E 1K0	2,025,000 ⁽²⁾	29.35%
David Michael Zweig 8801 Cord Circle Potomac, MD USA 20854-3111	800,000	11.59%

(1) Mr. Murray is the President and Chief Executive Officer of the Company.

(2) Of these Shares, 607,500 are held in escrow pursuant to an Escrow Agreement dated as of November 23, 2007 among the Company, Pacific Corporate Trust Company and those shareholders that executed such agreement, and are subject to the release provisions contained therein.

(3) As of the date of this Information Circular there are 6,900,520 shares outstanding.

VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors or appointment of the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

Recommendation of the Board

The Board of Directors unanimously recommends that Shareholders vote in favour of all resolutions.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("Named Executive Officers") listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2010, the following individuals were Named Executive Officers (as defined in applicable securities legislation) of Silver Phoenix Resources Inc., namely:

William J. Murray, President and Chief Executive Officer (since February 14, 2003); and Roxann Marie Murray, Chief Financial Officer (since January 1, 2004).

The Company is a mineral exploration company engaged in the business of acquiring, developing and exploring precious-metals and base-metals resource properties throughout North America. The Company's objective is to acquire, explore and develop mineral properties that have the potential to host mineral deposits. The Company has, as of yet, no significant revenues from operations and often operates with limited financial resources 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 Company at the time of the determination of executive compensation, but also the estimated financial situation of the Company in the mid- and long-term. An important element of executive compensation is that of stock options, which do not require cash disbursement by the Company. Additional information about the Company and its operations is available at its website www.silverphoenixresources.com, and in its audited financial statements and Management's Discussion & Analysis for the year ended December 31, 2010, which have been filed with regulators and are available for viewing through the internet on SEDAR, which can be accessed at www.sedar.com.

Compensation Objectives and Principles

The primary goal of the Company's executive compensation program is to attract and retain the key executives necessary for the Company's long term success, to encourage executives to further the development of the Company and its operations, and to motivate top quality and experienced executives. The key elements of the executive compensation program are: (i) base salary; (ii) potential annual incentive award; and (iii) incentive stock options. The directors are of the view that all elements of the total program should be considered, rather than any single element.

Compensation Process

The Company relies solely on its Board of Directors, through discussion without any formal objectives, criteria or analysis, in determining the compensation of its executive officers. The Board of Directors is responsible for determining all forms of compensation, including long-term incentive in the form of stock options, to be granted to the Named Executive Officers of the Company and to the directors, and for reviewing the recommendations respecting compensation for any other officers of the Company from time to time, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its officers, the Board considers: i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; ii) providing fair and competitive compensation; iii) balancing the interests of management and the Company's shareholders; and iv) rewarding performance, both on an individual basis and with respect to operations in general.

Option Based Awards

Long-term incentive in the form of options to purchase common shares of the Company are intended to align the interests of the Company's directors and its executive officers with those of its shareholders, to provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value, and to reduce the cash compensation the Company would otherwise have to pay. The Company's Stock Option Incentive Plan is administered by the Board of Directors. In establishing the number of the incentive stock options to be granted to the Named Executive Officers, reference is made to the number of stock options granted to officers of other publicly traded companies that, similar to the Company, are involved in the mining industry, as well as those of other publicly traded Canadian companies of a comparable size to that of the Company in respect of assets. The Board of Directors also considers previous grants of options and the overall number of options that are outstanding relative to the number of outstanding common shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer in determining the level of incentive stock option compensation. See "Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based

Awards” below, as well as “Adoption of Stock Option Plan” for a description of the Company’s Plan, and “Securities Authorized for Issuance under Equity Compensation Plans”.

Benefits and Perquisites

The Company’s Named Executive Officers do not receive any benefits or perquisites.

STATEMENT OF EXECUTIVE COMPENSATION

Definitions

For the purpose of this information circular:

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

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

“**closing market price**” means the price at which the company’s security was last sold, on the applicable date,

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

“**equity incentive plan**” means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of Section 3870 of the Handbook;

“**grant date**” means a date determined for financial statement reporting purposes under Section 3870 of the Handbook;

“**Handbook**” means the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time;

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

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

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

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6), for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year;

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

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

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

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

The following table contains information about the compensation paid to, or earned by, those who were during the fiscal year ended December 31, 2010 the Company's Named Executive Officers. The Company had two Named Executive Officers during the fiscal year ended December 31, 2010, namely, William J. Murray, the President and CEO, and Roxann M. Murray, the CFO and Secretary.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Share Based Awards (\$)	Option Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
William J. Murray President and CEO	2010	84,000 ⁽¹⁾	Nil	Nil	N/A	N/A	N/A	Nil	84,000
	2009	84,000 ⁽¹⁾	Nil	Nil	N/A	N/A	N/A	Nil	84,000
	2008	70,500 ⁽¹⁾	Nil	Nil	N/A	N/A	N/A	Nil	70,500
Roxann M. Murray CFO and Secretary	2010	30,000 ⁽²⁾	Nil	Nil	N/A	N/A	N/A	Nil	30,000
	2009	30,000 ⁽²⁾	Nil	Nil	N/A	N/A	N/A	Nil	30,000
	2008	30,000 ⁽²⁾	Nil	28,080 ⁽³⁾	N/A	N/A	N/A	Nil	58,080

(1) Pursuant to a management agreement dated July 1, 2004, and amended April 1, 2008, the Company engaged the services of Mr. Murray to act as President and Chief Executive Officer of the Company. The terms of the Agreement provide that the Company shall pay Mr. Murray a monthly fee of \$2,500 plus GST from the date of the agreement until March 31, 2008, and \$7,000 per month thereafter, payable monthly. The Agreement may be terminated by either party by giving one month's notice.

(2) Pursuant to a management agreement dated October 1, 2007, the Company engaged the services of Ms. Murray to act as Chief Financial Officer of the Company. The terms of the Agreement provide that the Company shall pay Ms. Murray a monthly fee of \$2,500 plus GST. The Agreement may be terminated by either party by giving one month's notice.

(3) Pursuant to a stock option agreement dated July 8, 2008, the Company granted Roxann M. Murray the right to purchase up to 180,000 Shares at the price of \$0.25 per share exercisable on or before July 7, 2013.

The Company is obligated to make certain payments and issue Shares to Mr. Murray pursuant to the acquisition of certain mineral properties:

(a) On February 14, 2003, the Company entered into an agreement to acquire a 100% interest in the Big Showing Property for mineral claims for a total area of 1,000 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. For payment of the property, the Company agreed to issue an aggregate of 750,000 Shares of the Company on the date of the

agreement (issued), to pay an aggregate of \$35,000 in cash by April 30, 2007 (paid), to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date the Company has not received the technical report nor the feasibility study and the relevant Shares have not been issued.

- (b) On March 15, 2004, the Company entered into an agreement to acquire a 100% interest in the Waverly Tangier Property for mineral claims for a total area of 5,675 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. The Company agreed to issue an aggregate of 750,000 Shares of the Company on the date of the agreement (issued), to pay an aggregate of \$35,000 in cash (paid in August 2007), to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date the Company has not received the technical report nor the feasibility study and the relevant Shares have not been issued.
- (c) On March 16, 2006, the Company entered into an agreement to acquire a 100% interest in the River Jordan Property for mineral claims for a total area of 649 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. The Company agreed to pay an aggregate of \$35,000 in cash by April 30, 2007 (paid), to issue an aggregate of 750,000 Shares (issued in June 2007) of the Company, to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date the Company has not received the technical report nor the feasibility study and the relevant Shares have not been issued.

Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the financial year ended December 31, 2010 to the Named Executive Officers of the Company.

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 (\$) ⁽¹⁾⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽²⁾
William J. Murray President and CEO	Nil	N/A	N/A	N/A	Nil	Nil
Roxann Marie Murray CFO and Secretary	180,000	\$0.25	July 7, 2013	68,400	Nil	Nil

- (1) The value of unexercised "in-the-money options at the financial year-end is the difference between the option exercise price and the market value of the underlying stock on the Canadian National Stock Exchange (the "CNSX") on December 31, 2010.
- (2) The market value is the closing price of the Company's Shares on the CNSX on June 7, 2010 (\$0.58), the last day the Shares traded on the CNSX for the financial year ended December 31, 2010.

Incentive Plan Awards – Value Vested or Earned During the Year

There was no value vested or earned during the year ended December 31, 2010 in respect of option-based awards, share-based awards and non-equity incentive plan compensation by Named Executive Officers of the Company.

Pension Plan Benefits and Deferred Compensation Plans

The Company does not offer any pension plan benefits or deferred compensation plans to its Named Executive Officers.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Company entered into a Management Agreement dated July 1, 2004, and amended April 1, 2008, wherein the Company engaged the services of William J. Murray to act as President and Chief Executive Officer of the Company. The terms of the Agreement provide that the Company shall pay Mr. Murray a monthly fee of \$2,500 plus GST (plus reimbursement of out-of-pocket expenses) from the date of the agreement until March 31, 2008, and \$7,000 per month thereafter, payable monthly. The Agreement will remain in effect until there is a change of management or the President of the Company is replaced. The Agreement may be terminated by either party by giving one month's notice.

The Company entered into a Management Agreement dated October 1, 2007, wherein the Company engaged the services of Roxann Marie Murray to act as Chief Financial Officer of the Company. The terms of the Agreement provide that the Company shall pay Ms. Murray a monthly fee of \$2,500 plus GST. The Agreement may be terminated by either party by giving one month's notice.

Except as described herein, as at December 31, 2010, there are no employment contracts between the Company and any Named Executive Officer and the Company has no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than \$150,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or any other termination of the Named Executive Officer's employment with the Company, a change of control of the Company, or a change in responsibilities of the Named Executive Officer following a change of control.

Subsequent to December 31, 2010 the Company entered into an agreement dated April 1, 2011 with Ms. Murray in her position as Chief Financial Officer of the Company, wherein if Ms. Murray's services are terminated pursuant to a change in control, she will receive a sum equal to one year's salary, accrued vacation (if any), and continued coverage of extended health care and life insurance coverage for herself and any dependants for a period of one year. In addition all stock options granted to Ms. Murray that have not yet vested will immediately vest and will be exercisable until the earlier of the expiry date of those stock options or the date that is one (1) year from the effective date of termination.

Management Contracts

The management functions of the Company are substantially performed by the directors and officers of the Company, and not to any substantial degree by any other person with whom the Company has contracted.

COMPENSATION OF DIRECTORS

The Company does not pay its directors a fee for their services as such. Directors are entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors, and the Company may, from time to time, grant incentive stock options to purchase common shares to its directors (see “Outstanding Share-Based and Option-Based Awards” below).

There were no arrangements under which directors of the Company were compensated by the Company during the most recently completed financial year for services as consultants or experts other than described herein.

The following table sets forth information in respect of all compensation paid to, or earned by, the directors of the Company during the financial year ended December 31, 2010, but excludes compensation paid to Mr. Murray in his capacity as a director of the Company as he is a Named Executive Officer whose compensation is disclosed above.

Summary Compensation Table

Name	Fees earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
David J. Lajack	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wesley A. Pomeroy	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Arthur J. McFaul	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Leslie E. Kjosness	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Leland R. Voll	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The Company is obligated to make certain payments and issue Shares to certain directors pursuant to the acquisition of certain mineral properties:

- (a) On February 14, 2003, the Company entered into an agreement to acquire a 100% interest in the Big Showing Property for mineral claims for a total area of 1,000 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. For payment of the property, the Company agreed to issue an aggregate of 750,000 Shares of the Company on the date of the agreement (issued), to pay an aggregate of \$35,000 in cash by April 30, 2007 (paid), to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date the Company has not received the technical report nor the feasibility study and the relevant Shares have not been issued.
- (b) On March 15, 2004, the Company entered into an agreement to acquire a 100% interest in the Waverly Tangier Property for mineral claims for a total area of 5,675 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. The Company agreed to issue an aggregate of 750,000 Shares of the Company on the date of the agreement (issued), to pay an aggregate of \$35,000 in cash (paid in August 2007), to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30

business days of the date on which the Company receives a positive pre-feasibility study on the claims. To date the Company has not received the technical report nor the feasibility study and the relevant Shares have not been issued.

- (c) On March 16, 2006, the Company entered into an agreement to acquire a 100% interest in the River Jordan Property for mineral claims for a total area of 649 hectares in the Revelstoke Mining Division of British Columbia. The Company acquired 90% of the property from William J. Murray, the President and director of the Company and 10% from Leland R. Voll, an individual who became a director of the Company on November 1, 2006. The Company agreed to pay an aggregate of \$35,000 in cash by April 30, 2007 (paid), to issue an aggregate of 750,000 Shares (issued in June 2007) of the Company, to issue an aggregate of 1,000,000 Shares of the Company within 30 business days of the date on which the Company receives a technical report disclosing an indicated mineral resource of 5,000,000 ounces of contained silver equivalent on the claims, and to issue a further aggregate of 1,583,333 Shares within 30 business days of the date on which the Company receives a positive pre-feasibility study on the claims.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the financial year ended December 31, 2010 to the directors of the Company, but excludes Mr. Murray in his capacity as a director of the Company as he is a Named Executive Officer whose compensation is disclosed above.

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 (\$) ⁽¹⁾⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽²⁾
David J. Lajack	100,000	\$0.25	July 7, 2013	38,000	Nil	Nil
Wesley A. Pomeroy	100,000	\$0.25	July 7, 2013	38,000	Nil	Nil
Arthur J. McFaull	100,000	\$0.25	July 7, 2013	38,000	Nil	Nil
Leslie E. Kjosness	100,000 ⁽³⁾	\$0.25	July 7, 2013	38,000	Nil	Nil
Leland R. Voll	100,000	\$0.25	July 7, 2013	38,000	Nil	Nil

- (1) The value of unexercised “in-the-money options at the financial year-end is the difference between the option exercise price and the market value of the underlying stock on the Canadian National Stock Exchange (the “CNSX”) on December 31, 2010.
- (2) The market value is the closing price of the Company’s Shares on the CNSX on June 7, 2010 (\$0.58), the last day the Shares traded on the CNSX for the financial year ended December 31, 2010.
- (3) Mr. Kjosness resigned from the Board of Directors effective October 31, 2010. Pursuant to the terms of the Company’s Stock Option Plan, his stock options expired 90 days thereafter. Mr. Kjosness did not exercise his stock options and the stock options expired subsequent to the end of fiscal 2010.

Incentive Plan Awards – Value Vested or Earned During the Year

There was no value vested or earned during the year ended December 31, 2010 in respect of option-based awards, share-based awards and non-equity incentive plan compensation by directors of the Company.

Indebtedness of Directors and Executive Officers

As at the date of this Information Circular, no director, executive officer, employee or former director, executive officer or employee of the Company was indebted to the Company as at the date hereof or at any time during the most recently completed financial year of the Company. None of the proposed nominees for election as a director of the Company, or any associate or affiliate of any director, executive officer or proposed nominee, was indebted to the Company as at the date hereof or at any time during the most recently completed financial year.

The Company has not provided any guarantees, support agreements, letters of credit or other similar arrangement or understanding for any indebtedness of any of the Company's directors, executive officers, proposed nominees for election as a director, or associates or affiliates of any of the foregoing individuals as at the date hereof or at any time during the most recently completed financial year of the Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding compensation plans under which securities of the Company are authorized for issuance in effect as of the end of the Company's most recently completed financial year end:

Equity Compensation Plan Information

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Shareholders	680,000 (options)	\$0.25	10,052
Equity Compensation Plans Not Approved By Shareholders	Nil	N/A	N/A
Total	680,000 (options)		10,052

- (1) Based on the issued and outstanding of 6,900,520 as at December 31, 2010.
- (2) The stock options are governed by the Company's Stock Option Plan, as more particularly described below.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires issuers to disclose the corporate governance practices that they have adopted according to guidance provided pursuant to National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**").

General

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "**CSA**") have adopted NP 58- 201, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers. In addition, the CSA has implemented NI 58-101, which prescribes certain disclosure by the Company of its corporate governance practices. A description of the Company's corporate governance practices is set out below.

Board of Directors

During the year ended December 31, 2010 the Board was composed of six directors, one of whom was an executive officer of the Company and three of whom were considered to be "independent", as that term is defined in applicable securities legislation. Messrs. McFaull, Pomeroy and Lajack were considered to be independent directors. Messrs. Murray and Voll were deemed not to be independent by way of their interest in the Big Showing, Waverly Tangier and River Jordan Properties of the Company. Mr. Kjosness was deemed not to be independent by way of his interest in the Waverley/Tangier Property in that he is a director, officer and shareholder of Armadillo Resources Ltd. Mr. Kjosness resigned from the Board of Directors effective October 31, 2010. His position was not filled and the Board was reduced to five members. Mr. Murray was also not independent by way of being the President and Chief Executive Officer of the Company. In determining whether a director is independent, the Board chiefly considers whether the director has a relationship which could, or could be perceived to, interfere with the director's ability to objectively assess the performance of management.

The Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions. The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

Mandate of the Board

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

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications. Each member of the Board understands that he is entitled to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances.

The positions of President and Chief Executive Officer are combined. The Board believes the Company is well serviced and the independence of the Board from management is not compromised by the combined role.

Directorships

Certain of the existing directors are presently directors of one or more other reporting issuers, as follows:

	Name Director	Directorships with Other Reporting Issuers
1.	William J. Murray	None
2.	David J. Lajack	Geo Minerals Ltd. Andover Ventures Inc. Alix Resources Corp. Caribou Copper Resources Ltd. Bravura Ventures Corp.
3.	Wesley A. Pomeroy	None
4.	Arthur J. McFaul	None
5.	Leland R. Voll	None

Orientation and Continuing Education

The Company has not yet developed an official orientation or training program for new directors. As required, new directors will have the opportunity to become familiar with the Company by meeting with the other directors and with officers and employees. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the Board.

Ethical Business Conduct

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance objectives and goals. 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. On June 29, 2009, the Board adopted a formal written Code of Business Conduct and Ethics, a copy of which is available for viewing on www.sedar.com, in order to ensure that the highest standard of ethical conduct is maintained.

Nomination of Directors

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and the President and Chief Executive Officer.

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis. The current size of the Board is such that the entire Board takes responsibility for selecting new directors and assessing current directors. Proposed directors' credentials are reviewed in advance of a Board Meeting with one or more members of the Board prior to the proposed director's nomination.

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

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

Compensation

At present, no compensation (other than the grant of incentive stock options) is paid to the directors of the Company in their capacity as directors.

During the financial year ended December 31, 2010 a Compensation Committee appointed by the Board of Directors, consisting of Messrs. Pomeroy, McFaull and Kjosness (until his resignation on October 31, 2010) and only Pomeroy and McFaull thereafter, was responsible for determining all forms of compensation, including long-term incentive in the form of stock options, to be granted to the Chief Executive Officer of the Company and the directors, and for reviewing the Chief Executive Officer's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its officers, the Board considers: i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; ii) providing fair and competitive compensation; iii) balancing the interests of management and the Company's shareholders; and iv) rewarding performance, both on an individual basis and with respect to operations in general. Reference should be made to "Compensation Discussion and Analysis" above for greater detail.

Other Board Committees

At this time, the Company has four committees, all of which are comprised of just directors, with the exception of the Disclosure Policy Committee which is comprised of the Chief Executive Officer (a director) and the Chief Financial Officer (not a director). They are as follows:

- (a) Audit Committee;
- (b) Compensation Committee;
- (c) Disclosure Policy Committee; and
- (d) Technical Committee.

The members of the Audit Committee consist of Wesley A. Pomeroy, David J. Lajack and Leland R. Voll of which Wesley A. Pomeroy is chair.

The Compensation Committee consists of Wesley A. Pomeroy and Arthur J. McFaull.

The Disclosure Committee consists of William J. Murray, Chief Executive Officer and President, and Roxann Murray, Chief Financial Officer.

Finally, the Technical Committee consists of Arthur J. McFaull and David J. Lajack. The Technical Committee has the responsibility of providing the advice to the Board of Directors regarding the possible acquisition or divestiture of mineral properties.

Assessments

The Board annually reviews its own performance and effectiveness as well as the Audit Committee Charter.

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board is of the view that the Company's corporate governance practices are appropriate and effective for the Company, given its relatively small size and limited operations. The Company's method of corporate governance allows for the Company to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without excessive administrative burden.

AUDIT COMMITTEE AND RELATED MATTERS

Audit Committee

The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and accounting compliance, the audit process and processes for identifying, evaluating and monitoring the management of the Company's principal risks impacting financial reporting. The committee also assists the Board with the oversight of financial strategies and overall risk management.

Composition of Audit Committee

Pursuant to the provisions of National Instrument 52-110 ("NI 52-110")(the predecessor of which came into force on March 30, 2004), the Company is required to have an Audit Committee which, at present is comprised of Wesley A. Pomeroy (Chairman), David J. Lajack and Leland R. Voll, each of whom is a director of the Company. Messrs. Pomeroy and Lajack are deemed to be "independent" as such terms are defined in NI 52-110. Leland R. Voll is deemed to be non independent by reason of his three property sale agreements with the Company (see notes (a), (b) and (c) to the above "Summary Compensation Table"). All members of the Audit Committee are "financially literate" as such terms are defined in NI 52-110.

Relevant Education and Experience

Wesley A. Pomeroy graduated from the Colorado State University with a Bachelor of Science Degree (Geology) in August 1977 and from the University of Colorado with an MBA in Finance in December 1990. He has been a member of the American Association of Petroleum Geologists (AAPG) and the Rocky Mountain Association of Geologists (RMAG) since August 1977, and a certified State of Wyoming Professional Geologist since September 1998. Mr. Pomeroy has played an active role as a Geologist in the Oil & Gas Industry for the past 30 years. Mr. Pomeroy is a registered Professional Geologist for the State of Wyoming.

David J. Lajack has worked as a consultant in the industry and has co-authored published papers on geology and geochemistry. Mr. Lajack received his Bachelor of Science from Central Michigan University in 1996. He has been self employed as a geologist since 1997. Mr. Lajack is also a director and officer of several TSX Venture listed companies, namely a director of Geo Minerals Ltd., a director and Chief Operating Officer of Andover Ventures Inc. and a director of Alix Resources Corp.

Leland Voll graduated from grade 12 in 1975. Mr. Voll has owned his own Automotive Shop and is currently in a supervisory and training position with his current employer, Penn West Energy Trust, which is involved in the oil and natural gas industry.

Audit Committee's Charter

For each of the following reasons:

- (a) the Company is a reporting issuer in British Columbia, Alberta and Ontario and, therefore, bound by the provisions of National Instrument 52-110;
- (b) the Company is a corporation incorporated under the British Columbia *Business Corporations Act* and, therefore, bound by the provisions of the British Columbia *Business Corporations Act*; and
- (c) the Company is a Canadian National Stock Exchange ("CNSX") listed company and, therefore, bound by the Policies of the CNSX,

the Company is required to have an audit committee for the purpose of monitoring and enhancing the quality of the financial information disclosed by the Company.

National Instrument 52-110 requires that an Audit Committee must have a written charter that sets out its mandate and responsibilities (a "Charter"), a copy of which was filed on www.sedar.com on September 21, 2011.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Company's external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

The Company did receive certain non-audit services which were pre-approved by both the audit committee and the Board of Directors. The amount of which services exceeded the "De Minimus" exemption threshold. For those reasons, the Company need not and is not relying upon the "De Minimus" exemption contained in Section 2.4 of NI 52-110.

The Company is not relying on an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Charter the Audit Committee shall pre-approve all non-audit services to be provided to the Company by the Company external auditor. During the financial year ended December 31, 2010, the Company has not adopted any specific policies in relation to the engagement of non-audit services.

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the non-audited services provided by Manning Elliott LLP, Chartered Accountants, to the Company to ensure auditor independence. Fees incurred for audit services and non-audit services in the last two fiscal years are outlined in the following table:

Nature of Services	Fees Paid to Auditor in Year ended	
	December 31, 2009	December 31, 2010
Audit Fees ⁽¹⁾	\$19,500	\$19,000
Audit Related Fees ⁽²⁾	NIL	NIL
Tax Fees ⁽³⁾	NIL	NIL
All Other Fees ⁽⁴⁾	NIL	NIL
Totals	\$19,500	\$19,000

- (1) "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption Found in Section 6.1 of NI 52-110

Part 3 (*Composition of the Audit Committee*) of National Instrument 52-110 ("NI 52-110"), requires that all directors be independent and financially literate. Part 5 (*Reporting Obligations*) of NI 52-110 requires certain disclosure in the Company's AIF and the requirement of cross referencing its Information Circular to its AIF. Section 6.1 of NI 52-110 exempts "venture issuers" from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of the Instrument. During the financial year ended December 31, 2010 one member of the Audit Committee, Leslie Kjosness (until his resignation on October 31, 2010) was not deemed to be "independent", and currently one member of the Audit Committee, Leland Voll, is not deemed to be "independent". As such the Company is relying on the exemption from Part 3 of NI 52-110 with respect to the composition of the audit committee. Also, the Company has not filed an AIF and, therefore is relying on the exemption from the requirements of Part 5 of NI 52-110 with respect to filing an AIF.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Company were indebted to the Company as at any date within 30 days before the date of this Information Circular in connection with: (a) a purchase of securities; or (b) all other indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

An "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself, if and for so long as it has purchased, redeemed or otherwise acquired any of its Shares.

Other than as disclosed herein, no “informed person” or proposed nominee for election as a director of the Company or any associate or affiliate of the foregoing had any material interest, direct or indirect, in any transaction in which the Company has participated since the commencement of the Company’s most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Company, unless otherwise disclosed herein:

Option Agreement with Armadillo Resources Ltd.

The Company entered into an option agreement dated January 9, 2009 which was amended on January 26, 2009 and further amended February 25, 2009 with Armadillo Resources Ltd. (“Armadillo”), a company then listed on the TSX Venture Exchange and now listed on the Canadian National Stock Exchange, whereby Armadillo was granted two options, the first to earn a 60% interest in the Company’s Waverley/Tangier Property and the second to earn a further 10% interest in the Company’s Waverley/Tangier Property. The Waverley/Tangier Property covers approximately 4,446 hectares and is located approximately 50 kilometers north of Revelstoke, British Columbia.

To exercise the first option (the “First Option”) and acquire a 60% interest in the property, Armadillo must:

- (a) Pay Silver Phoenix \$350,000.00 over 4 years, as follows,
 - (i) \$75,000 within 10 days of approval by the TSX Venture Exchange (paid);
 - (ii) \$75,000 on or before March 24, 2010 (paid, but paid late);
 - (iii) \$100,000 on or before March 24, 2011 (of which only \$50,000 was paid and that amount was paid late (on May 3, 2011) - the balance remains unpaid); and
 - (iv) \$100,000 on or before March 24, 2012.
- (b) Issue and deliver to Silver Phoenix an aggregate of 625,000 shares of Armadillo as follows:
 - (i) 175,000 shares within 10 days of approval by the TSX Venture Exchange (issued and delivered);
 - (ii) 150,000 shares on or before March 24, 2010 (issued and delivered);
 - (iii) 150,000 shares on or before March 24, 2011 (issued and delivered to the Company but late); and
 - (iv) 150,000 shares on or before March 24, 2012.
- (c) Incur exploration expense of at least \$3,000,000 as follow:
 - (i) \$200,000.00 on or before March 24, 2010 (incurred);
 - (ii) \$300,000.00 on or before March 24, 2011 (incurred);
 - (iii) \$1,000,000.00 on or before March 24, 2012; and
 - (iv) \$1,500,000.00 on or before March 24, 2013.
- (d) Fund all further exploration expense required in order to produce a feasibility study and then fund and produce a feasibility study made in accordance with National Instrument 43-101 by December 31, 2015.

Armadillo was in default of the Option Agreement in that it issued and delivered certain shares to the Company late and paid only \$50,000 of the \$100,000 cash payment due on or before March 24, 2011 and that payment of \$50,000 was late. Silver Phoenix has orally agreed to waive the default and extend the period in which the full payment can be made. At present there is no definitive date upon which the outstanding \$50,000 payment is to be made.

If Armadillo satisfies all of the foregoing provisions, it will have earned a 60% interest in the Waverley/Tangier Property, at which point the Armadillo and Silver Phoenix enter into a joint venture – of which Armadillo will be the Operator. Armadillo may then proceed to exercise the second option (the “Second Option”) to acquire a further 10% in the Waverley/Tangier Property (70% in total) by:

- (a) lending Silver Phoenix, at the most attractive interest rate available and in no case greater than LIBOR plus ½%, all of the amounts that will be payable by Silver Phoenix under the Joint Venture Agreement; and
- (b) causing the Joint Venture to put the property into commercial production.

Silver Phoenix will retain a 3% Net Smelter Royalty ("NSR") which shall be calculated quarterly, and the following provisions will apply:

- (a) If the First Option is exercised the Joint Venture shall pay Advance Royalty payments to Silver Phoenix of \$150,000 per year, commencing January 1, 2015 and such \$150,000 Advance Royalty payment shall be made on January 1 of each year thereafter until the commencement of commercial production;
- (b) On the date of the commencement of commercial production the total amount paid to Silver Phoenix as Advance Royalty payments shall be calculated and the amount thereof shall be withheld from subsequent NSR payments to Silver Phoenix until the total amount has been recovered by the Joint Venture from the NSR payments that would otherwise be payable to Silver Phoenix; and
- (c) The NSR royalty payments that would otherwise be paid or credited to Silver Phoenix must be a minimum of \$150,000 per year.

The Waverly/Tangier Property is described in the National Instrument 43-101 Report which was previously SEDAR filed by Silver Phoenix on January 4, 2008.

Leslie E. Kjosness, a director of Silver Phoenix until his resignation on October 31, 2010, is a director, officer and shareholder of Armadillo.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. APPOINTMENT OF AUDITOR

The auditor of the Company is Manning Elliott LLP, Chartered Accountants, of 11th Floor, 1050 West Pender Street, Vancouver, BC. Manning Elliot LLP, Chartered Accountants, was first appointed auditor of the Company on August 2, 2007. Management proposes that Manning Elliott be reappointed auditor of the Company for the ensuing year, until the close of the next annual general meeting of the members, at a remuneration to be fixed by the directors.

IT IS INTENDED THAT THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF MANNING ELLIOTT LLP, CHARTERED ACCOUNTANTS, AS AUDITOR OF THE COMPANY AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST AT THE MEETING IS SUFFICIENT FOR THE APPOINTMENT OF THE AUDITOR.

B. ELECTION OF DIRECTORS

Setting Number of Directors

At the Meeting, shareholders will be asked to pass an ordinary resolution to set the number of directors of the Company for the ensuing year at five (5). The number of directors will be approved if the affirmative vote of the majority of Shares present or represented by proxy at the Meeting and entitled to vote are voted in favour of setting the number of directors at five (5). This resolution will require the approval of the majority of the votes cast at the Meeting.

MANAGEMENT RECOMMENDS THE APPROVAL OF THE RESOLUTION TO SET THE NUMBER OF DIRECTORS OF THE COMPANY AT FIVE (5).

Election Of Directors

The term of office of each of the present directors expires at the Meeting. The five persons named below will be presented for election at the Meeting as management's nominees and the persons named in the accompanying form of proxy intend to vote for the election of these nominees as directors. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company or the provisions of the *British Columbia Business Corporations Act*.

The following table sets out the names of management's nominees for election as Directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years, the period of time during which each has been a Director of the Company and the number of Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof.

Name, Province or State and Country of Residence, and Current Position with the Company	Occupation, Business or Employment ⁽¹⁾	Director of Company Since	Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised ⁽¹⁾⁽²⁾
William J. Murray ⁽⁹⁾ Canoe, British Columbia Canada President, CEO and Director	Prospector; President, CEO and a Director of the Company since February 2003; Secretary of the Company from February 14, 2003 to January 1, 2004.	February 14, 2003	2,025,000 ⁽³⁾⁽⁴⁾
Arthur J. McFaul ⁽¹⁰⁾⁽¹¹⁾ Whitehorse, Yukon Canada Director	Exploration and Production Geologist	October 1, 2006	Nil ⁽⁵⁾
Leland R. Voll ⁽¹²⁾ Wainwright, Alberta Canada Director	Mechanic	November 1, 2006	225,500 ⁽⁴⁾⁽⁶⁾

Name, Province or State and Country of Residence, and Current Position with the Company	Occupation, Business or Employment ⁽¹⁾	Director of Company Since	Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction is Exercised ⁽¹⁾⁽²⁾
Wesley A. Pomeroy ⁽¹⁰⁾⁽¹²⁾ Centennial, Colorado USA Director	Geologist for several oil and gas companies.	December 1, 2006	102,000 ⁽⁷⁾
David J. Lajack ⁽¹¹⁾⁽¹²⁾ Tucson, Arizona USA Director	Exploration Geologist	May 24, 2007	5,000 ⁽⁸⁾

- (1) The information as to province or state and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
- (2) The information as to shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Company, has been furnished by insider reports filed on SEDI and by the respective directors and/or nominees themselves.
- (3) Of these Shares, 607,500 are held in escrow pursuant to an Escrow Agreement dated November 23, 2007 between the Company, Pacific Corporate Trust Company and the escrowholders and are subject to the release provisions contained therein, which date from the Company's shares were listed on The Canadian National Stock Exchange.
- (4) Each of William J. Murray and Leland R. Voll will receive additional common shares pursuant to the Company's acquisition of certain mining properties. Refer to "Summary Compensation Table" under "Executive Compensation" and "Directors Compensation" for greater detail. These shares will be deemed to be additional "escrow securities", subject to the same provisions of the escrow agreement dated November 23, 2007.
- (5) Arthur J. McFaul also holds a stock option entitling him to purchase 100,000 common shares in the capital of the Company at a purchase price of \$0.25 per share exercisable on or before July 7, 2013.
- (6) Of these Shares, 67,500 are held in escrow pursuant to an Escrow Agreement dated November 23, 2007 between the Company, Pacific Corporate Trust Company and the escrowholders and are subject to the release provisions contained therein, which date from the Company's shares were listed on The Canadian National Stock Exchange. Mr. Voll also holds a stock option entitling him to purchase 100,000 common shares in the capital of the Company at a purchase price of \$0.25 per share exercisable on or before July 7, 2013.
- (7) Of these Shares, 30,600 are held in escrow pursuant to an Escrow Agreement dated November 23, 2007 between the Company, Pacific Corporate Trust Company and the escrowholders and are subject to the release provisions contained therein, which date from the Company's shares were listed on The Canadian National Stock Exchange. Mr. Pomeroy also holds a stock option entitling him to purchase 100,000 common shares in the capital of the Company at a purchase price of \$0.25 per share exercisable on or before July 7, 2013.
- (8) David J. Lajack also holds a stock option entitling him to purchase 100,000 common shares in the capital of the Company at a purchase price of \$0.25 per share exercisable on or before July 7, 2013.
- (9) Member of the Disclosure Committee.
- (10) Member of the Compensation Committee.
- (11) Member of the Technical Committee.
- (12) Member of the Audit Committee, of which Wesley A. Pomeroy is Chairman.

William Murray is the President, Chief Executive Officer and a Director of the Company. Mr. Murray completed Grade X at Kelowna Senior High in June 1962. Mr. Murray provides management services to the Company. Mr. Murray has been in the mining industry for the past 18 years as a prospector. He is

also the founding member and President of Alaska Ventures Inc. a private exploration company that holds mining properties in the state of Alaska.

Leland R. Voll is a Director of the Company. Mr. Voll graduated from grade 12 in 1975. Mr. Voll has owned his own Automotive Shop and is currently in a supervisory and training position with his current employer, Penn West Energy Trust, which is involved in the oil and natural gas industry.

Arthur J. McFaul is a director of the Company. Mr. McFaul graduated from the University of British Columbia in 1976 with a Bachelor of Science Degree (Geology). Mr. McFaul has been a Exploration and Production Geologist for the past 35 years. His work led to the discovery of seven ore bodies, which became four open pits and three underground mines.

Wesley A. Pomeroy is a director of the Company. Mr. Pomeroy graduated from the Colorado State University with a Bachelor of Science Degree (Geology) in August 1977 and from the University of Colorado with an MBA in Finance in December 1990. He has been a member of the American Association of Petroleum Geologists (AAPG) and the Rocky Mountain Association of Geologists (RMAG) since August 1977, and a certified State of Wyoming Professional Geologist since September 1998. Mr. Pomeroy has played an active role as a Geologist in the Oil & Gas Industry for the past 30 years.

David J. Lajack is a director of the Company. Mr. Lajack has worked as a consulting geologist in the industry and has co-authored published papers on geology and geochemistry. Mr. Lajack received his Bachelor of Science from Central Michigan University in 1996. He has been self-employed as a geologist since 1997. He has worked in lode mineral exploration since the early 1980's. He is a founding member and President of Royal Pretoria Gold Ltd., a private Alaskan exploration company. Mr. Lajack is also a director and officer of several TSX Venture listed companies, namely a director of Geo Minerals Ltd., a director of Andover Ventures Inc., a director of Alix Resources Corp., a director of Caribou Copper Resources Ltd. and a director of Bravura Ventures Corp.

As of the date herein, the directors, nominees, officers and other members of Management of the Company, as a group beneficially own or control, directly or indirectly, 2,359,500 common shares of the Company representing 34.2% of the total 6,900,520 issued and outstanding Common shares of the Company.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

Corporate Cease Trade Orders or Bankruptcies

No proposed director was, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the company in respect of which the information circular is being prepared) that,

- (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director was, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a director or executive officer of any company (including the company in respect of which the information circular is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director has, within the 10 years before the date of the information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

IT IS INTENDED THAT THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED FOR SUCH RESOLUTION. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

C. ADOPTION OF STOCK OPTION PLAN

The Company currently has a “rolling plan” which was initially approved by shareholders on September 30, 2007 and subsequently re-approved at each Annual General Meeting of the Company.

Although annual approval to the Company’s “rolling” stock option plan is not required by the policies of the Canadian National Stock Exchange, shareholders are being requested to re-approve adoption of the Stock Option Plan.

Some of the key provisions of the proposed Stock Option Plan are as follows:

- (a) the Stock Option Plan reserves a rolling maximum of 10% of the issued shares of the Company at the time of a stock option grant, with no vesting provisions;
- (b) no more than 5% of the Common Shares outstanding at the time of grant may be reserved for issuance to any one individual in any 12 month period;
- (c) no more than an aggregate of 1% of the Common Shares outstanding at the time of grant may be reserved for issuance to any person conducting Investor Relations Activities (as defined by the CNSX) in any 12 month period;
- (d) the minimum exercise price of an incentive stock option cannot be less than the closing market price (as determined by the CNSX) of the Common Shares;
- (e) options may have a maximum exercise period of five years;
- (f) if the optionee ceases to be eligible for a stock option, then the option will be exercisable for a further 90 days, except in the case of a person providing investor relations services, in which case the option will be exercisable for only a further 30 days;

- (g) options may not be amended;
- (h) if an option is cancelled prior to its expiry date, the Company must post notice of the cancellation and shall not grant new options to the same person until 30 days have elapsed from the date of cancellation;
- (i) options are non-assignable and non-transferable;
- (j) the Stock Option Plan contains provisions for adjustment in the number of Common Shares or other property issuable on exercise of incentive stock options in the event of a share consolidation, split, reclassification or other relevant change in the Common Shares, or an amalgamation, merger or other relevant change in the Company's corporate structure, or any other relevant change in the Company's capitalization.

The 2010 Canadian Federal Budget included provisions affecting employee, director and officer stock options. One such budget provision "clarifies" that after 2010, employers will be required to make source deductions in respect of employee stock option benefits to ensure that an amount on account of tax on the value of the taxable benefit associated with the issuance of securities is remitted to the government by the employer. Amendments to the *Income Tax Act (Canada)* provide that, for the purposes of the withholding requirement, the employment benefit realized by an employee on the exercise of a stock option must be determined as if it were paid as a cash bonus. This amendment will apply to benefits arising on the issuance of securities after 2010, which delay was said to provide time for businesses to "adjust their compensation arrangements and payroll systems." This proposal will not apply in respect of options granted before 2011, pursuant to an agreement in writing entered into before 4:00 p.m. Eastern Standard Time on March 4, 2010, where the agreement included, at that time, a written condition that restricts the employee, director or officer from disposing of the shares acquired under the agreement for a period of time after exercise.

Pursuant to the authorization granted by the shareholders of the Company at its 2010 Annual General Meeting, the Board of Directors made certain changes to the Plan, effective January 1, 2011, to reflect the above. A copy of the Plan, black-lined to reflect the changes, is attached hereto as Schedule "A" and will also be available at the Meeting. A copy may also be obtained by a shareholder, without charge, upon request to the Company.

The text of the resolution to be passed is as follows:

"BE IT RESOLVED THAT:

1. *the Company's Stock Option Plan, as described in the Company's Information Circular for the Company's 2011 Annual General Meeting, be and is hereby approved with such additional provisions and amendments, provided that such are not inconsistent with the Policies of the Canadian National Stock Exchange, as the directors of the Company may deem necessary or advisable;*
2. *the Company be authorized to prepare and file all such documents and make all such submissions as may be required to document and implement the Stock Option Plan; and*
3. *the directors and officers of the Company be authorized and directed to execute and deliver, under the common seal of the Company or otherwise, all such instruments, documents and other writings, and to perform all such acts and other deeds, as may be required to give effect to this resolution."*

IN ORDER TO BE PASSED, A MAJORITY OF THE VOTES CAST AT THE MEETING IN PERSON OR BY PROXY MUST BE VOTED IN FAVOUR OF THE ABOVE RESOLUTION. THE PERSONS NAMED IN THE ENCLOSED PROXY INTEND TO VOTE FOR SUCH RESOLUTION.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Financial information is provided in the Company's comparative financial statements and Management's Discussion and Analysis ("MD&A") for the Company's most recently completed financial year ended December 31, 2010, copies of which are filed in SEDAR.com. Shareholders may contact the Company to request copies of the Company's financial statements and MD&A by phoning 250-832-0336 or by sending an email to bmurray@sunwave.net.

BY THE ORDER OF THE BOARD

William J. Murray

William J. Murray, President & CEO

SCHEDULE "A"

SILVER PHOENIX RESOURCES INC.

**INCENTIVE STOCK OPTION PLAN
(Rolling Plan)**

AS TO BE APPROVED BY THE SHAREHOLDERS ON

October 28, 2011

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SILVER PHOENIX RESOURCES INC.

INCENTIVE STOCK OPTION PLAN

PART 1 GENERAL PROVISIONS

1.1 Interpretation

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "**Affiliate**" means any corporation that is an affiliate of the Corporation within the meaning set forth in the policies of the Exchange, as amended from time to time;
- (b) "**Board**" means the Board of Directors of the Corporation;
- (c) "**CNSX**" means the Canadian National Stock Exchange;
- (d) "**CNSX Issuer**" means a company whose shares are listed on the CNSX;
- (e) "**Common Shares**" means the common shares of the Corporation;
- (f) "**Consultant**" means, in relation to the Corporation, an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:
 - (i) is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the Consultant Company;
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and
 - (iv) has a relationship with the Corporation or an Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;
- (g) "**Consultant Company**" means, for an individual Consultant, a company or partnership of which the individual consultant is an employee, shareholder or partner;
- (h) "**Consultant Partnership**" means, for an individual Consultant, a partnership of which the individual Consultant is an employee or partner;
- (i) "**Corporation**" means **SILVER PHOENIX RESOURCES INC.**;
- (j) "**Disinterested Shareholders**" means all of the Shareholders of the Corporation except Insiders of the Corporation who are Eligible Persons, and such Insiders' associates;
- (k) "**Directors**" means directors, senior officers and Management Company Employees of the Corporation, or of an unlisted Company seeking a listing on the Exchange, or directors, senior officers and Management Company Employees of the Corporation's or

an unlisted Company's subsidiaries to whom stock options can be granted in reliance on a Prospectus exemption under applicable securities laws;

- (l) **"Discounted Market Price"** has that meaning as set out in the Policies of the TSXV Exchange, from time to time, and as of the date of this Plan, Policy 1.1, Section 1.2 defines "Discounted Market Price" as follows:

"Discounted Market Price" means the Market Price less a discount, which shall not exceed the amount set forth below, subject to a minimum price of \$0.05 for share issuances and a minimum exercise price of \$0.10 for Warrants and incentive stock options:

Closing Price	Discount
up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

- (m) **"Eligible Person"** means, subject to all applicable laws, any employee, Officer, Director, Management Company Employee or Consultant of the Corporation or of any Affiliate;
- (n) **"Employee"** means,
- (i) an individual who is considered an employee of the Corporation or its subsidiary under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
 - (ii) an individual who works full-time for the Corporation or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for the Corporation or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (o) **"Tier 1 Issuer"** means a corporation whose shares are listed on Tier 1 of the TSX Venture;
- (p) **"Tier 2 Issuer"** means a corporation whose shares are listed on Tier 1 of the TSX Venture;
- (q) **"TSXV Exchange"** means the TSX Venture Exchange;
- (r) **"TSXV Issuer"** means a company whose shares are listed on the TSXV Exchange;

- (s) **"Insider"** means an insider as defined under the policies of the TSXV Exchange, as amended from time to time, the meaning of which, as of the date of this Plan, is found in Section 1.2 of Policy 1.1 and is as follows
- "Insider"** if used in relation to an Issuer, means:
- (a) a director or senior officer of the Issuer,
 - (b) a director or senior officer of a Company that is an Insider or subsidiary of the Issuer;
 - (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer, or
 - (d) the Issuer itself if it holds any of its own securities;
- (t) **"Investor Relations Activities"** if:
- (i) the Corporation is a CNSX Issuer, then it has that meaning as set out in Section 3.2 of CNSX Policy 1; and
 - (ii) the Corporation is a TSXV Issuer, then it has the meaning as set out in Section 1.2 of TSXV Policy 1.1.
- (u) **"Management Company Employee"** means, if the Corporation is a TSXV Issuer, an individual employed by a person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in investor relations activities;
- (v) **"Officer"** means an officer of the Corporation, or an Affiliate and includes an issuer all of the voting securities of which are owned by one or more Officers, Directors or employees of the Corporation or an Affiliate;
- (w) **"Option"** means a non-transferable or non-assignable option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan;
- (x) **"Participant"** means Eligible Persons to whom Options have been granted;
- (y) **"Plan"** means this Incentive Stock Option Plan - 2009 of the Corporation;
- (z) **"Share Compensation Arrangement"** means any stock option, stock option plan, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise;
- (aa) **"Subsidiary"** means any company that is a subsidiary of the Corporation as defined under section 1(1) of the *Securities Act* (British Columbia), the current meaning of which is, of the date of this Plan, "an issuer that is controlled by another issuer"; and
- (bb) **"Termination Date"** means the date on which a Participant ceases to be an Eligible Person.

In this Plan, words imparting the singular number only shall include the plural and *vice versa* and words imparting the masculine shall include the feminine.

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

1.2 Control

If the Corporation is a TSXV Issuer, a company is “controlled” as that concept is set in the Policies of the TSXV Exchange.

1.3 Purpose

The purpose of this Plan is to advance the interests of the Corporation by:

- (a) providing Eligible Persons with additional incentive;
- (b) encouraging stock ownership by such Eligible Persons;
- (c) increasing the proprietary interest of Eligible Persons in the success of the Corporation;
- (d) encouraging Eligible Persons to remain with the Corporation or its Affiliates; and
- (e) attracting new employees, directors and officers.

1.4 Administration

- (a) The Plan shall be administered by the Board or a committee of the Board duly appointed for this purpose by the Board and consisting of not less than 3 directors. If a committee is appointed for this purpose, all references herein to the Board will be deemed to be references to the Committee.
- (b) Subject to the limitations of the Plan, the Board shall have the authority to:
 - (i) grant Options to purchase Common Shares to Eligible Persons;
 - (ii) determine the terms, limitations, restrictions and conditions respecting such grants;
 - (iii) interpret the Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable; and
 - (iv) make all other determinations and take all other actions in connection with the implementation and administration of the Plan including without limitation for the purpose of ensuring compliance with Section 1.10 hereof as it may deem necessary or advisable.
- (c) The Board's guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Corporation and all other persons.

1.5 Shares Reserved

- (a) The aggregate number of Common Shares to be reserved for exercise of all options granted under the Plan and any other Share Compensation Arrangement shall not exceed 10% of the issued shares of the Corporation at the time of granting of options. No fractional shares shall be issued and the Board may determine the manner in which fractional share values shall be treated.
- (b) The maximum number of Common Shares which may be reserved for issuance to any one person in any 12 month period under the Plan shall be 5% of the Common Shares

outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of Common Shares reserved for issuance to such person under any other option to purchase Common Shares from treasury granted as a compensation or incentive mechanism.

- (c) If there is a change in the outstanding Common Shares by reason of any stock dividend or split, recapitalization, amalgamation, consolidation, combination or exchange of shares, or other corporate change, the Board shall make, subject to the prior approval of the relevant stock exchange(s), appropriate substitution or adjustment in:
 - (i) the number or kind of shares or other securities reserved for issuance pursuant to the Plan; and
 - (ii) the number and kind of shares subject to unexercised Options theretofore granted and in the option price of such shares; provided however that no substitution or adjustment shall obligate the Corporation to issue or sell fractional shares. If the Corporation is reorganized, amalgamated with another corporation, or consolidated, the Board shall make such provision for the protection of the rights of Participants as the Board in its discretion deems appropriate.
- (d) The Corporation shall at all times during the term of the Plan reserve and keep available such number of shares as will be sufficient to satisfy the requirements of the Plan.

1.6 Limits with respect to Insiders

- (a) The maximum number of Common Shares which may be reserved for issuance to Insiders under the Plan shall be 10% of the Common Shares outstanding at the time of the grant (on a non-diluted basis).
- (b) The Corporation must obtain disinterested Shareholder approval of stock options if this Plan, together with all of the Corporation's previously established and outstanding stock option plans or grants, could result at any time in:
 - (i) the number of shares reserved for issuance under stock options granted to Insiders exceeding 10% of the issued shares;
 - (ii) the grant to Insiders, within a 12 month period, of a number of options exceeding 10% of the issued shares; or
 - (iii) in the case of a Tier 1 Issuer only, the issuance to any one Participant, within a 12 month period, of a number of shares exceeding 5% of the issued shares. (Tier 2 Issuers may not grant more than 5% of the issued shares to any one Participant in a 12 month period).
- (c) No more than 5% of the issued share of the Corporation may be granted to any one individual in any 12 month period (unless the Corporation is a Tier 1 issuer and has obtained disinterested Shareholder approval).

1.7 Limits with respect to Consultants

If the Corporation is a TSXV Issuer, not more than an aggregate of 2% of the issued shares of the Corporation may be granted to any one Consultant in any 12 month period. The number of options granted to any one Consultant in a 12 month period under the Plan shall not exceed 2% of the outstanding Common Shares at the time of grant, less the aggregate number of Common Shares reserved for issuance

to Consultants pursuant to any other Share Compensation arrangement, unless the consent of the Exchange is first obtained.

1.8 Limits with respect to Persons involved in Investor Relations Activities

The aggregate number of options granted under the Plan to persons employed to provide Investor Relations Activities must not exceed:

- (a) 1% of the outstanding Common Shares of the Corporation if the Corporation's is a CNSX Issuer; and
- (b) 2% of the outstanding Common Shares of the Corporation in any 12 month period, calculated at the date the option was granted if the Corporation is a Tier 2 Issuer. This 2% limit is included within the option limitations prescribed by section 1.3 of TSXV Exchange Policy 4.4 of the TSXV Exchange.

1.9 Legends and Hold Periods

In addition to any hold periods and legending requirements under applicable securities legislation, if the Corporation is a TSXV Issuer, and where the exercise price of the stock option is based on the Discounted Market Price, then pursuant to Section 2.7 of TSXV Policy 4.4, all stock options and any shares issued on the exercise of stock options must be legended with the TSXV Exchange legend commencing on the date the stock options were granted.

1.10 Non-Exclusivity

Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements, subject to any required approvals, provided that such additional compensation arrangements do not have the effect of causing a breach of the terms of this Plan or a breach of TSXV Exchange Policy 4.4.

1.11 Amendment and Termination

The Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable legislation and subject to any required approval. No such amendment, suspension or termination shall alter or impair any Options or any rights pursuant thereto granted previously to any Participant without the consent of such Participant. If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force at the time of the Plan shall continue in effect during such time as an Option or any rights pursuant thereto remain outstanding.

If the Corporation is a CNSX Issuer, then pursuant to Section 5.6 of Policy 6 of the CNSX, no amendment of this Plan shall have the effect of amending any outstanding stock options.

If the Corporation is a CNSX Issuer, then pursuant to Section 5.6 of Policy 6 of the CNSX, if an option is cancelled prior to its expiry date, the CNSX Issuer must post notice of the cancellation and shall not grant new options to the same person until 30 days have elapsed from the date of cancellation.

1.12 Compliance with Legislation

The Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell and deliver Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of any stock exchange(s) on which the Common Shares are listed for trading and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by any

provision of the Plan or the grant of any Option hereunder to issue or sell Common Shares in violation of such laws, rules and regulations or any condition of such approvals. No Option shall be granted and no Common Shares issued or sold hereunder where such grant, issue or sale would require legislation of the Plan or of Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue or sale of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to issue any Common Shares pursuant to the Plan unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading. Common Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.

1.13 Representation

The Corporation represents that any Employee, Consultant or Management Company Employee who is granted an Option or Options is a bona fide Employee, Consultant or Management Company Employee, as the case may be, of the Corporation or an Affiliate.

1.14 Effective Date

Initially this Plan was approved by both the directors of the Corporation and the Shareholders of the Corporation.

It is acknowledged that the TSXV Exchange requires a Stock Option Plan to be subject to the approval of the Shareholders and the filing of the Plan with the TSXV Exchange and the acceptance of the Plan (which has not been done as the Corporation is not a CNSX Issuer). If the Corporation is a TSXV Issuer then the plan needs to be approved by the Shareholders and filed with the Exchange, both on an annual basis.

PART 2 OPTIONS

2.1 Grants

Subject to the provisions of the Plan, the Board shall have the authority to determine the limitations, restrictions and conditions, if any, in addition to those set forth in Section 2.3 hereof, applicable to the exercise of an Option, including without limitation, the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of Common Shares acquired upon exercise of an Option may be forfeited. An Eligible Person may receive Options on more than one occasion under the Plan and may receive separate Options on any one occasion.

2.2 Option Price

- (a) If the Corporation is a CNSX Issuer, then pursuant to Section 5.2 of Policy 6 of the CNSX, the exercise price of any stock option may not be lower than the greater of the trading price of the common shares of the Corporation on (i) the trading day prior to the grant of stock options and (ii) the date of the grant of the stock options and pursuant to Section 7.1.1 of Policy 6, the exercise price may not be lower than the closing market price of the common shares prior to the earlier of (iii) dissemination of a news release disclosing the issuance of the grant of stock options or (iv) the posting of notice of the grant of stock options.
- (b) Subject to a minimum price of \$0.10 per share if the Corporation is a TSXV Issuer, the minimum exercise price of an incentive stock option, whether granted while the

Corporation is a Tier 1 or a Tier 2 issuer, must not be less than the Discounted Market Price.

- (c) If the options are granted within ninety days of a public distribution, then the option price shall not be less than the greater of the price calculated in 2.2(a) or the price per share paid by the public investors pursuant to the public distribution. The ninety day period will commence on the day a receipt is issued for the (final) prospectus.
- (d) The option price shall be subject to adjustment in accordance with the provisions of Section 1.5(c) hereof.

2.3 Exercise of Options

- (a) Option can be exercisable for a maximum of five years from the date of grant if the Corporation is a CNSX Issuer or 10 years if the Corporation is a TSXV Issuer.
- (b) Options shall not be transferable or assignable by the Participants otherwise than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of a Participant only by the Participant and after death only by the Participant's legal representative (subject to the limitation that Options may not be exercised later than 5 years from their date of grant).
- (c) Except as otherwise determined by the Board and subject to the limitation that Options may not be exercised later than 5 years from their date of grant:
 - (i) if a Participant ceases to be an Eligible Person for any reason whatsoever other than death, each Option held by the Participant other than a Participant who is involved in Investor Relations Activities will cease to be exercisable 90 days after the Termination Date. For Participants involved in Investor Relations Activities, Options shall cease to be exercisable 30 days after the Termination Date. If any portion of an Option is not vested by the Termination Date, that portion of the Option may not under any circumstances be exercised by the Participant. Without limitation, and for greater certainty only, this provision will apply regardless of whether the Participant was dismissed with or without cause and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the Option to vest with the Participant;
 - (ii) if a Participant dies the legal representative of the Participant may exercise the Participant's Options within one year after the date of the Participant's death, but only to the extent the Options were by their term exercisable on the date of death.
- (d) Subject to the provisions of this Section 2.3(e), the Board shall determine the manner in which Options shall vest and become exercisable. The Board may impose such other restrictions or limitations or requirements upon the exercise of Option as the Board, in its absolute discretion, may determine on the date of grant.
- (e) If the Corporation is a TSXV Issuer, options granted to Consultants involved in Investor Relations Activities shall vest at a minimum over a period of 12 months with no more than 1/4 of such Options vesting in any 3 month period. The Board may impose such other restrictions or limitations or requirements upon the exercise of Option as the Board, in its absolute discretion, may determine on the date of grant.

- (f) Each Option shall be confirmed by an option agreement executed by the Corporation and by the Participant.
- (g) The exercise price of each Common Share purchased under an Option shall be paid in full in cash or by bank draft or certified cheque at the time of such exercise, and upon receipt of payment in full, but subject to the terms of the Plan, the number of Common Shares in respect of which the Option is exercised shall be duly issued as fully paid and non-assessable.
- (h) Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Price of the Common Shares to be purchased. Certificates for such Common Shares shall be issued and delivered to the Participant within a reasonable period of time following the receipt of such notice and payment.
- (i) Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Common Shares to a Participant pursuant to the exercise of an Option shall be subject to:
 - (i) completion of such registration or other qualification of such Common Shares or obtaining approval of such governmental or regulatory authority as counsel to the Corporation shall reasonably determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (ii) admission of such Common Shares to listing on any stock exchange on which the Common Shares may then be listed; and
 - (iii) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to safeguard against the violation of the laws of any jurisdiction.
- (j) In this connection the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for issuance of such Common Shares in compliance with applicable laws and for the admission to listing of such Shares on any stock exchange on which the Common Shares are then listed.

2.4 Amendments to Option Grants

- (a) If the Corporation is a CNSX Issuer, then the terms of an option may not be amended.
- (b) If the Corporation is a TSXV Issuer, subject to the policies of Exchange and subsection 2.4(b), the Board may amend any Option with the consent of the affected Participant.
- (c) If the Corporation is a TSXV Issuer, if an amendment reducing the exercise price of the Option is made to an Option held by an Insider, the amendment shall only be made effective after the approval of the Disinterested Shareholders at a general meeting of the Shareholders of the Corporation is received.

PART 3
MISCELLANEOUS PROVISIONS

3.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Common Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Common Shares in respect of which the Option is being exercised).

3.2 Nothing in the Plan or any Option shall confer upon a Participant any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate his employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of any Participant beyond the time which he would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

PART 4
WITHHOLDING TAX

4.1 If the Corporation is required under the Income Tax Act (Canada) or any other applicable law to make source deductions in respect of employee stock option benefits and to remit to the applicable governmental authority an amount on account of tax on the value of the taxable benefit associated with the issuance of common shares on exercise of Options, then the Participant shall:

- (a) pay to the Corporation, in addition to the exercise price for the Options, sufficient cash as is reasonably determined by the Corporation to be the amount necessary to permit the required tax remittance;
- (b) authorize the Corporation, on behalf of the Participant, to sell in the market on such terms and at such time or times as the Corporation determines a portion of the common shares being issued upon exercise of the Options to realize cash proceeds to be used to satisfy the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.