



CANADA COAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

MAY 30, 2013

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CANADA COAL INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders of the common shares (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of Canada Coal Inc. (the “**Corporation**”) will be held at the offices of Aird & Berlis LLP, Barristers & Solicitors, Brookfield Place, Suite 1800, 181 Bay Street, Toronto, Ontario M5J 2T9 on Thursday, June 27, 2013 at the hour of 10:00 a.m., local time for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended September 30, 2012, together with the report of the auditor thereon;
2. to elect the directors of the Corporation;
3. to appoint McGovern, Hurley, Cunningham, LLP, Chartered Accountants, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration;
4. to consider and, if thought appropriate, pass, with or without variation, a resolution approving a new rolling stock option plan, as more fully described in the accompanying management information circular dated May 30, 2013 (the “**Circular**”); and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation’s transfer agent and registrar, Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by fax at 1-866-249-7775 (within North America) or 1-416-263-9524 (outside North America), on or before 10:00 a.m. on Tuesday, June 25, 2013 or deliver it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting.

Shareholders who are unable to be present personally at the Meeting are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. If you plan to be present personally at the Meeting, you are requested to bring the enclosed form of proxy for identification. The record date for the determination of those Shareholders entitled to receive the Notice of Annual and Special Meeting of Shareholders and to vote at the Meeting is the close of business on Tuesday, May 28, 2013.

DATED at Toronto, Ontario this 30th day of May, 2013.

BY ORDER OF THE BOARD

“*R. Bruce Duncan*”

R. Bruce Duncan
Executive Chairman and Director

CANADA COAL INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Canada Coal Inc. (the “**Corporation**”) for use at the annual and special meeting (the “**Meeting**”) of holders (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of common shares in the capital of the Corporation (“**Common Shares**”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the “**Notice**”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

Except as noted below, the Corporation has distributed or made available for distribution, copies of the Notice, the Circular and form of proxy or voting instruction form (if applicable) (the “**Meeting Materials**”) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “**Intermediaries**”) for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, Equity Financial Trust Company. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation’s transfer agent and registrar, Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by fax at 1-866-249-7775 (within North America) or 1-416-263-9524 (outside North America), not later than the close of business on Tuesday, June 25, 2013 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his, her or its attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, by

an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

- (i) at the registered office, 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, at any time up to and including Tuesday, June 25, 2013; or
 - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

ADVICE TO BENEFICIAL SHAREHOLDERS

Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names has been provided to the Corporation's registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as "**Beneficial Shareholders**"). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails

the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.**

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

NOTE TO NON-OBJECTING BENEFICIAL OWNERS

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Tuesday, May 28, 2013 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 43,449,750 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding. The Corporation has no other class of voting securities.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, the only persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Common Shares	Percentage of Voting Rights
AlphaNorth Asset Management	6,750,000	15.5%
Sheldon Inwentash*	3,000,000	6.9%*

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Common Shares	Percentage of Voting Rights
Pinetree Resource Partnership*	3,000,000	6.9%*

* Based on securities filings, Mr. Inwentash and Pinetree Resource Partnership are joint actors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The general objectives of the Corporation's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

Base Salary

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer's compensation package. Base salary is recognition for discharging day to day duties and responsibilities and reflects the Named Executive Officer's performance over time, as well as that individual's particular experience and qualifications. A Named Executive Officer's base salary is reviewed by the board of directors of the Corporation (the "**Board**") on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

Stock Options

The Corporation's directors, officers, employees and consultants, if any, are eligible under the Corporation's stock option plan (the "**Stock Option Plan**") to receive grants of stock options. The Stock Option Plan is an important part of the Corporation's long-term incentive strategy for its officers and directors, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers and directors is dependent on each officer's and director's level of responsibility, authority and importance to the Corporation and to the degree to which such officer's or director's long term contribution to the Corporation will be key to its long term success.

The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officers and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Corporation.

Options are granted by the Board of the Corporation. In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of

base compensation for each level of responsibility. The Board will make these determinations subject to and in accordance with the provisions of the Stock Option Plan.

The Stock Option Plan was approved by shareholders at the annual and special meeting of shareholders held on February 21, 2012. At the Meeting, management of the Corporation will be seeking shareholder approval to adopt a new stock option plan (the “**2013 Stock Option Plan**”) for the Corporation in accordance with, and subject to, the policies of the TSX Venture Exchange (the “**Exchange**”). The Corporation wishes to adopt the 2013 Stock Option Plan which will replace and supersede the Stock Option Plan, as more fully described under “Particulars of Matters to be Acted Upon – Approval of 2013 Stock Option Plan” in this Circular.

Compensation of Directors

The independent directors of the Board will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to the Corporation. The directors of the Corporation may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which the Corporation operates. Despite this, the directors of the Corporation did not receive cash compensation for their services during the financial year ended September 30, 2012, but were instead granted options pursuant to the Corporation’s stock option plan.

Named Executive Officers who also act as directors of the Corporation will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such Named Executive Officers in their capacity as executive officers.

Compensation Risk

The Board considers and assesses the implications of risks associated with the Corporation’s compensation policies and practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation’s practice of compensating its officers primarily through a mix of salary and stock options is designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Circular, the Board had not identified risks arising from the Corporation’s compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Financial Instruments

The Named Executive Officers and directors are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities of the Corporation granted as compensation or held, directly or indirectly, by a Named Executive Officer or director.

Compensation Governance

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Corporate Governance and Compensation Committee (the “**Compensation Committee**”) and has approved the charter of the Compensation Committee. The Compensation Committee is composed of William F. Lindqvist, E. Richard Klue, and Senator Michael L. MacDonald. Each of Messers. Lindqvist, Klue and MacDonald is independent as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”).

The Compensation Committee meet on compensation matters as and when required with respect to executive compensation. The primary goal of Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the Named Executive Officers is determined with regard to the Corporation’s business strategies and objectives, such that the financial interest of the executive officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

To determine compensation payable, the Compensation Committee reviews compensation paid for directors and Chief Executive Officers of companies of similar size and stage of development in the mineral exploration industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation. In setting the compensation, the Compensation Committee annually review the performance of the Chief Executive Officer in light of the Corporation’s objectives and consider other factors that may have impacted the success of the Corporation in achieving its objectives.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Corporation’s compensation policies and practices.

Executive Compensation-Related Fees

In the financial year ending September 30, 2012, neither the Board nor the Compensation Committee retained a compensation consultant or advisor to assist the Board or the Compensation Committee in determining the compensation for any of the Corporation’s executive officers’ or directors’ compensation.

Summary Compensation Table – Named Executive Officers

The following table sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chief Executive Officer; and (ii) the Chief Financial Officer (collectively, the “**Named Executive Officers**”) for the Corporation’s financial year ended September 30, 2012. The Corporation has three “executive officers” as such term is defined in National Instrument 51- 102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) whose compensation must be disclosed for such financial year.

Name and principal position	Year	Salary/ Fee	Share-based awards	Option-based awards ⁽¹⁾	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Braam Jonker ⁽²⁾ President and Chief Executive Officer	2012	72,000	Nil	196,020	Nil	Nil	Nil	90,000 ⁽³⁾	358,020
R. Bruce Duncan Executive Chairman	2012	108,000	Nil	196,020	Nil	Nil	Nil	Nil	304,020

Name and principal position	Year	Salary/ Fee	Share-based awards	Option-based awards ⁽¹⁾	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Olga Nikitovic, CA Chief Financial Officer	2012	69,000	Nil	106,920	Nil	Nil	Nil	Nil	175,920

Notes:

(1) The fair value of the stock options issued during the year ended September 30, 2012 has been calculated using the Black-Scholes option pricing model, based on the following assumptions: risk-free interest rate of 1.41%; expected life of 5 years; weighted expected stock price volatility of 138% and expected dividend yield of Nil.

(2) Mr. Jonker was appointed the President and Chief Executive Officer of the Corporation effective as of February 23, 2012. Upon the appointment of Mr. Jonker, Mr. Duncan assumed the role of Executive Chairman with immediate effect.

(3) Upon his appointment as President and Chief Executive Officer, Mr. Jonker received a signing bonus of \$90,000.

Incentive Plan Awards – Named Executive Officers

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all share-based and option-based awards outstanding for the Named Executive Officers as of September 30, 2012:

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⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ⁽²⁾	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)	(mm/dd/yy)	(\$)	(#)	(\$)	(\$)
Braam Jonker ⁽³⁾ President and Chief Executive Officer	500,000	0.20	08/01/16	Nil	Nil	Nil	Nil
	550,000	0.50	11/04/16				
R. Bruce Duncan Executive Chairman	400,000	0.20	02/21/16	Nil	Nil	Nil	Nil
	550,000	0.50	11/04/16				
Olga Nikitovic, CA Chief Financial Officer	400,000	0.20	02/21/16	Nil	Nil	Nil	Nil
	300,000	0.50	11/04/16				

Notes:

(1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.04 for the Common Shares on the TSX Venture Exchange (the “**Exchange**”) on September 27, 2012 (being the last date of trading activity before September 30, 2012) and the exercise price of the options, multiplied by the number of unexercised options.

(2) The “market or payout value of share-based awards that have not vested” is calculated based on the closing price of \$0.04 for the Common Shares on the Exchange on September 27, 2012 (being the last date of trading activity before September 30, 2012) multiplied by the number of shares that have not vested.

(3) Mr. Jonker was appointed the President and Chief Executive Officer of the Corporation effective as of February 23, 2012. Upon the appointment of Mr. Jonker, Mr. Duncan assumed the role of Executive Chairman with immediate effect.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the year ended September 30, 2012.

Name & Principal Positions	Option-based awards – Value vested during the year⁽¹⁾	Share-based awards – Value vested during the year⁽²⁾	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
Braam Jonker ⁽³⁾ President and Chief Executive Officer	Nil	Nil	Nil
R. Bruce Duncan Executive Chairman	Nil	Nil	Nil
Olga Nikitovic, CA Chief Financial Officer	Nil	Nil	Nil

Notes:

(1) The “option-based awards – value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the Exchange as of the date of vesting and the exercise price of the options, multiplied by the number of vested options.

(2) The “share-based awards – value vested during the year” is calculated based on the closing price on the date of vesting multiplied by the number of shares vested.

(3) Mr. Jonker was appointed the President and Chief Executive Officer of the Corporation effective as of February 23, 2012. Upon the appointment of Mr. Jonker, Mr. Duncan assumed the role of Executive Chairman with immediate effect.

Termination and Change of Control Benefits*R. Bruce Duncan*

From March 1, 2011, R. Bruce Duncan’s services as Chief Executive Officer of the Corporation were provided under a consulting services agreement (the “**Duncan Agreement**”). At the completion of the Corporation’s qualifying transaction, Braam Jonker was appointed Chief Executive Officer of the Corporation, and Mr. Duncan assumed the role of Executive Chairman, both appointments effective as of February 23, 2012. Other than the change in title and role, the terms of the Duncan Agreement otherwise remained unchanged following the appointment of Mr. Duncan as Executive Chairman.

Mr. Duncan’s salary is currently \$8,000 per month. Pursuant to the Duncan Agreement, Mr. Duncan is entitled to a salary of \$12,000 per month but has voluntarily reduced his salary by \$4,000 per month effective as of January 1, 2012. In addition to his salary, Mr. Duncan is entitled to stock option grants as determined by the Board of the Corporation. Furthermore, the Corporation reimburses Mr. Duncan for

reasonable out-of-pocket expenses incurred by him on behalf of the Corporation. The original term of the Duncan Agreement was for a two year period commencing on March 1, 2011 and ending on February 28, 2013, which term shall automatically renew for successive one year terms.

If the Agreement is terminated by the Corporation without cause, then the Corporation will be required to pay Mr. Duncan an amount equal to \$96,000. In the event of a Triggering Event (as defined below), then the Corporation will be required to pay Mr. Duncan an amount equal to \$192,000. In the event of a Triggering Event or termination without cause, any options held by Mr. Duncan under the Stock Option Plan shall immediately become vested and exercisable and Mr. Duncan's options shall remain exercisable for the remainder of their term.

Assuming an event of termination occurred on September 28 2012, the Corporation would have been obligated to pay Mr. Duncan an amount equal to \$96,000 assuming the Duncan Agreement was terminated without cause, or an amount equal to \$192,000 assuming the Duncan Agreement was terminated as a result of a Triggering Event.

Olga Nikitovic

From March 1, 2011, Olga Nikitovic's services as Chief Financial Officer have been provided under a consulting services agreement (the "**Nikitovic Agreement**"). Ms. Nikitovic's salary is currently \$5,000 per month. Pursuant to the Nikitovic Agreement, Ms. Nikitovic is entitled to a salary of \$8,000 per month but has voluntarily reduced her salary by \$3,000 per month effective as of January 1, 2012. In addition to her salary, Ms. Nikitovic is entitled to stock option grants as determined by the Board of the Corporation. Furthermore, the Corporation reimburses Ms. Nikitovic for reasonable out-of-pocket expenses incurred by her on behalf of the Corporation.

If the Nikitovic Agreement was terminated by the Corporation without cause, then the Corporation will be required to pay Ms. Nikitovic an amount equal to \$60,000. In the event of a Triggering Event (as defined below), the Corporation will be required to pay Ms. Nikitovic an amount equal to \$120,000. In the event of a Triggering Event or a termination without cause, any options held by Ms. Nikitovic under the Stock Option Plan shall immediately become vested and exercisable and Ms. Nikitovic's options shall remain exercisable for the remainder of their term.

For the purposes of the Nikitovic Agreement and the Duncan Agreement, a "Triggering Event" includes (i) a successful take-over bid of the Corporation by another entity, (ii) a change of control of the board of directors being the election by the Corporation's shareholders of less than a majority of directors put forward by the Corporation, (iii) the sale of substantially all of the assets of the Corporation, (iv) the sale, exchange or disposition of a majority of the outstanding Common Shares, (v) the termination of the Corporation's business or liquidation of its assets, or (vi) a merger or amalgamation where the Corporation's shareholders prior to such transaction hold less than 51% of the closing of the transaction.

Assuming an event of termination occurred on September 28, 2012, the Corporation would have been obligated to pay Ms. Nikitovic an amount equal to \$60,000 assuming the Nikitovic Agreement was terminated without cause, or an amount equal to \$120,000 assuming the Nikitovic Agreement was terminated as a result of a Triggering Event.

Braam Jonker

From February 23, 2012, Braam Jonker's services as President and Chief Executive Officer have been provided pursuant to the terms of an employment letter (the "**Jonker Agreement**"). Pursuant to the Jonker

Agreement, Mr. Jonker was paid a signing bonus of \$90,000 by the Corporation, and effective as of February 23, 2012, receives a salary of \$8,000 per month. The Jonker Agreement has no termination or change of control provisions and therefore, assuming a termination event occurred on September 28, 2013 for any reason, he would not have been entitled to any termination or change of control benefits.

Director Compensation

No cash compensation was paid to the directors of the Corporation in their capacity as directors during the financial year ended September 30, 2012. The directors of the Corporation eligible to receive options to purchase Common Shares pursuant to the terms of the Stock Option Plan.

The following table sets forth all amounts of compensation provided to the directors of the Corporation during the financial year ended September 30, 2012:

Name ⁽¹⁾	Year	Fees (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽²⁾ (\$)	Non-equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long Term Incentive Plans (\$)			
Senator Michael L. MacDonald	2012	Nil	Nil	35,640	Nil	Nil	Nil	Nil	35,640
Thomas A. Fenton	2012	Nil	Nil	35,640	Nil	Nil	Nil	177,358 ⁽³⁾	212,998
E. Richard Klue	2012	Nil	Nil	69,548	Nil	Nil	Nil	Nil	69,548
William F. Lindqvist	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Information regarding the compensation of Messrs. Duncan and Jonker is set out above under "Summary Compensation Table -- Named Executive Officers".

(2) The fair value of the stock options issued during the year ended September 30, 2012 has been calculated using the Black-Scholes option pricing model, based on the following assumptions: risk-free interest rate of 1.41%; expected life of 5 years; weighted expected stock price volatility of 138% and expected dividend yield of Nil.

(3) Represents professional fees paid in connection with legal services provided to the Corporation by Aird & Berlis LLP, a law firm of which Mr. Fenton is a partner.

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

The following table sets forth all awards outstanding for each of the directors of the Corporation as of September 30, 2012:

Name ⁽¹⁾	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 ⁽²⁾	Number of shares or units of shares that have not vested	Market or payout value of share based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)	(mm/dd/yy)	(\$)	(#)	(\$)	(\$)
Senator Michael L. MacDonald	100,000	0.20	02/21/16	Nil	Nil	Nil	Nil
	100,000	0.50	11/04/16				
Thomas A Fenton	100,000	0.20	02/21/16	Nil	Nil	Nil	Nil
	100,000	0.50	11/04/16				
E Richard Klue	200,000	0.50	11/01/16	Nil	Nil	Nil	Nil
William F. Lindqvist	Nil	Nil	N/A	Nil	Nil	Nil	Nil

Notes:

(1) Information regarding the compensation of Messers. Duncan and Jonker is set out above under “Summary Compensation Table -- Named Executive Officers”.

(2) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$0.04 for the Common Shares on the Exchange on September 27, 2012 (being the last date of trading activity before September 30, 2012) and the exercise price of the options, multiplied by the number of unexercised options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned by each director of the Corporation during the year ended September 30, 2012:

Name ⁽¹⁾	Option-based awards – Value vested during the year ⁽²⁾	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
Senator Michael L. MacDonald	Nil	Nil	Nil
Thomas A. Fenton	Nil	Nil	Nil
E. Richard Klue	Nil	Nil	Nil
William F. Lindqvist	Nil	Nil	Nil

Notes:

(1) Information regarding the compensation of Messers. Duncan and Jonker is set out above under “Summary Compensation Table -- Named Executive Officers”.

(2) The “value vested during the year” is calculated based on the difference between the closing price for the Common Shares on the Exchange as of the date of vesting and the exercise price of the options, multiplied by the number of vested options.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued upon the exercise of outstanding options and the weighted-average exercise price of the outstanding options in connection with the Stock Option Plan as at September 30, 2012:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Common Shares remaining available for future issuance under equity compensation plans
	#	\$	#
Equity compensation plans approved by security holders	3,819,950	0.34	525,025
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	3,819,950	0.34	525,025

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended September 30, 2012 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation or any of its subsidiaries during the financial year ended September 30, 2012 or as at the date of this Circular in connection with security purchase programs or other programs.

REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation's management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation's corporate governance practices, which addresses the matters set out in NI 58-101, is set out at Schedule "A" to this Circular.

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 Corporation's principal risks impacting financial reporting. The committee also assists the Board with the oversight of financial strategies and overall risk management.

The Audit Committee is composed of E. Richard Klue, Senator Michael L. MacDonald and William F. Lindqvist, each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

All of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“NI 52-110”). The Corporation is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110. A copy of the charter of the Audit Committee (the “**Audit Committee Charter**”) is attached as Schedule “A” to this Circular.

Relevant Education and Experience

All of the current members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

E. Richard Klue has a financial degree with Economics and Business Economics majors. He has served the mining and minerals industry for more than 30 years in the areas of operations, sustaining capital projects, project development and management. He has served a wide range of positions from being Plant Superintendent and Metallurgical Manager on operating mines in Namibia and South Africa to his current position as Senior Vice President for the Tetra Tech Global Mining Practice’s Canada Mining Practice which includes the UK and China. Mr. Klue has provided global strategic direction to the Mining and Minerals industry in operations, studies and projects, and has promoted and developed new technologies in the Americas, Canada, Africa, India, Russia, Europe and China. Mr. Klue formerly held the position of Executive Committee Member of Messina Investments Ltd, and Director of Bateman Canada Corp.

Senator Michael L. MacDonald is a Nova Scotia businessman who has over 25 years of experience acting as president of a limited liability company. Sen. MacDonald has held a number of jobs since the late 1970s on Parliament Hill in Ottawa, first with the Progressive Conservative Research office, and later as Executive Assistant to the Honourable Tom McMillan and Honourable Stewart McInnes. At the time of his appointment to the Senate in January 2009, Sen. MacDonald was the Vice President of the Conservative Party of Canada. Sen. MacDonald sits on the Senate Fisheries Committee and the Committee for Transportation and Communications. Sen. MacDonald is Vice Chair of the Canada-US Interparliamentary Group, and serves on the Canada-Europe, Canada-South Korea, Canada-India and Canada-Taiwan Parliamentary Groups.

Dr. Lindqvist earned a B.Sc. in Engineering degree from Otago School of Mines in 1964, a B.Sc. Honours in Economic Geology from University of Adelaide in 1965 and a Ph.D. in Applied Geology from Royal School of Mines, London in 1969. Dr. Lindqvist is a geologist with extensive exploration experience in North and South America, Australia, Indonesia, Eastern Europe and parts of Asia and Africa. He is currently a director of several public companies including Evolving Gold Corp., Andean Gold Ltd. and Luna Gold Corp. He has spent a long and distinguished career primarily with Gold Fields Mining Corp. and Homestake Mining Company (acquired by Barrick Gold Corporation in 2000). Mr. Lindqvist is a member of the audit committee for Evolving Gold Corp. and Luna Gold Corp.

Audit Committee Oversight

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

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimis Non-audit Services*" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

- a) *Audit Fees* - The Corporation's external auditors billed the Corporation approximately \$41,200 and \$Nil during the financial years ended September 30, 2012 and 2011, respectively, for audit fees.
- b) *Audit-Related Fees* - The Corporation's external auditors did not bill the Corporation any amount during the financial years ended September 30, 2012 and 2011, respectively, for audit-related fees related to financing activity.
- c) *Tax Fees* - The Corporation's external auditors did not bill the Corporation any amount during the financial years ended September 30, 2012 and 2011, respectively, for tax fees.
- d) *All Other Fees* - The external auditors did not bill the Corporation any amount during the financial years ended September 30, 2012 and 2011 for services other than those reported above.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No "informed person" (as such term is defined in NI 51-102) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

The number of directors on the board of directors of the Corporation to be elected is six (6). It is intended that each person whose name appears below will be nominated at the Meeting for election as a director of the Corporation to hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for each nominee on an individual basis.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF THE PROPOSED NOMINEES UNLESS A SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES. 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 NOMINEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES.

The following tables set out certain information as of the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common shares owned by each director of the Corporation is presented to the best knowledge of management of the Corporation and has been furnished to management of the Corporation by such directors.

R. BRUCE DUNCAN	Principal Occupation and Biographical Information
Mississauga, Ontario Director Since: February 23, 2012 NOT INDEPENDENT	<p>Mr. Duncan is the founder of the Corporation and has over thirty years' experience in the capital market and brokerage industry, including eight years with Gordon Capital Corporation. Mr. Duncan is currently the President of West Oak Capital Partners Inc. which provides strategic advisory services, including identifying and qualifying merger and acquisition candidates and advising in public transactions.</p> <p>Mr. Duncan is also the current Chief Executive Officer of Evolving Gold Corp. (EVG.TSX), Chief Executive Officer of Canada Carbon Inc. and is the former Chief Executive Officer and a former director of Prosperity Goldfields Corp. (PPG:TSXV).</p>
Current Board/Committee Membership	Other Public Board Memberships
Member of the Board	Canada Carbon Inc. (TSXV) Evolving Gold Corp. (TSX)
Number of Common Shares Beneficially Owned, Controlled or Directed	2,705,000

SENATOR MICHAEL L. MACDONALD	Principal Occupation and Biographical Information	
Dartmouth, Nova Scotia Director Since: February 23, 2012 INDEPENDENT	<p>Senator Michael L. MacDonald is a Nova Scotia businessman and long-time Conservative activist. Mr. MacDonald has held a number of jobs since the late 1970s on Parliament Hill in Ottawa, first with the Progressive Conservative Research office, and later as Executive Assistant to the Honourable Tom McMillan and Honourable Stewart McInnes. Sen. MacDonald also worked for the Progressive Conservative government in Nova Scotia as Assistant to the Honourable Gerald Sheehy, Minister of Health, and as Executive Assistant to Premier John Buchanan.</p> <p>At the time of his appointment to the Senate, Sen. MacDonald was the Vice President of the Conservative Party of Canada. Sen. MacDonald sits on the Senate Fisheries Committee and the Committee for Transportation and Communications. Sen. MacDonald is Vice Chair of the Canada-US Interparliamentary Group, and serves on the Canada-Europe, Canada-South Korea, Canada-India and Canada-Taiwan Parliamentary Groups.</p>	
Current Board/Committee Membership	Other Public Board Memberships	
Member of the Board Member of the Audit Committee Member of the Corporate Governance and Compensation Committee	None	
Number of Common Shares Beneficially Owned, Controlled or Directed		Nil

BRAAM JONKER	Principal Occupation and Biographical Information	
Vancouver, British Columbia Director Since: February 23, 2012 NOT INDEPENDENT	<p>Mr. Jonker is a Chartered Accountant (South Africa, England and Wales) and holds a Master's Degree in South African and International Tax from the Rand Afrikaans University. Mr. Jonker has over 18 years of extensive accounting and corporate finance experience mostly in the mining industry. Mr. Jonker has worked as a consultant to the mining sector in Africa, spent time with Mwana Africa Plc, and with the corporate finance departments at Anglo American Corporation and PriceWaterhouseCoopers.</p> <p>Most recently, Mr. Jonker was the Chief Financial Officer at Western Coal Corp. until its acquisition by Walter Energy Inc. Mr. Jonker is also a member of the boards of directors of EastCoal Inc., Mandalay Resources Corporation and Firestone Diamonds Plc.</p>	
Current Board/Committee Membership	Other Public Board Memberships	
Member of the Board	<p>Eastcoal Inc. (TSX-V)</p> <p>Mandalay Resources Corporation (TSX)</p> <p>Firestone Diamonds Plc (AIM)</p>	
Number of Common Shares Beneficially Owned, Controlled or Directed		500,000

THOMAS A. FENTON	Principal Occupation and Biographical Information	
Mississauga, Ontario Director Since: February 23, 2012 NOT INDEPENDENT	Mr. Fenton is a partner of the Toronto-based law firm Aird & Berlis LLP. Mr. Fenton's practice encompasses corporate finance and mergers and acquisitions. He is a director and/or officer of several public and private companies. Mr. Fenton was called to the bar in 1988 having obtained his LLB degree from the University of Western Ontario in 1986.	
Current Board/Committee Membership	Other Public Board Memberships	
Member of the Board	Pangolin Diamonds Corp. (TSXV)	
Number of Common Shares Beneficially Owned, Controlled or Directed		200,000

E. RICHARD KLUE	Principal Occupation and Biographical Information	
Vancouver, British Columbia Director Since: February 23, 2012 INDEPENDENT	<p>(Edward) Richard Klue is a metallurgical engineer by profession and also holds a business degree where he specialized in economics and business economics. Mr. Klue has been in the mining minerals and metals industry for over 30 years, including 18 years in operations, capital & sustaining capital projects, and the last 12 years dedicated to project development and management. Mr. Klue has provided global strategic direction to the mining & minerals' industry for studies and projects and has developed new technologies in the Americas, Canada, Africa, India, Russia, Europe and China. His experience has involved the full mining life cycle – geology, permitting, environmental, mining, processing, infrastructure, tailings, operations, maintenance and closure.</p> <p>Mr. Klue is currently a Senior Manager (Director) for Tetra Tech Wardrop. Mr. Klue previously held a positions on the Executive Committee for Messina Investments Ltd., Director of Bateman Canada Corp. and General Manager for Bateman's Base Metals Division. He also performed many roles such as Project Director and Project Manager of widely varying scope, with the major accent on metallurgical treatment plant designs and layouts for base metals (zinc, lead, copper, cobalt, nickel, molybdenum), precious metals (gold, silver), diamonds, iron ore, coal, uranium and industrial materials (sulphuric acid and mineral sands).</p>	
Current Board/Committee Membership	Other Public Board Memberships	
Member of the Board Member and Chair of the Audit Committee Member of the Corporate Governance and Compensation Committee	None	
Number of Common Shares Beneficially Owned, Controlled or Directed		Nil

WILLIAM F. LINDQVIST	Principal Occupation and Biographical Information	
California, U.S.A. Director Since: February 23, 2012 INDEPENDENT	Dr. Lindqvist is a geologist with extensive exploration experience in North and South America, Australia, Indonesia, Eastern Europe and parts of Asia and Africa. He is currently a director of several public companies. He has spent a long and distinguished career primarily with Gold Fields Mining Corp. and Homestake Mining Company (acquired by Barrick Gold Corporation in 2000). Dr. Lindqvist has a Ph.D. in Applied Geology from the Royal School of Mines, London.	
Current Board/Committee Membership	Other Public Board Memberships	
Member of the Board Member of the Audit Committee Member and Chair of the Corporate Governance and Compensation Committee	Evolving Gold Corp. (TSX) Luna Gold Corp. (TSX) Andean Gold Ltd. (TSXV)	
Number of Common Shares Beneficially Owned, Controlled or Directed	Nil	

Corporate Cease Trade Orders

Except as described below, to the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- b) 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 of such company.

Mr. Thomas A. Fenton was a former officer (from July 1, 2004 to June 15, 2005) and director (from December 9, 1999 to September 23, 2004) of Hip Interactive Corp. (TSX:HP) which was placed into receivership, by court appointment, on July 11, 2005. A management cease trade order was imposed on certain officers and directors, past and present, on July 11, 2005, for the corporation’s failure to file its audited financial statements for its fiscal year ended March 31, 2005. Such statements were to be filed by June 30, 2005, but were not filed and thus a management cease trade order followed.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Bankruptcies, or Penalties or Sanctions

To the knowledge of the Corporation, no proposed director:

- a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) 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;
- b) has, within 10 years before the date of this 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 his assets;
- c) has been subject to 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
- d) has been subject to any 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.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

2. Appointment of Auditor

Management proposes to nominate McGovern, Hurley, Cunningham, LLP, Chartered Accountants, to hold office until the next annual meeting of Shareholders.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF MCGOVERN, HURLEY, CUNNINGHAM, LLP, CHARTERED ACCOUNTANTS, AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

3. Approval of 2013 Stock Option Plan

At the Meeting, management of the Corporation will be seeking shareholder approval to adopt the 2013 Stock Option Plan in accordance with, and subject to, the policies of the Exchange. The Corporation wishes to adopt the 2013 Stock Option Plan which will replace and supersede the current Stock Option Plan, as more fully described below.

Summary of Stock Option Plan

The policies of the Exchange provide that the Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, management company employees and consultants of the Corporation and its Affiliates, non-transferable options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant.

The purpose of the 2013 Stock Option Plan, pursuant to which the Corporation may grant incentive stock options, is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation to obtain and retain key individuals. The 2013 Stock Option Plan provides an incentive for and encourages ownership of the Common Shares by its key individuals so that they may increase their stake in the Corporation and benefit from increases in the value of the Common Shares. Pursuant to the 2013 Stock Option Plan, the maximum number of Common Shares reserved for issuance in any 12 month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of Common Shares reserved for issuance in any 12 month period to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant and the maximum number of Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Common Shares at the date of the grant.

Incentive stock options may be exercised until the earlier of: (a) the expiry time of such option; and (b) 90 days (or such other period as may be determined by the Board, provided such period is not more than one year) following the date the optionee ceases to be a director, officer or employee of the Corporation or its Affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Notwithstanding the foregoing, in the event of termination for cause, all options held by such terminated optionee will be cancelled immediately. In the term of any option expires within or immediately following a “blackout period” imposed by the Corporation, the option shall expire on the date that is ten business days following the end of such blackout period. In the event that the Corporation becomes listed on the Toronto Stock Exchange, the 2013 Stock Option Plan provides that the Board may grant options which allow an optionee to elect to exercise its option on a “cashless basis”, whereby the optionee, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the option and the aggregate exercise price of such option is divided by (ii) the Fair Market Value of each Common Share. “Fair Market Value” as defined in the Plan means the closing price as reported by the Toronto Stock Exchange (in the event that the Corporation becomes listed on the Toronto Stock Exchange) on the last trading day immediately preceding the exercise date. Options may be granted with a maximum expiry term of 10 years. The 2013 Stock Option Plan contains a detailed amending provision that sets out the circumstances where Exchange and Shareholder approval will be required and those circumstances where Exchange and Shareholder approval will not be required.

Approval of the 2013 Stock Option Plan

As the 2013 Stock Option Plan provides for a rolling maximum number of Common Shares which may be issuable upon the exercise of options granted under the Plan, Exchange Policy 4.4 requires that the 2013 Stock Option Plan receive initial shareholder approval and subsequently at each annual meeting of shareholders.

Accordingly, Shareholders will be asked to consider and, if thought appropriate, pass a resolution adopting the 2013 Stock Option Plan. A copy of the 2013 Stock Option Plan is attached as Schedule “C” to this Circular.

The Board has unanimously approved the 2013 Stock Option Plan and recommends that Shareholders vote FOR the resolution regarding the 2013 Stock Option Plan. An affirmative vote of a majority of the votes cast at the Meeting is sufficient to pass the resolution approving the resolution regarding the 2013 Stock Option Plan.

The complete text of the resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

“WHEREAS the policies of the TSX Venture Exchange require shareholder approval for the adoption of the new rolling stock option plan of the Corporation (the “**2013 Stock Option Plan**”);

RESOLVED THAT:

1. The 2013 Stock Option Plan, in the form attached as Schedule “C” to the management information circular of the Corporation dated May 30, 2013, is hereby authorized and approved.
2. Any one officer and director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual’s discretion for the purpose of giving effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE RESOLUTION TO APPROVE THE 2013 STOCK OPTION PLAN IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE 2013 STOCK OPTION PLAN.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person or company who is, or at any time during the financial year ended September 30, 2012 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate or affiliate of any such director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors and the approval of the Plan.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation’s audited financial statements and Management’s Discussion and Analysis (“**MD&A**”) for the year ended September 30, 2012. In addition, copies of the Corporation’s annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation. The

Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

APPROVAL OF BOARD OF DIRECTORS

The contents of this Circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: May 30, 2013

BY ORDER OF THE BOARD

“R. Bruce Duncan”

R. Bruce Duncan
Executive Chairman and Director

SCHEDULE A
STATEMENT OF GOVERNANCE PRACTICES

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)	Comments
Board of Directors	
<p>1. Board of Directors—Disclose how the board of directors (the “Board”) of Bolero Resources Corp. (the “Corporation”) facilitates its exercise of independent supervision over management, including</p> <p>(i) the identity of directors that are independent, and</p> <p>(ii) the identity of directors who are not independent, and the basis for that determination.</p>	<p>The Board currently consists of a total of six directors of which Mr. MacDonald, Mr. Klue and Mr. Lindqvist are considered “independent”, as such term is defined in NI 58-101.</p> <p>Messers Jonker and Duncan are not considered independent as they are executive officers of the Corporation. Mr. Fenton is not considered independent as he has received fees for acting as legal counsel to the Corporation.</p>
<p>2. Directorships—If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>Please refer to the accompanying management information circular dated May 30, 2013 under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.</p>
Orientation and Continuing Education	
<p>3. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.</p>	<p>When new directors are appointed, they receive orientation commensurate with their previous experience, on the Corporation’s properties and the responsibilities of directors. Each director ultimately assumes responsibility for keeping himself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.</p>
Ethical Business Conduct	
<p>4. Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.</p>
Nomination of Directors	
<p>5. Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.</p>	<p>The Board is responsible for the identification and assessment of potential directors. The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board’s duties effectively and to maintain a diversity of views and experience. While no formal nomination procedures are in place to identify new candidates, the Board does review the experience and performance of nominees for election to the Board. Members of the Board are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her</p>

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)	Comments
	<p>experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Board also assesses any potential conflicts, independence or time commitment concerns that the candidate may present.</p>
Compensation	
<p>6. Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including: (i) who determines compensation, and (ii) the process of determining compensation.</p>	<p>The process undertaken by the Board in respect of compensation is more fully described in the “Compensation Discussion and Analysis” section of the accompanying Circular.</p>
Other Board Committees	
<p>7. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board does not have any standing committees other than the Audit Committee and the Corporate Governance and Compensation Committee.</p>
Assessments	
<p>8. Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Board annually reviews its own performance and effectiveness as well as that of the Audit Committee and the individual directors in fulfilling their respective responsibilities.</p> <p>The Board feels its corporate governance practices are appropriate and effective for the Company, given its relatively small size and level of activity. The Company's corporate governance structure allows for the Company to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without undue administrative burden.</p>

SCHEDULE B
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee is a committee of the board of directors (the "**Board**") of the Company. The function of the Audit Committee is to assist the Board in fulfilling its responsibilities to the shareholders of the Company, the securities regulatory authorities and stock exchanges, the investment community and others by:

- (a) reviewing the annual and interim (quarterly) financial statements, related management discussion and analysis ("**MD&A**") and, where applicable, other financial information disclosed by the Company to any governmental body or the public, prior to its approval by the Board;
- (b) overseeing the review of interim (quarterly) financial statements and/or MD&A by the Company's external auditor;
- (c) recommending the appointment and compensation of the Company's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;
- (d) directly overseeing the work of the external auditor on the audit of annual financial statements; and
- (e) monitoring the Company's financial reporting process and internal controls and compliance with legal and regulatory requirements related thereto.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("**GAAP**"), to conduct investigations, or to assure compliance with laws and regulations or the Company's internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

II. COMPOSITION

- 1. The Audit Committee shall have a minimum of three members.
- 2. Every Audit Committee member must be a director of the Company. The Audit Committee shall be comprised of such directors as are determined by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. Pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**") the majority of the Audit Committee members must not be officers, nor employees of the Company or any of its affiliates.
- 3. All members of the Audit Committee must have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices and

otherwise be financially literate within the meaning of NI 52-110 (or exempt therefrom). Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

4. The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Audit Committee members shall hold office until the next annual meeting of shareholders subsequent to their appointment.
5. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.
6. The Secretary of the Audit Committee will be appointed by the Chair.
7. Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee on ceasing to be a Director. The Board may fill vacancies on the Audit Committee by election from among the directors on the Board. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains.

III. DUTIES AND RESPONSIBILITIES

1. The Audit Committee shall review and recommend to the Board for approval:
 - (a) the Company's annual and interim financial statements, including any certification, report, opinion or review rendered by the external auditor, and review related MD&A;
 - (b) press releases of the Company that contain financial information;
 - (c) other financial information provided to any governmental body, stock exchange or the public as they see fit
 - (d) documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form - when applicable) prior to their release; and
 - (e) any other matter not mentioned herein but otherwise required pursuant to applicable laws, including, without limitation, NI 52-110 and the OBCA.
2. The Audit Committee, in fulfilling its mandate, will:
 - (a) satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws;
 - (b) review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable);
 - (c) ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures;

- (d) recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor;
- (e) review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant;
- (f) review the annual audit plans of the internal and external auditors of the Company;
- (g) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (h) monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor;
- (i) periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;
- (j) arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditors communicate directly with the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible;
- (k) ensure that the external auditors are prohibited from providing non-audit services and approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation;
- (l) review with management and the external auditor the Company's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;
- (m) review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;
- (n) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- (o) review the expenses of the Chairman and President of the Company annually;
- (p) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters and the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters; and

- (q) perform such other duties as required by the Company's incorporating statute and applicable securities legislation and policies, including, without limitation, NI 52-110 and the OBCA.
3. The Audit Committee may engage independent counsel and other advisors as it determines necessary to carry out its duties, and may set and pay the compensation of such counsel and advisors. The Audit Committee may communicate directly with the Company's internal and external counsel and advisors.

IV. MEETING PROCEDURES

1. The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. The Audit Committee should meet within forty-five (45) days (sixty (60) days in the event the Company is a "venture issuer" (as such term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations*)) following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and shall meet within ninety (90) days (one hundred and twenty (120) days in the event the Company is a "venture issuer") following the end of the financial year end to review and discuss the audited financial results for the preceding year and the related MD&A as well as any accompanying press release, or in both cases, by such earlier times as may be required in order to comply with applicable law or any stock exchange regulation.
2. Members of the Audit Committee shall be provided with reasonable notice of the time and place of meetings, which shall be not less than twenty-four (24) hours. The notice period may be waived by all members of the Audit Committee. Each of the Chairman of the Board, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to request that any member of the Audit Committee call a meeting.
3. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and the external auditor of the Company, and others as they consider appropriate. The external auditor may, at its option, attend meetings of the Audit Committee.
4. In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Company's interim financial statements.
5. Meetings of the Audit Committee may be conducted with members in attendance in person, by telephone or by video conference facilities.
6. Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.
7. A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.

8. The Audit Committee shall ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the Company.

SCHEDULE C STOCK OPTION PLAN

1. Purpose of the Plan

The purpose of the Plan is to provide the Participants with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in the Corporation will provide an increased incentive for the Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

2. Defined Terms

2.1 Where used herein, the following terms shall have the following meanings (all other capitalized terms used and not defined herein shall have the meanings ascribed to them in the TSX Venture Exchange Corporate Finance Manual):

- (a) "**Acceleration Right**" means the Participant's right, in certain circumstances, to exercise its outstanding Option as to all or any of the Common Shares in respect of which such Option has not previously been exercised and which the Participant is entitled to exercise, including in respect of Common Shares not otherwise vested at such time;
- (b) "**Board**" means the board of directors of the Corporation;
- (c) "**Business Day**" means each day other than a Saturday, Sunday or statutory holiday in Ontario, Canada;
- (d) "**Common Shares**" means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (e) "**Corporation**" means Canada Coal Inc., and includes any successor corporation thereof;
- (f) "**Exchange**" means the TSX Venture Exchange or, if the Common Shares are not then listed and posted for trading on the TSX Venture Exchange, then on any stock exchange in Canada on which such shares are listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board;
- (g) "**Exercise Notice**" means the notice in writing signed by the Participant or the Participant's legal personal representatives addressed to the Corporation specifying an intention to exercise all or a portion of the Option;
- (h) "**Expiry Time**" means the time at which the Options will expire, being 4:00 p.m. (Toronto time) on a date to be fixed by the Board at the time the Option is granted, which date will not be more than ten years from the date of grant;
- (i) "**Fair Market Value**" means, for the purposes of Sections 4.5 and 9.4 hereof, at any date in respect of the Common Shares, the closing price of the Common Shares as reported by the Toronto Stock Exchange on the last trading day immediately preceding such date or, if the Common Shares are not listed on any stock exchange, a price determined by the Board;

- (j) **"Insider"** has the meaning ascribed thereto in the Exchange Corporate Finance Manual;
- (k) **"Option"** means an option to purchase Common Shares from treasury granted by the Corporation to a Participant, subject to the provisions contained herein;
- (l) **"Option Price"** means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted herein;
- (m) **"Participants"** means the directors, officers and employees of, and consultants to, the Corporation or its Subsidiaries, as defined by the relevant Exchange and, subject to compliance with the applicable requirements of the Exchange, the Personal Holding Companies of such persons, to whom an Option has been granted by the Board pursuant to the Plan and which Option or a portion thereof remains unexercised;
- (n) **"Personal Holding Company"** means a company of which 100% of the voting shares are beneficially owned, directly or indirectly, by a director, officer or employee of, or consultant to, the Corporation or its Subsidiaries and such entity shall be bound by the Plan in the same manner as if the Options were held directly;
- (o) **"Plan"** means this stock option plan of the Corporation, as the same may be amended or varied from time to time;
- (p) **"Subsidiary"** means any corporation that is a subsidiary of the Corporation, as such term is defined under the *Canada Business Corporations Act*, as such provision is from time to time amended, varied or re-enacted, or a "related entity" as defined in section 2.22 of National Instrument 45-106; and
- (q) **"Take-Over Bid"** has the meaning ascribed thereto in the *Securities Act* (Ontario), as such provision is from time to time amended, varied or re-enacted.

3. Administration of the Plan

- 3.1 The Board shall administer this Plan. Options granted under the Plan shall be granted in accordance with determinations made by the Board pursuant to the provisions of the Plan as to:
 - (a) the Participants to whom and the time or times at which the Options will be granted; the number of Common Shares which shall be the subject of each Option; (b) any vesting provisions attaching to the Option; and (c) the terms and provisions of the respective stock option agreements, provided however, that each director, officer, employee or consultant shall have the right not to participate in the Plan and any decision not to participate therein shall not affect the employment by or engagement with the Corporation. The Board shall ensure that Participants under the Plan are eligible to participate under the Plan, and, if required by the Exchange, shall represent and confirm that the Participant is a bona fide employee, consultant or management company employee (as defined in the policies of the Exchange).
- 3.2 The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Plan to a committee of the Board (the **"Committee"**). The Committee shall be comprised of two or more members of the Board who shall serve at the pleasure of the Board. Vacancies occurring on the Committee shall be filled by the Board.

3.3 The Committee (or the Board where the Committee has not been constituted) shall have the power to delegate to any member of the Board or officer so designated (the "**Administrator**"), the power to determine which Participants are to be granted Options and to grant such Options, the number of Common Shares purchasable under each Option, the Option Price and the time or times when and the manner in which Options are exercisable, and the Administrator shall make such determinations in accordance with the provisions of this Plan and with applicable securities and stock exchange regulatory requirements, subject to final approval by the Committee or Board.

4. Granting of Option

4.1 Participants may be granted Options from time to time. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time. Each Option granted hereunder shall be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Participant, in such form as the Board shall approve from time to time. Each such agreement shall recite that it is subject to the provisions of this Plan.

4.2 The aggregate number of Common Shares of the Corporation allocated and made available to be granted to Participants under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Corporation as at the date of grant (on a non-diluted basis). Any issuance of Common Shares from treasury pursuant to the exercise of Options shall automatically replenish the number of Common Shares available for Option grants under the Plan. Common Shares in respect of which Options are cancelled or not exercised prior to expiry, for any reason, shall be available for subsequent Option grants under the Plan. No fractional shares may be purchased or issued hereunder.

4.3 The Corporation shall at all times, during the term of the Plan, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of the Plan.

4.4 Any grant of Options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one Participant, other than a Consultant, in any 12 month period may not exceed 5% of the Corporation's total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (b) the aggregate number of Common Shares issuable pursuant to Options granted to Insiders pursuant to the Plan and other security based compensation arrangements may not exceed 10% of the Corporation's total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (c) the aggregate number of Common Shares issued to Insiders pursuant to the Plan and other security based compensation arrangements in any 12 month period may not exceed 10% of the Corporation's total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;
- (d) no more than 2% of the total issued and outstanding Common Shares at the time of grant may be granted to any one Consultant in any 12 month period; and

- (e) no more than an aggregate of 2% of the total issued and outstanding Common Shares at the time of grant may be granted to all persons engaged to conduct Investor Relations Activities in any 12 month period.
- 4.5 Provided that the Corporation is listed on the Toronto Stock Exchange (the "TSX") and is in compliance with applicable TSX requirements, the Board may grant Options which allow a Participant to elect to exercise its Option on a "cashless basis", whereby the Participant, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the Option and the aggregate exercise price of such Option is divided by (ii) the Fair Market Value of each Common Share. For greater certainty, the Options may not be exercised on a "cashless basis" while the Common Shares are listed on the Exchange.
- 4.6 All Options granted pursuant to this Plan shall be subject to rules and policies of the Exchange and any other regulatory body having jurisdiction.
- 4.7 A Participant who has been granted an Option may, if otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option if the Board so determines.

5. Option Price

- 5.1 Subject to applicable Exchange approval, the Option Price shall be fixed by the Board at the time the Option is granted to a Participant. In no event shall the price be less than the Discounted Market Price (as defined in the policies of the Exchange). If a press release fixing the price is not issued, the Discounted Market Price is the closing price per Common Share on the Exchange on the last trading day preceding the date of grant on which there was a closing price (less the applicable discount) or, if the Common Shares are not listed on any stock exchange, a price determined by the Board; provided that, if the Board, in its sole discretion, determines that the closing price on the last trading day preceding the date of grant would not be representative of the market price of the Common Shares, then the Board may base the price on the greater of the closing price and the weighted average price per share for the Common Shares for five (5) consecutive trading days ending on the last trading day preceding the date of grant on which there was a closing price on the Exchange. The weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the Exchange during the said five (5) consecutive trading days, by the total number of Common Shares so sold.
- 5.2 Once the Option Price has been determined by the Board, accepted by the Exchange and the Option has been granted, if the Optionee is an Insider, the Option Price may only be reduced if disinterested shareholder approval is obtained; provided that such disinterested shareholder approval is then a requirement of the Exchange or other regulatory body having jurisdiction.

6. Term of Option

- 6.1 The term of the Option shall be a period of time fixed by the Board, not to exceed ten years from the date of grant. Unless the Board determines otherwise, Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods) as are herein contained or as the Board may from time to time impose, or as may be required by the Exchange or under applicable securities law.
- 6.2 Each Option and all rights thereunder shall be expressed to expire at the Expiry Time, but shall be subject to earlier termination in accordance with Section 11 hereof.

- 6.3 Subject to any specific requirements of the Exchange, the Board shall determine the vesting period or periods within the Option term, during which a Participant may exercise an Option or a portion thereof.
- 6.4 In addition to any resale restriction under securities laws, an Option may be subject to a four month Exchange hold period commencing on the date the Option is granted.
- 6.5 Except in the case of a Participant's Option that terminates pursuant to Section 11.3 below, in the event that the term of any Option expires within or immediately following a "blackout period" imposed by the Corporation, the Option shall expire on the date (the "**Blackout Expiration Date**") that is ten Business Days following the end of such blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board.

7. Exercise of Option

- 7.1 Subject to the provisions of the Plan and the terms of any stock option agreement, an Option or a portion thereof may be exercised, from time to time, by delivery of the Exercise Notice to the Corporation's principal office in Toronto, Ontario. The Exercise Notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Option or a portion thereof and specify the number of Common Shares in respect of which the Option is then being exercised, and shall be accompanied by the full purchase price of the Common Shares which are the subject of the exercise. Such Exercise Notice shall contain the Participant's undertaking to comply, to the satisfaction of the Corporation, with all applicable requirements of the Exchange and any applicable regulatory authorities.

8. Adjustments in Shares

- 8.1 If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through a re-organization, plan of arrangement, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, in the number or kind of shares optioned and the exercise price per share with respect to: (a) previously granted and unexercised Options or portions thereof; and (b) Options which may be granted subsequent to any such change in the Corporation's capital.
- 8.2 Determinations by the Board as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. The Corporation shall not be obligated to issue fractional securities in satisfaction of any of its obligations hereunder.

9. Accelerated Vesting

- 9.1 In the event that certain events such as a liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more corporations, as a result of which the Corporation is not the surviving corporation, or the sale by the Corporation of all or substantially all of the property and assets of the Corporation to another corporation prior to the Expiry Time, are proposed or contemplated, the Board may, notwithstanding the terms of this Plan or any stock option agreements issued hereunder, exercise its discretion, by way of resolution, to permit accelerated vesting of Options on such terms as the Board sees fit at that time. If the Board, in its sole discretion, determines that the Common Shares subject to any Option granted hereunder shall vest on an accelerated basis, all Participants entitled to exercise an unexercised portion of Options then outstanding shall have the right at such time, upon written notice being given by the Corporation, to exercise such Options to the extent

specified and permitted by the Board and within the time period specified by the Board, which shall not extend past the Expiry Time.

- 9.2 An Option may provide that whenever the Corporation's shareholders receive a Take-Over Bid and the Corporation supports this bid, pursuant to which the "offeror" would, as a result of such Take-Over Bid being successful, beneficially own in excess of 50% of the outstanding Common Shares, the Participant may exercise the Acceleration Right. The Acceleration Right shall commence on the date of the mailing of the Board circular recommending acceptance of the Take-Over Bid and end on the earlier of:
- (a) the Expiry Time; and
 - (b) (i) in the event the Take-Over Bid is unsuccessful, the expiry date of the Take-Over Bid; and (ii) in the event the Take-Over Bid is successful, the tenth (10th) day following the expiry date of the Take-Over Bid.
- 9.3 At the time of the termination of the Acceleration Right, the original vesting terms of the Options shall be reinstated with respect to the Common Shares issuable thereunder which were not acquired by the holders of such Options pursuant to the terms thereof. Notwithstanding the foregoing, the Acceleration Right may be extended for such longer period as the Board may resolve.
- 9.4 Provided that the Corporation is listed on the TSX and is in compliance with applicable TSX requirements, the Corporation may satisfy any obligations to a Participant hereunder by paying to the Participant in cash the difference between the exercise price of all unexercised Options granted hereunder and the Fair Market Value of the Common Shares to which the Participant would be entitled upon exercise of all unexercised Options, regardless of whether all conditions of exercise relating to continuous employment have been satisfied.

10. Decisions of the Board

All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers, employees and consultants of the Corporation who are eligible to participate under the Plan.

11. Ceasing to be a Director, Officer, Employee or Consultant

- 11.1 Subject to the terms of the applicable stock option agreements and subject to Section 11.4 hereof, in the event of the Participant ceasing to be a director, officer, employee or consultant of the Corporation or a Subsidiary for any reason other than death, including the resignation or retirement of the Participant or the termination by the Corporation or a Subsidiary of the employment of the Participant, prior to the Expiry Time, such Option (including an Option held by a Participant's Personal Holding Company) may be exercised as to such Common Shares in respect of which the Option has not previously been exercised (and as the Participant would have been entitled to exercise) at any time up to and including (but not after) the earlier of: (a) the Expiry Time; and (b) a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the effective date of such resignation or retirement or a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the date notice of termination of employment is given by the Corporation or a Subsidiary, whether such termination is with or without reasonable notice, and subject to such shorter period as may be

otherwise specified in the stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

- 11.2 In consideration of the Option hereby granted, in the event of the resignation or retirement of the Participant or the termination of employment by the Corporation without cause, the Participant hereby covenants not to sue the Corporation for damages arising from the loss of rights granted hereunder and releases the Corporation from any damages.
- 11.3 Notwithstanding the foregoing, in the event of termination for cause, such Option (including an Option held by a Participant's Personal Holding Company) shall expire and terminate immediately at the time of delivery of notice of termination of employment for cause to the Participant by the Corporation or a Subsidiary and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised.
- 11.4 In the event of the death of a Participant on or prior to the Expiry Time, such Option (including an Option held by a Participant's Personal Holding Company) may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to purchase), by the legal personal representatives of the Participant at any time up to and including (but not after) a date one (1) year from the date of death of the Participant, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.
- 11.5 Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

12. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange.

13. Amendment or Discontinuance of Plan

- 13.1 (a) The approval of the Board and the requisite approval from the Exchange and the shareholders shall be required for any of the following amendments to be made to the Plan:
- (i) any increase to the fixed maximum percentage of Common Shares issuable under the Plan;
 - (ii) a reduction in the exercise price or purchase price of an Option (other than for standard anti-dilution purposes) held by or benefiting an Insider;
 - (iii) an increase in the maximum number of Common Shares that may be issued to Insiders within any one year period or that are issuable to Insiders at any time;
 - (iv) an extension of the term of an Option held by or benefiting an Insider;
 - (v) any change to the definition of "Participants" which would have the potential of broadening or increasing Insider participation;
 - (vi) the addition of any form of financial assistance;

- (vii) any amendment to a financial assistance provision which is more favourable to Participants;
 - (viii) provided that the Corporation is listed on the TSX, the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve;
 - (ix) the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation; and
 - (x) any other amendments that may lead to significant or unreasonable dilution in the Corporation's outstanding securities or may provide additional benefits to Participants, especially Insiders, at the expense of the Corporation and its existing shareholders.
- (b) The Board may, without shareholder approval but subject to receipt of requisite approval as required by the Exchange, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subsection 13.1 (a) above including, without limitation:
- (i) amendments of a housekeeping nature;
 - (ii) a change to the vesting provisions of an Option or the Plan; and
 - (iii) a change to the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date, except as contemplated in Section 6.5 above.

14. Participants' Rights

- 14.1 A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares upon the exercise of an Option or a portion thereof, and then only with respect to the Common Shares represented by such certificate or certificates.
- 14.2 Nothing in the Plan or any Option shall confer upon any Participant any rights to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate the employment of the Participant 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 such Subsidiary to extend the employment of any Participant beyond the time such Participant would normally retire pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary, 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 Subsidiary.

15. Approvals

- 15.1 The Plan shall be subject, if applicable, to the approval of the Exchange or other regulatory body having jurisdiction at that time and, if so required thereby, to the approval of the shareholders of the Corporation.

15.2 Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

16. Government Regulation

16.1 The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
- (c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

16.2 In this regard, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares and for the listing of such Common Shares on the Exchange, in compliance with applicable securities laws. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and the Option Price paid to the Corporation will be returned to the Participant.

17. Costs

The Corporation shall pay all costs of administering the Plan.

18. Tax Withholding and Procedures

18.1 Notwithstanding any other provisions of this Plan, the Corporation may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law or the funding of related amounts for which liability may arise under such applicable law (collectively, the “**Tax Obligations**”). Without limiting the generality of the foregoing, a Participant who wishes to exercise an option must, in addition to following the procedures set out in any stock option agreement and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Corporation for the amount determined by the Corporation to be the appropriate amount on account of such Tax Obligations, or
- (b) otherwise ensure, in a manner acceptable to the Corporation (if at all) in its sole and unfettered discretion, that such amount will be made available to the Corporation on a secure and timely basis, and must in all other respects follow any related procedures and conditions imposed by the Corporation, failing which the Corporation shall not be obliged to honour the purported option exercise or issue certificates for Shares.

- (c) Without limiting the generality of the foregoing or limiting the Corporation's discretion under this Section 18.1(b), the Corporation may, at its option:
- (i) accept the exercise of the options and withhold all or any number of Shares issued upon exercise of the options and deliver such number of Shares as it may determine to a broker or other selling agent for purposes of sale, or otherwise sell or transfer such Shares. In implementing any such sale or transfer, neither the Corporation nor any broker or selling agent shall be obligated to seek or obtain a minimum price or be liable for any loss arising out of any sale or transfer of such Shares (relating to the manner or timing of such sale or transfer, the terms or prices at which such Shares are sold or transferred, or otherwise). Any net proceeds derived therefrom shall in the first instance serve to satisfy the Tax Obligations and all related fees, interest or other obligations in respect thereof, and shall be available or made available to the Corporation for the purpose of satisfying the foregoing. Any shortfall in such net proceeds as required to satisfy such Tax Obligations and other amounts shall be to the account of the Participant and (without limiting the Corporation's remedies available under law) may be recovered by the Corporation from the Participant by way of set-off against any other amount or property then or thereafter owing by the Corporation to the Participant in any capacity (whether salary or other remuneration, Shares or remaining Shares issued on exercise of options then otherwise to be issued, or in any other manner). Any net proceeds derived from a sale or other transfer of such Shares in excess of the amount determined by the Corporation to be the amount required to satisfy the Tax Obligations and related fees, interest or other obligations shall, together with any remaining Shares not so sold or transferred, also be for the account of the Participant; or
 - (ii) accept the exercise of the options if and provided that the Participant and the Corporation have agreed to procedures, acceptable to the Corporation in its sole discretion, whereby a sale of Shares sufficient to satisfy the Tax Obligations and related amounts (as determined by the Corporation in its sole discretion) has been coordinated through a broker or sales agent (including such broker or sales agent acting for the Participant) on a basis that: (i) obliges such broker or sales agent to retain and provide such amounts to the Corporation on a timely basis, and (ii) does not oblige the Corporation to issue such optioned Shares except against payment and delivery of such amounts (and the amount of the option exercise price if not separately paid under Section 18.1(a)).

19. Interpretation

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

20. Compliance with Applicable Law

If any provision of the Plan or any Option contravenes any law or any order, policy, bylaw or regulation of any regulatory body or the Exchange, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.