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**BACTECH ENVIRONMENTAL CORPORATION**  
**50 Richmond Street East, Suite 300**  
**Toronto, Ontario, M5C 1N7, Canada**

**MANAGEMENT INFORMATION CIRCULAR**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON July 3, 2014**

**SOLICITATION OF PROXIES**

The information contained in this management information circular (the "**Information Circular**") is furnished to the shareholders of BacTech Environmental Corporation (the "**Corporation**") in connection with the solicitation by management of the Corporation of proxies to be used at the annual and special meeting (the "**Meeting**") of the shareholders of the Corporation to be held at 2:00 p.m. (EDT) on Thursday, July 3, 2014, at the offices of the Corporation, 50 Richmond Street East, Suite 300, Toronto, Ontario, M5C 1N7, and at any adjournments or postponements thereof, for the purposes set forth in the notice of meeting (the "**Notice of Meeting**") which accompanies this Information Circular.

The solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally or by telephone by officers, directors or regular employees of the Corporation. Employees of the Corporation will not receive any additional compensation for such activities. The Corporation may pay brokers or other persons holding common shares of the Corporation (the "**Common Shares**") in their own names, or in the names of nominees, for their reasonable expenses incurred in connection with the sending of proxies and this Information Circular to objecting beneficial owners of Common Shares and obtaining proxies thereof. The cost of the solicitation of proxies in connection with the Meeting will be borne directly by the Corporation.

The board of directors (the "**Board**") has fixed the close of business on May 22, 2014 as the record date (the "**Record Date**"), being the date for the determination of the registered shareholders entitled to receive notice of, and vote at, the Meeting. Duly completed and executed proxies must be received by the Corporation's transfer agent at the address indicated on the enclosed envelope no later than 48 hours (excluding Saturdays, Sundays and holidays in the City of Toronto, Ontario) before the time of the Meeting or any adjournments or postponements thereof, or may be accepted by the Chairman of the Meeting prior to the commencement of the Meeting.

No person is authorized to give any information or to make any representation other than those contained in this Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The delivery of this Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Information Circular.

Unless otherwise stated, the information contained in this Information Circular is as of May 22, 2014.

**APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named in the form of proxy accompanying this Information Circular are officers and/or directors of the Corporation. A shareholder of the Corporation has the right to appoint a person, who need not be a shareholder of the Corporation, other than the persons specified in such form of proxy to attend and act for and on behalf of such shareholder at the Meeting. Such right may be exercised by either striking out the names of the persons specified in the form of proxy accompanying this Information Circular and inserting the name of the person to be appointed in the blank space provided in such form of proxy, or by completing and executing another form of proxy and, in either case, returning such completed and executed form of proxy in the manner described in the Notice of Meeting.**

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the direction, if any, given in the proxy.

A shareholder of the Corporation who has given a proxy may revoke it at any time prior to its use by an instrument in writing, including another completed form of proxy bearing a later date, executed by the shareholder (or if the shareholder is a corporation by its duly authorized signing officer or attorney), deposited at the registered office of the Corporation, Suite 300, 50 Richmond Street East, Toronto, Ontario, M5C 1N7, or at Computershare Investor Services Inc., Attn: Proxy Dept., 100 University Avenue 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, no later than 48 hours (excluding Saturdays, Sundays and holidays in the city of Toronto, Ontario) before the time of the Meeting or any adjournments or postponements thereof, or in any other manner permitted by law.

### **VOTING OF COMMON SHARES BY NON-REGISTERED SHAREHOLDERS**

Only registered shareholders of the Corporation, or the persons they appoint as their proxies, are permitted to vote at the Meeting. Most shareholders of the Corporation are “non-registered” shareholders (“**Non-Registered Shareholders**”), because the shares they own are not registered in their names but are, instead, registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the shares of the Corporation (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Corporation will have distributed copies of the Notice of Meeting, this Information Circular, the form of proxy and the supplemental mailing list return card (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**voting instruction form**”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page, pre-printed form. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Investor Communications) (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the shares to be represented at the Meeting. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company. **A Non-Registered Shareholder**

**who receives a voting instruction form cannot use that form to vote his or her shares at the Meeting; or**

- (ii) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with the Corporation, c/o Computershare Investor Services Inc., Attn: Proxy Dept., 100 University Avenue 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Corporation they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy or voting instruction form and insert the Non-Registered Shareholder's or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote, which has been given to an Intermediary at any time by written notice to the Intermediary, provided that an Intermediary is not required to act on a revocation of a voting instruction form, or of a waiver of the right to receive Meeting Materials and to vote, which is not received by the Intermediary at least seven (7) days prior to the Meeting.

#### **VOTING OF COMMON SHARES REPRESENTED BY MANAGEMENT PROXIES**

The shares represented by the accompanying form of proxy (if same is properly executed and is received at the offices of Computershare Investor Services Inc. at the address provided herein, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof, will be voted at the Meeting on any ballot called for, and, where a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the specification made. **In the absence of instructions, proxies in favour of management will be voted FOR each of the matters referred to in the Notice of Meeting.**

**The form of proxy accompanying this Information Circular confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters identified in the Notice of the Meeting and with respect to other matters, if any, which may properly be brought before the Meeting or any adjournments or postponements thereof.** At the date of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Corporation should properly be brought before the Meeting or any adjournments or postponements thereof, the Common Shares represented by any proxy will be voted on such matters in accordance with the judgment of the person named in such proxy.

Notwithstanding the foregoing, any proxies in respect of the Meeting must be delivered to Computershare Investor Services Inc., Attn: Proxy Dept., 100 University Avenue 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof.

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

As at the date hereof, no director or executive officer of the Corporation who has held such position at any time since the beginning of the Corporation's financial year ended December 31, 2013, 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, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors, except that the directors and executive officers of the Corporation are eligible to be granted options in the future under the Stock Option Plan and have been granted options under the Stock Option Plan as disclosed herein. As a result, such directors and executive officers may be considered to have an interest in the ratification of the Stock Option Plan.

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

As of May 22, 2014, the Corporation had 56,755,027 Common Shares issued and outstanding. Each shareholder of record at the close of business the Record Date will be entitled to one vote for each Common Share held on all matters to be brought before the Meeting.

All holders of Common Shares appearing on the list of holders of Common Shares as of the record date as prepared by the Corporation are entitled either to: (i) attend the Meeting and vote thereat in person the Common Shares held by them or, (ii) attend the Meeting and vote thereat by proxy the Common Shares held by them, provided a completed and executed proxy shall have been delivered to the Corporation's transfer agent within the time specified in the attached Notice of Meeting.

To the knowledge of the directors and senior officers of the Corporation, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding securities of the Corporation, other than the following:

| Name of shareholder and municipality of residence | Number of Common Shares owned, controlled or directed | % of the Outstanding Common Shares |
|---|---|------------------------------------|
| Option Three Advisory Services Limited            | 11,666,666  | 20.5%                              |

Option Three Advisory Services Limited is entitled to nominate one director for election for so long as it directly or indirectly holds at least 10% of the issued and outstanding common shares of the Corporation.

## **ELECTION OF DIRECTORS**

At the Meeting, shareholders of the Corporation will be asked to elect six directors for the ensuing year. The persons named in the form of proxy accompanying this Information Circular intend to vote for the election of the six nominees whose names are set forth below, unless the shareholder who has given such proxy has directed in his, her or its form of proxy that the common shares of the Corporation represented by such form of proxy are to be withheld from voting or voted otherwise in respect of the election of directors of the Corporation.

Management of the Corporation does not contemplate that any of such nominees will be unable to serve as a director of the Corporation for the ensuing year but if that should occur for any reason prior to the Meeting or any adjournments or postponements thereof, the persons named in the form of proxy accompanying this Information Circular shall have the discretionary authority to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve.

Each director of the Corporation elected at the Meeting will hold office until the close of the next annual meeting of the shareholders of the Corporation held following his election, or until his successor is duly

elected, unless prior thereto he resigns, is removed as a director of the Corporation in accordance with the by-laws of the Corporation or his office becomes vacant by reason of death or other cause.

Shareholders will vote for the election of each individual director separately. The Corporation has adopted a majority voting policy for the election of directors whereby any nominee (in an uncontested election at which more than 65% of the then outstanding Common Shares have been voted in person or by proxy) who receives a greater number of Common Shares withheld from voting than Common Shares voted in favour of his or her election is expected to immediately tender his or her resignation to the Board of Directors, to take effect upon acceptance by the Board. The Board of Directors will, within 90 days of receiving the final voting results, determine whether to accept such director's offer to resign. See "Corporate Governance Disclosure – Majority Voting Policy".

**Unless the shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld or voted otherwise, the persons named in the accompanying proxy will vote FOR the election of the below named director nominees.**

The following table, among other things, sets out the names of the nominees, their position with the Corporation, their principal occupation, the date upon which they became a director of the Corporation and the number of Common Shares beneficially owned, controlled or directed, directly or indirectly, by them.

**Table 1**

| Name and municipality of residence                                  | Office                      | Director since | Present occupation if different from office held <sup>(1)</sup> (and principal business of occupation) | Shares beneficially owned or over which control is exercised <sup>(1)</sup> |
|---|-----------------------------|----------------|--|---|
| M. Ross Orr <sup>(2)</sup><br>Toronto, Ontario, Canada              | President & CEO<br>Director | 2010           |  | 2,020,500   |
| John C. Gingerich <sup>(2)</sup><br>Mississauga, Ontario,<br>Canada | Chairman of the<br>Board    | 2010           | President & CEO,<br>Advanced Explorations Inc.<br>(Resource development company)                       | 155,000   |
| W. Walter Cimowsky <sup>(3)</sup><br>Toronto, Ontario, Canada       | Director                    | 2010           | Partner,<br>Ocean Partners Holdings Limited<br>(International concentrate trading<br>company)          | 20,000  |
| Jay L. Naster <sup>(2)</sup><br>Toronto, Ontario, Canada            | Director                    | 2010           | Partner,<br>Rosen Naster LLP<br>(Law firm)   | 1,200   |
| Donald A. Whalen <sup>(3)</sup><br>Unionville, Ontario,<br>Canada   | Director                    | 2012           | Independent businessman  | 925,000   |
| Tim Lewin <sup>(4)</sup><br>United Kingdom                          | Director                    | N/A            | Independent businessman  | Nil   |

(1) Information as to the place of residence, principal occupation and shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective directors.

(2) Member of the Corporation's Audit Committee.

(3) Member of the Corporation's Compensation and Corporate Governance Committee.

(4) Tim Lewin has been nominated to the board to replace the vacancy left by Elena Gerasimovskaya, Option Three's board representative, who resigned from the board of directors on March 1, 2014.

**M. Ross Orr** – Mr. Orr is currently the President and Chief Executive Officer of the Corporation, a position he assumed upon completion of the Plan of Arrangement on December 2, 2010. Prior to that, he served as President and Chief Executive Officer of BacTech Mining Corporation (re-named REBgold Corporation under the Plan of Arrangement), a position he assumed in 2004. Mr. Orr has been a Director of BacTech Mining Corporation since February 13, 1997 and continues to sit on the board of REBgold Corporation. Following completion of the Plan of Arrangement, he became a Director of BacTech Environmental Corporation. Prior to joining BacTech Mining Corporation, Mr. Orr worked as a Registered Representative for RBC Dominion Securities (and its predecessor, Pitfield Mackay Ross) for 10 years. He was also a venture capital partner in CC Capital Partners from 1999 to 2002.

**John C. Gingerich** – Mr. Gingerich is a professional geophysicist with over 25 years of experience in exploration and mining industry technologies. He is the President and Chief Executive Officer of Advanced Explorations Inc., a position he has held since 2004. Prior to that, Mr. Gingerich was President of Geotechnical Business Solutions Inc., and before that, Senior Manager of Noranda Exploration. Appointed to the Board of BacTech Mining Corporation on March 24, 2006, Mr. Gingerich resigned that position following completion of the Plan of Arrangement on December 2, 2010 and became a Director of BacTech Environmental Corporation. He has served as Chairman of the Board since that time.

**W. Walter Cimowsky** – Mr. Cimowsky is a founding partner and director of Ocean Partners Holdings Limited, a privately held company active in the global physical trading and marketing of copper, zinc, lead and precious metal concentrates. Prior to that, from 1994 until 2004, he was a trader with Pechiney World Trade USA, Inc. Mr. Cimowsky has over 25 years of experience in concentrate marketing, and held previous positions with Noranda Inc. and Pechiney/Alcan, before establishing Ocean Partners through a management buyout in 2004. Mr. Cimowsky holds Bachelor of Science (Geology) and MBA degrees from the University of Toronto. Appointed to the Board of BacTech Mining Corporation on July 10, 2008, Mr. Cimowsky resigned that position following completion of the Plan of Arrangement on December 2, 2010 and became a Director of BacTech Environmental Corporation.

**Jay L. Naster** – Mr. Naster is a currently a lawyer practicing in the areas of criminal, regulatory and disciplinary law with the Toronto law firm, Rosen Naster LLP, which he joined in 2005. For several years prior to that, he served as Special Counsel to the Ontario Securities Commission, where he conducted complex regulatory and quasi-criminal prosecutions, with a specific emphasis on the conduct of senior officers, directors and advisors of public companies and investment dealers. He has appeared before all courts in Ontario and the Supreme Court of Canada. Mr. Naster was called to the bar for the province of Ontario in 1986. Appointed to the Board of BacTech Mining Corporation on August 18, 2009, Mr. Naster resigned that position following completion of the Plan of Arrangement on December 2, 2010 and became a Director of BacTech Environmental Corporation.

**Donald A. Whalen** - Mr. Whalen has been a self-employed consultant since December 2008. He was Senior Vice President of High River Gold Mines Limited (“High River”) from September 2008 to December 2008, and Executive Chairman of High River from September 1993 to September 2008. High River owned and operated, in a joint venture with TVX Gold Inc. (operator), the New Britannia Mine, which produced approximately 100,000 ounces of gold annually for eight years beginning in the late 1990s. Prior to being involved with High River, Mr. Whalen spent 29 years with IBM Canada Ltd. He is the past Chairman of the Canada Eurasia Russia Business Association (1998-2008), and he was Co-Chair of the Canada Russia Business Council (2004-2006). Mr. Whalen has been a Director of BacTech Environmental Corporation since March 14, 2012.

**The Hon. Tim Lewin**- Mr. Lewin is former Commodities Trader from London with more than thirty-five years experience in physical commodity trading including non-ferrous metals as traded on the London Metal Exchange. In 1992 he was selected to lead a team of market specialists to Russia in the immediate post-Perestroika years to assist that country phase in “organized markets” to replace the Command Economy. Mr. Lewin remains a director and advisor to a range of Russian investment funds and regional Administrations. Prior to working in Russia, Mr. Lewin was also active in the markets of South East Asia and Latin America. He is a member of the Chartered Institute of Securities & Investments.

To the knowledge of the Corporation, none of the Nominees is, or has been in the last 10 years, (a) a director, chief executive officer or chief financial officer of a company that (i) while that person was acting in that capacity, was the subject of a cease trade order or similar order (including a management cease trade order) or an order that denied the issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or (ii) after that person ceased to act in that capacity, was subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days which resulted from an event that occurred while that person acted in such capacity, or (b) a director or executive officer of a company 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; or (c) 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 its assets.

### **APPOINTMENT OF AUDITORS**

The auditors of the Corporation are currently MNP LLP, who was first appointed on October 5, 2010. The directors of the Corporation propose to re-appoint MNP LLP as the auditors of the Corporation to hold office until the next annual meeting of shareholders or until their successor is appointed, at a remuneration to be fixed by the Board.

**Unless the shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld from voting, the persons named in the accompanying proxy will vote FOR the appointment of MNP LLP as auditors of the Corporation to hold office until the next annual meeting of shareholder or until a successor is appointed and to authorize the Board to fix the remuneration of the auditors.**

### **RATIFICATION OF STOCK OPTION PLAN**

The Stock Option Plan is a 10% “rolling” stock option plan, where the maximum number of shares which may be reserved for options granted pursuant to the Plan is limited to 10% of the number of common shares outstanding at the time of grant. A description of the material terms of the Stock Option Plan are summarized below under the heading “Securities Authorized for Issuance Under Equity Compensation Plans”.

At the meeting, shareholders will be asked to consider and, if deemed advisable, to ratify and approve the Corporation’s existing Stock Option Plan by ordinary resolution. The Board has determined that the approval of the Stock Option Plan is in the best interests of the Corporation and the shareholders. The Board unanimously recommends that shareholders vote for the approval of the Stock Option Plan.

**Unless the shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be withheld from voting or voted against the approval of the Stock Option Plan, the persons named in the accompanying proxy will vote FOR the approval of the Stock Option Plan.**

**In order to be effective, the resolution must be approved by a majority of the votes cast by the shareholders, present in person or by proxy at the Meeting or any adjournments or postponements thereof, excluding votes attached to shares held by insiders of the Corporation eligible to be granted options under the Stock Option Plan and their associates.**



## SHARE CONSOLIDATION

The Corporation currently has 56,755,027 Common Shares outstanding. The Board of Directors expect that the Corporation will need to issue additional Common Shares to fund the Corporation's ongoing activities, as well as general corporate and administrative expenses. The Board of Directors believes that it is advisable to effect a consolidation of the Common Shares (the "Share Consolidation"), on the basis of one (1) post-Consolidation Common Share for each five (5) Common Shares outstanding immediately prior to the Share Consolidation.

At the Meeting, shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a special resolution in the following form (the "Share Consolidation Resolution"), subject to such amendments, variations or additions as may be approved at the Meeting.

### RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The Articles of the Corporation shall be amended to consolidate the issued and outstanding common shares of the Corporation on the basis that five (5) of such shares shall become one (1) common share. No fractional common shares of the Corporation shall be issued in connection with the consolidation. In the event that the number of common shares registered in the name of a shareholder immediately prior to giving effect to consolidation is not evenly divisible by ten (10), the number of common shares to be registered in the name of such shareholder immediately after giving effect to the consolidation shall be rounded up to the next greater whole number.
2. Any officer of the Corporation is hereby authorized to execute and deliver Articles of Amendment to the Director appointed under the *Canada Business Corporations Act* (Canada), and to do and perform all acts and things and execute all documents necessary to give effect to this special resolution.
3. Notwithstanding that this special resolution shall have been duly passed by the shareholders of the Corporation, the directors of the Corporation are authorized, in their sole discretion, to abandon the application for a Certificate of Amendment under the *Canada Business Corporations Act* (Canada) at any time prior to the issue thereof without further approval of the shareholders of the Corporation."

The Board of Directors unanimously recommends the adoption of the Share Consolidation Resolution. To be effective, the Share Consolidation Resolution must be approved by not less than two-thirds of the votes cast by the shareholders present in person or represented by proxy at the Meeting.

The Share Consolidation Resolution provides that, notwithstanding the passing of the resolution, the directors of the Corporation are authorized and empowered without further notice or approval of the shareholders to not proceed with the Share Consolidation.

**Unless the shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such proxy are to be voted against the Share Consolidation Resolution, the persons named in the accompanying proxy will vote FOR the approval of the Share Consolidation Resolution.**

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The objectives of the Corporation's compensation program are to attract, hold and inspire the performance of members of senior management in order to enhance profitability and growth of the Corporation. Specifically, the compensation strategy has been designed to ensure internal consistency in rewarding contribution and external validity against the market. A flexible reward structure was identified to respond to organizational growth and market changes whilst driving performance of the key members of the executive team.

The compensation of the executive officers consists of three basic elements: (i) base salary; (ii) incentive stock options; and (iii) incentive compensation. As the Corporation is an early stage environmental reclamation company, it does not generate any material revenue and must rely exclusively on funds raised from equity financing. The proportion of salary, incentive stock options and incentive compensation is intended to reflect the relative impact of the executive's role on the Corporation's performance and considers how compensation aligns with the enhancement of the profitability and growth of the Corporation.

In deciding on the base salary portion of the compensation of the executive officers, the following factors are used: particular responsibilities related to the position; salaries paid by comparable businesses in the environmental reclamation or resource sector; the experience level of the executive officer; his overall performance; and standard industry practices.

The incentive compensation portion is designed to provide short term incentives for the executive officers to develop the Corporation's business. Incentive compensation is reviewed and recommended by the Compensation and Corporate Governance Committee (the "**Compensation Committee**") and approved by the Board of Directors.

The incentive stock option portion of the compensation is designed to provide the executive officers of the Corporation with a long term incentive in developing the Corporation's business. Options granted under the Corporation's stock option plan are approved by the Board of Directors, and if applicable, its subcommittees, after consideration of the Corporation's overall performance and whether the Corporation has met targets set out by the executive officers in their strategic plan. Previous grants of options are considered when new options are granted.

The Compensation Committee is comprised of W. Walter Cimowsky (Chair) and Donald A. Whalen, both of whom are independent directors. The relevant compensation experience and skills of each of the members is set out below.

**W. Walter Cimowsky** – Mr. Cimowsky has been involved with setting and overseeing compensation policies and practices for Ocean Partners Holdings.

**Donald A. Whalen** – As Executive Chairman, from 1994 through 2008, of High River Gold Mines Limited, a TSX-listed gold mining company, Mr. Whalen worked closely with the Compensation Committee in establishing compensation levels for the executives and senior management of the company and to implement an appropriate compensation incentive system. As part of this process, he reviewed and used executive compensation consulting firms and compensation surveys of the mining industry.

The Compensation Committee assists the Board by making recommendations to the Board concerning compensation of the executive officers and other members of the senior management team. In setting base salaries and other remuneration for the executive officers, the Compensation Committee reviews compensation paid to other executive officers of similar companies in the industry, company performance and individual performance or experience.

The Committee meets at least once annually to assist the Board in carrying out its responsibilities by reviewing the compensation of the Chief Executive Officer ("**CEO**") and the other executive officers of the Corporation in support of the achievement of the Corporation's business strategy and making recommendations to the Board as appropriate. The Compensation Committee is responsible for, among other things:

- (a) considering and recommending to the Board the framework or broad policy for the compensation of executives;
- (b) reviewing and approving corporate goals and objectives relevant to CEO compensation and evaluate the CEO's performance in light of those corporate goals and objectives;
- (c) considering and recommending to the Board for approval the compensation of the CEO and, upon recommendation of the CEO, reviewing and approving the compensation of the executives (including salary, bonus, long term incentives and material benefits);
- (d) to review and approve disclosure of compensation, as required by law or stock exchange regulation, are fulfilled and to consider and make recommendations to the directors of the Corporation concerning disclosure of the detail of Compensation packages and structures in addition to those required by law or by stock exchange regulation;
- (e) to provide oversight to the appointment and termination of the executives by the CEO; and
- (f) upon recommendation by the CEO, to consider and determine the terms of the service contracts of the executives and any proposed material changes to these contracts, including contractual terms on termination.

The Compensation Committee also periodically reviews the adequacy and form of the compensation of independent Directors and reports and makes recommendations to the Board accordingly. The Committee, in consultation with the Audit Committee, provides oversight with respect to compensation and retention issues (including appointment and termination) regarding, if applicable, the head of internal audit. The Committee, upon recommendation by the CEO, approves all executive incentive plans tied to performance.

The Compensation Committee considered the implications of the risks associated with the Corporation's compensation policies and practices. The Compensation Committee has concluded that the Corporation has policies and practices to ensure that the Named Executive Officers (defined below) do not have incentives to take inappropriate or excessive risks, including the following:

- an appropriate mix of fixed and variable compensation and an appropriate weighting of option-based compensation;
- there is a Whistleblower policy that encourages reporting of imprudent accounting behaviour;
- the Compensation Committee is comprised entirely of independent directors; and
- the entire Board of Directors reviews the Corporation's risk inventory with Named Executive Officers annually, ensuring that all members of the Compensation Committee have an understanding of the Corporation's enterprise risks when making its decisions in respect of compensation.

The Corporation has no policy which prevents an Named Executive Officer or director from purchasing financial instruments, including, for greater certainty, 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 common shares granted as compensation or held, directly or indirectly, by the Named Executive Officer or director.

## Compensation of Named Executive Officers

### Summary Compensation Table

The following table sets forth information regarding all compensation earned by each of the following executive officers of the Corporation: (a) the Chief Executive Officer, (b) the Chief Financial Officer, and (c) the other three most highly compensated individuals (the “**Named Executive Officers**”) for services provided to the Corporation and its subsidiaries during the years ended December 31, 2013 and December 31, 2012 and the period ended December 31, 2011. The following table, presented in accordance with Form 51-102F6, sets forth all direct and indirect compensation for services rendered by the Named Executive Officers to the Corporation for the fiscal years ended December 31, 2013 and December 31, 2012 and the period ended December 31, 2011.

**Table 2**

| Name and principal position  | Year          | Salary<br>(\$) | Share-based awards<br>(\$) | Option-based awards <sup>(3)</sup><br>(\$) | Non-equity incentive plan compensation <sup>(4)</sup> |  | Pension value<br>(\$) | All other compensation<br>(\$) | Total compensation<br>(\$) |
|--|---------------|----------------|----------------------------|--|---|--|-----------------------|--------------------------------|----------------------------|
|  |               |                |                            |  | Annual incentive plans<br>(\$)                        | Long term incentive plans <sup>(4)</sup><br>(\$) |                       |                                |                            |
|  |               |                |                            |  |   |  |                       |                                |                            |
| M. Ross Orr <sup>(1)</sup><br>President<br>Chief Executive Officer | Dec. 31, 2013 | 225,000        | Nil                        | Nil  | Nil   | Nil  | Nil                   | Nil                            | 225,000                    |
|  | Dec. 31, 2012 | 156,250        | Nil                        | 27,600                                     | Nil   | Nil  | Nil                   | Nil                            | 183,850                    |
|  | Dec. 31, 2011 | 150,000        | Nil                        | Nil  | Nil   | Nil  | Nil                   | Nil                            | 150,000                    |
| Louis R. Nagy<br>Chief Financial Officer <sup>(2)</sup>            | Dec. 31, 2013 | 60,000         | Nil                        | Nil  | Nil   | Nil  | Nil                   | Nil                            | 60,000                     |
|  | Dec. 31, 2012 | 60,000         | Nil                        | 27,600                                     | Nil   | Nil  | Nil                   | Nil                            | 87,600                     |
|  | Dec. 31, 2011 | 60,000         | Nil                        | Nil  | Nil   | Nil  | Nil                   | Nil                            | 60,000                     |

(1) Mr. Orr was appointed President of the Corporation on October 5, 2010. He was appointed President & CEO on December 6, 2010. Of the 2013 annual salary amount earned of \$225,000, a payable amount of \$132,500 to M. Ross Orr on account of his salary is outstanding as of December 31, 2013 and as of the date of this report.

(2) Mr. Nagy was appointed Chief Financial Officer on October 5, 2010.

(3) Grant date fair value calculations are based on the Black-Scholes Option Pricing Model. Option pricing models require the use of highly subjective estimates and assumption including the expected stock price volatility. Changes in the underlying assumption can materially affect the fair value estimates and, therefore, in management’s opinion existing models do not necessarily provide a reliable measure of the fair value of the Corporation’s share and option based awards.

(4) A “Long Term Incentive Plan” means any plan that provides compensation intended to motivate performance to occur over a period greater than one fiscal year, but does not include option or share-based awards.

## Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each of the Named Executive Officers outstanding as of December 31, 2013.

**Table 3**  
**Outstanding Share Awards and Option Awards**

| Name and position                                     | Option-based awards                                 |                       |                        |  | Share-based awards                                       |   |   |
|---|---|-----------------------|------------------------|--|--|---|---|
|   | Number of securities underlying unexercised options | Option exercise price | Option expiration date | Value of unexercised in-the-money options <sup>(1)</sup> | Number of shares or units of shares that have not vested | Market or payout value of share-based awards that have not vested | Market or payout value of vested share-based awards not paid out or distributed |
|   | (#)   | (\$)                  |                        | (\$)   | (#)  | (\$)  | (\$)  |
| M. Ross Orr<br>President &<br>Chief Executive Officer | 400,000   | \$0.15                | Dec. 6, 2015           | Nil  | Nil  | Nil   | Nil   |
|   | 200,000   | \$0.20                | July 8, 2017           | Nil  | Nil  | Nil   | Nil   |
| Louis R. Nagy<br>Chief Financial Officer              | 300,000   | \$0.15                | Dec. 6, 2015           | Nil  | Nil  | Nil   | Nil   |
|   | 200,000   | \$0.20                | July 8, 2017           | Nil  | Nil  | Nil   | Nil   |

(1) The closing price of the Common Shares on the CNSX on December 30, 2013 was \$0.04 per Common Share.

No incentive stock options were exercised by the Named Executive Officers during the year ended December 31, 2013.

## Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets out, for each Named Executive Officer, information concerning the value vested or earned on incentive plan awards during the year ended December 31, 2013:

**Table 4**

| Name  | Option-based awards value vested during the year <sup>(1)</sup> (\$) | Share-based awards value vested during the year <sup>(1)</sup> (\$) | Non-equity incentive plan compensation - value earned during the year (\$) |
|---|--|---|--|
| M. Ross Orr<br>President, Chief Executive Officer | Nil  | Nil   | Nil  |
| Louis R. Nagy<br>Chief Financial Officer          | Nil  | Nil   | Nil  |

(1) The aggregate value that would have been realized if the options had been exercised on the vesting date during the year ended December 31, 2013

## **Pension Plan Benefits**

The Corporation does not currently have a pension or retirement plan which is applicable to any of the Named Executive Officers.

## **Termination of Employment, Change of Responsibilities and Employment Contracts**

The Corporation entered into an employment agreement with the CEO, Mr. Ross Orr on December 1, 2012 pursuant to which Mr. Orr is entitled to (i) base salary of \$18,750 per month; (ii) such stock options as may be determined by the Board of Directors from time to time; (iii) 1% (\$2,250) of his annual base salary for each \$0.01 in earnings per share reported by the Corporation on an annual basis in the Corporation's annual financial statements; (iv) 1% of the net present value of each commercial bioleach facility that Mr. Orr successfully brings into commercial operation; and (v) a cash bonus in such amount as may be determined by the Board of Directors from time to time. However, the combined cash incentive of (iii) to (v) above shall not exceed 100% (\$225,000) of Mr. Orr's annual base salary and any additional accrued cash incentive compensation shall be paid in the form of options or other securities based compensation arrangements as determined by the Board of Directors. The net present value of the commercial bioleach facility will be calculated using an appropriate discount value. In the event that Mr. Orr's employment is terminated without cause or because he becomes disabled, the Corporation is required to pay Mr. Orr (i) 12 months base salary (\$225,000) and an additional one month base salary for each additional year of service to a maximum of 36 months (\$675,000), calculated from December 2, 2010 (less, in the event of disability, any payments from any disability income insurance policy provided by the Corporation); and (ii) provided Mr. Orr is terminated within 6 months of the end the Corporation fiscal year end, the pro-rata portion (based on number of days of employment during such fiscal year) of any bonus payment that would have been payable to him for that fiscal year. In the event of a change of control or constructive dismissal, Mr. Orr is entitled to a lump sum payment of two years of his then current base salary (\$450,000) and incentive compensation provided that he executes a mutual release to be effective upon receipt of the lump sum payment. In addition, pursuant to the Corporation's Stock Option Plan, upon termination Mr. Orr can exercise the options held by him for a period of 90 days after termination. If Mr. Orr had been terminated without cause or became disabled on December 31, 2013, he would have been entitled to \$800,000.

The Corporation currently does not have employment agreements with its other Named Executive Officer. Accordingly, his entitlements in the event of termination of employment or change of responsibilities would be governed by general employment law and he would, pursuant to the Corporation's Stock Option Plan, also be entitled to exercise the options held by him for a period of 90 days after termination. The Corporation is in the process of developing a comprehensive remuneration policy for executive officers and board of directors. Once this policy has been established, the Corporation intends to enter into employment agreements with each of the Named Executive Officers. It is anticipated that such employment agreements, if and when entered into, would address the Corporation's obligations in the event of termination of employment or change of responsibilities of the Named Executive Officer.

## DIRECTOR COMPENSATION

### Summary Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted to each of the directors of the Corporation (other than Named Executive Officers) for the year ended December 31, 2013.

**Table 5**  
**Year Ended December 31, 2013**

| Name                 | Fees earned (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation | Pension value (\$) | All other compensation (\$) | Total compensation (\$) |
|----------------------|------------------|-------------------------|--------------------------|--|--------------------|-----------------------------|-------------------------|
| John C. Gingerich    | Nil              | Nil                     | Nil                      | Nil                                    | Nil                | Nil                         | Nil                     |
| W. Walter Cimowsky   | Nil              | Nil                     | Nil                      | Nil                                    | Nil                | Nil                         | Nil                     |
| Jay L. Naster        | Nil              | Nil                     | Nil                      | Nil                                    | Nil                | Nil                         | Nil                     |
| Donald A. Whalen     | Nil              | Nil                     | 3,512                    | Nil                                    | Nil                | Nil                         | 3,512                   |
| Elena Gerasimovskaya | Nil              | Nil                     | 21,075                   | Nil                                    | Nil                | Nil                         | 21,075                  |

Other than as disclosed in the above table, no other director fees were paid to any of the Corporation's directors during the year ended December 31, 2013.

### Incentive Plan Awards for Directors

The following table provides information regarding the incentive awards held by each of the directors of the Corporation (other than the Named Executive Officers) outstanding as of December 31, 2013.

**Table 6**  
**Outstanding Share Awards and Option Awards**

| Name               | Option-based awards                                     |                            |                        |   | Share-based awards   |  |  |
|--------------------|---|----------------------------|------------------------|---|--|--|--|
|                    | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options <sup>(1)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
| John C. Gingerich  | 150,000   | \$0.15                     | Dec 6, 2015            | Nil   | Nil  | Nil  | Nil  |
|                    | 75,000  | \$0.20                     | July 8, 2017           | Nil   | Nil  | Nil  | Nil  |
| W. Walter Cimowsky | 150,000   | \$0.15                     | Dec 6, 2015            | Nil   | Nil  | Nil  | Nil  |
|                    | 75,000  | \$0.20                     | July 8, 2017           | Nil   | Nil  | Nil  | Nil  |

|                      |         |        |              |     |     |     |     |
|----------------------|---------|--------|--------------|-----|-----|-----|-----|
| Jay L. Naster        | 150,000 | \$0.15 | Dec 6, 2015  | Nil | Nil | Nil | Nil |
|                      | 75,000  | \$0.20 | July 8, 2017 | Nil | Nil | Nil | Nil |
| Donald A. Whalen     | 125,000 | \$0.20 | July 8, 2017 | Nil | Nil | Nil | Nil |
|                      | 25,000  | \$0.20 | Mar 17, 2018 | Nil | Nil | Nil | Nil |
| Elena Gerasimovakaya | 150,000 | \$0.20 | Mar 17, 2018 | Nil | Nil | Nil | Nil |
|                      |         |        |              |     |     |     |     |

(1) The closing price of the Common Shares on the CNSX on December 31, 2013 was \$0.04 per Common Share.

### Incentive Plan Awards - Value Vested or Earned During the Period

The following table sets out, for each director, (other than the Named Executive Officers) information concerning the value vested or earned on incentive plan awards during the year ended December 31, 2013:

**Table 7**

| Name                 | Option-based awards<br>Value vested during the year <sup>(1)</sup><br>(\$) | Share-based awards<br>Value vested during the<br>year <sup>(1)</sup> (\$) | Non-equity incentive plan<br>compensation – Value<br>earned during the year<br>(\$) |
|----------------------|--|---|---|
| John C. Gingerich    | Nil  | Nil   | Nil   |
| W. Walter Cimowsky   | Nil  | Nil   | Nil   |
| Jay L. Naster        | Nil  | Nil   | Nil   |
| Donald A. Whalen     | 3,512  | Nil   | Nil   |
| Elena Gerasimovakaya | 21,075   | Nil   | Nil   |

(1) The aggregate value that would have been realized if the options had been exercised on the vesting date during the year ended December 31, 2013.

### Directors' and Officers' Liability Insurance

The Corporation maintains directors' and officers' liability insurance for the directors and officers of the Corporation, which provides coverage in the amount of \$2,000,000 in each policy year. The total annual premium for the policy is \$11,200.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information in respect of the Corporation's equity compensation plans under which equity securities of the Corporation are authorized for issuance.



**Table 8**  
**Equity Compensation Plan Information as at December 31, 2013**

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup> | Weighted-average exercise price of outstanding options, warrants and rights (\$) | Number of securities remaining available for future issuance under equity compensation plans <sup>(2)</sup> |
|--|--|--|---|
| Equity compensation plans approved by security holders     | 4,150,000  | 0.18   | 825,503   |
| Equity compensation plans not approved by security holders | Nil  | Nil  | Nil   |
| Total  | 4,150,000  | 0.18   | 825,503   |

(1) Represents Common Shares issuable upon the exercise of stock options granted pursuant to the Stock Option Plan.

(2) Based on the maximum number of Common Shares reserved for issuance upon the exercise of stock options under the Stock Option Plan, 4,975,503 (10% of 49,755,027), as at the year ended December 31, 2013.

### Stock Option Plan

The Corporation's Stock Option Plan was first approved by the shareholders of REBgold Corporation (formerly BacTech Mining Corporation) ("REBgold") at the special shareholders' meeting held on November 12, 2010. At that time, the Corporation was a wholly-owned subsidiary of REBgold, and the shareholders approved a Plan of Arrangement pursuant to which the shares of the Corporation were distributed to shareholders of REBgold. At the Corporation's first meeting of shareholders held on June 23, 2011 following completion of the Plan of Arrangement, the Stock Option Plan was ratified and approved by the Corporation's shareholders.

The Stock Option Plan provides for the granting of options to purchase Common Shares and is designed to attract, retain and motivate employees, officers, directors, insiders, management company employees and consultants of the Corporation and its affiliates. The total number of Common Shares reserved for issuance under the Stock Option Plan may not, at any time, exceed 10% of the number of Common Shares then issued and outstanding.

The exercise price for the Common Shares of the Corporation under each option shall be determined by the Board on the basis of the market price, where "market price" means the prior trading day closing price of the Common Shares on any stock exchange on which the shares are listed or last trading price on the prior trading day on any dealing network where the shares trade, and where there is no such closing price or trade on the prior trading day, "market price" means the average of the most recent bid and ask of the shares of the Corporation on any stock exchange on which the shares are listed or dealing network on which the shares of the Corporation trade. The Stock Option Plan also provides that the maximum term of an option is five (5) years from the date of grant.

The Stock Option Plan provides that the number of Common Shares reserved for issuance in any twelve-month period cannot exceed: (i) 5% of the issued and outstanding Common Shares to any one individual, (ii) 10% of the issued and outstanding Common Shares to insiders (5% to any one insider, together with any other share compensation arrangements, in any one year period), and (iii) 2% of the issued and outstanding Common Shares to any one consultant or investor relations employee in any 12 month period.

Pursuant to the Stock Option Plan, upon the death of a holder, the options of the deceased holder are exercisable by the holder's heirs or administrators for a period of one (1) year after the date of death, or prior to the expiry date of the options, whichever is earlier. A holder who ceases to be a director, insider,

officer, employee, management company or consultant of the Corporation can exercise the options held by it for a period of 90 days after such cessation date. In the case of a holder that is an investor relations employee who ceases to be so employed, any options held by same will expire within 30 days after such cessation date. Except as provided in the foregoing, options under the Stock Option Plan are not assignable or otherwise transferable.

The Board may at any time amend or terminate the Stock Option Plan, but any such amendment is subject to regulatory approval.

Options issued under the Stock Option Plan may vest at the discretion of the Board as determined at the time of each grant of options. The Board may permit the exercise of previously granted options prior to certain transactions, including an acquisition of control of the Corporation or the business of the Corporation or a liquidation or dissolution of the Corporation.

## **CORPORATE GOVERNANCE DISCLOSURE**

### **Board of Directors**

The Board facilitates its exercise of independent supervision over management by ensuring that the majority of its directors are independent. The independent members of the Board are John C. Gingerich, W. Walter Cimowsky and Jay L. Naster.

The non-independent director of the Board is M. Ross Orr (President and Chief Executive Officer). Mr. Orr has been determined to be non-independent under National Instrument 58-101 by virtue of his position as an executive officer of the Corporation since inception.

### **Other Public Company Directorships**

The following members of the Board hold directorships in other reporting issuers:

| <b>Name</b>       | <b>Reporting Issuer</b>   |
|-------------------|---|
| M. Ross Orr       | N/A   |
| John C. Gingerich | Advanced Explorations Inc.<br>Takara Resources Inc.   |
| Donald A. Whalen  | Pancontinental Uranium Corp.<br>Roscan Minerals Corporation<br>SouthTech Capital Corporation<br>VMS Ventures Inc. |

### **Majority Voting Policy**

The Board of Directors has approved a Majority Voting Policy to which all nominees for election to the Board are asked to agree, prior to the Board of Directors recommending that they be elected. Pursuant to the Majority Voting Policy, forms of proxy for meetings of the shareholders of the Corporation at which directors are to be elected provide the option of voting in favour of, or withholding from voting for, each individual nominee to the Board of Directors. If, with respect to any particular nominee, the number of Common Shares withheld from voting exceeds the number of Common Shares voted in favour of the nominee, then the nominee will be considered to have not received the support of the Shareholders for the purpose of the Majority Voting Policy and such elected director is expected to immediately submit his or her resignation to the Board of Directors.

Within 90 days of receiving the final voting results for the applicable shareholders' meeting, the Board of Directors will announce either the resignation of such director or that the Board of Directors has decided not to accept the resignation. If the resignation is accepted, subject to any corporate law restrictions, the Board of Directors may (i) leave the resultant vacancy in the Board unfilled until the next annual meeting of shareholders of the Corporation, (ii) fill the vacancy through the appointment of a director whom the Board considers to merit the confidence of the Shareholders, or (iii) call a special meeting of the shareholders of the Corporation to consider the election of a nominee recommended by the Board to fill the vacant position. The Majority Voting Policy applies only in the case of an uncontested election of directors at which more than 65% of the outstanding Common Shares have been voted by holders in person or by proxy.

### **Orientation and Continuing Education of Board Members**

New Board members receive an orientation package which includes reports on operations and results, policy manual, and public disclosure filings by the Corporation. Board meetings are sometimes held at the Corporation's facilities or by conference call, and are combined with presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available throughout the year for discussion with all Board members.

### **Measures to Encourage Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors pursuant to corporate legislation and the common law, and the conflict of interest provisions under corporate legislation which restricts an individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

### **Nomination of Board Members**

The size of the Board is reviewed annually when the Board considers the number of directors to recommend for election at the annual meeting of shareholders. The Board takes into account the number of directors required to carry out the Board's duties effectively, and to maintain a diversity of view and experience. The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Corporation, this policy will be reviewed.

### **Determination of Compensation of Directors and Officers**

The Board's mandate includes reviewing, approving and establishing compensation for the directors and officers of the Corporation to ensure that such compensation adequately reflects the responsibilities and risks of being a director and/or officer of a public company. This function is carried out by the Compensation and Corporate Governance Committee of the Board, which is comprised of Walter Cimowsky (Chair) and Donald A Whalen.

### **Other Board Committees**

The Corporation's Board has no other standing committees other than the Audit Committee and the Compensation and Corporate Governance Committee. The Board has developed a mandate for the Audit Committee and reviews such mandate annually. The mandate of the Audit Committee is attached hereto as Schedule "A".

### **Assessment of Directors, the Board and Board Committees**

The Board monitors the adequacy of information given to directors, the communications between the Board and management and the strategic direction and processes of the Board and its committees, to satisfy itself that the Board, its Committees and its individual directors are performing effectively.

## AUDIT COMMITTEE DISCLOSURE

### Audit Committee Mandate

The Audit Committee is responsible for overseeing the accounting and financial reporting process of the Corporation and annual external audits of the consolidated financial statements. The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are set out in the Corporation's Audit Committee mandate, attached to this Information Circular as Schedule "A". The audit committee has not adopted specific policies and procedures for the engagement of non-audit services.

### Composition of the Audit Committee

The Audit Committee consists of John C. Gingerich (Chair), Jay Naster, and M. Ross Orr. Messrs. Gingerich and Naster are "independent" within the meaning of National Instrument 52-110 – Audit Committees ("**NI 52-110**"). Mr. Orr has been determined to be non-independent by virtue of his position as an executive officer of the Corporation since its inception. All are considered to be financially literate.

### Relevant Education and Experience of Audit Committee Members

*John C. Gingerich* – Mr. Gingerich currently serves as Chairman of the Board. He also currently serves as the President and Chief Executive Officer of Advanced Explorations Inc. Prior to that, Mr. Gingerich was President of Geotechnical Business Solutions Inc., and before that, Senior Manager of Noranda Exploration, reporting directly to the President and Vice-President of Exploration. In this capacity he was responsible for managing budgets and programs in excess of \$1 million and worked regularly with corporate accountants and the Controller as part of the company's fiscal responsibility.

*Jay L. Naster* - In Mr. Naster's capacity as a lawyer in both public and private practice, he has provided advice and conducted litigation in connection with complex corporate, securities and tax-driven transactions. This work has routinely involved the accounting treatment and presentation of the transaction in the financial statements of both public and private issuers. It has also necessitated familiarization with accounting principles and related concepts, as well as the internal controls and procedures by which the financial statements were prepared by the issuer, and audited by the public accountant.

*M. Ross Orr* – Mr. Orr is currently the President and Chief Executive Officer of the Corporation. Mr. Orr completed his Canadian Securities Institute exams in 1981 and worked as a Registered Representative for RBC Dominion Securities (and its predecessor, Pitfield Mackay Ross) for 10 years. He was also a venture capital partner in CC Capital Partners from 1999 to 2002.

## External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation by its external auditor during the last two financial years.

**Table 9**

| Year Ended        | Audit fees <sup>(1)</sup> | Audit-related fees <sup>(2)</sup> | Tax fees <sup>(3)</sup> | All other fees <sup>(4)</sup> |
|-------------------|---------------------------|-----------------------------------|-------------------------|-------------------------------|
| December 31, 2013 | 29,000                    | -                                 | 2,500                   | -                             |
| December 31, 2012 | \$29,000                  | -                                 | \$2,850                 | \$1,800                       |

(1) The aggregate fees billed for audit services.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.

(4) The aggregate fees billed for professional services other than those listed in the other three columns: consulting fees for SRED claims.

## Reliance on Certain Exemptions

As the Corporation is a "venture issuer", it is relying on the exemptions provided by section 6.1 of NI 52-110 with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations of NI 52-110.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, there was no indebtedness owing to the Corporation (or another entity but guaranteed by the Corporation) by any executive officer, director, employee, former officer, director or employee of the Corporation or an associate of any director, proposed director or executive officer of the Corporation. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, no informed person of the Corporation, proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the financial statements and the Corporation's Management's Discussion and Analysis ("MD&A") for the financial year ended December 31, 2013. Shareholders may contact the Secretary of the Corporation to request copies of the Corporation's financial statements and MD&A by phone at 416-813-0303 or by email at [info@bactechgreen.com](mailto:info@bactechgreen.com).

## **APPROVAL**

The contents of this Information Circular and the sending hereof to the shareholders of the Corporation have been approved by the directors of the Corporation.

**BY ORDER OF THE BOARD OF DIRECTORS**

Signed: "*M. Ross Orr*"

M. Ross Orr  
President, Chief Executive Officer and Director

## SCHEDULE "A"

### BACTECH ENVIRONMENTAL CORPORATION

#### AUDIT COMMITTEE MANDATE

##### Mandate

##### A. Role and Objective

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of BacTech Environmental Corporation ("BacTech") established for the purpose of overseeing the accounting and financial reporting process of BacTech and external audits of the consolidated financial statements of BacTech. In connection therewith, the Committee assists the Board in fulfilling its oversight responsibilities in relation to BacTech's internal accounting standards and practices, financial information, accounting systems and procedures, financial reporting and statements and the nature and scope of the annual external audit. The Committee also recommends for Board approval BacTech's audited annual consolidated financial statements and other mandatory financial disclosure.

BacTech's external auditor is accountable to the Board and the Committee as representatives of shareholders of BacTech. The Committee shall be directly responsible for overseeing the relationship of the external auditor. The Committee shall have such access to the external auditor as it considers necessary or desirable in order to perform its duties and responsibilities. The external auditor shall report directly to the Committee.

The objectives of the Committee are as follows:

1. to be satisfied with the credibility and integrity of financial reports;
2. to support the Board in meeting its oversight responsibilities in respect of the preparation and disclosure of financial reporting, including the consolidated financial statements of BacTech;
3. to facilitate communication between the Board and the external auditor and to receive all reports of the external auditor directly from the external auditor;
4. to be satisfied with the external auditor's independence and objectivity; and
5. to strengthen the role of independent directors by facilitating in-depth discussions between members of the Committee, management and BacTech's external auditor.

##### B. Composition

1. The Committee shall comprise at least 2 directors.
2. Members of the Committee shall be appointed by the Board. Each member shall serve until his successor is appointed, unless he shall resign or be removed by the Board or he shall otherwise cease to be a director of BacTech.
3. The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Committee Chair shall satisfy the independence, financial literacy and experience requirements.

4. The Committee shall have access to such officers and employees of BacTech and to such information respecting BacTech as it considers necessary or advisable in order to perform its duties and responsibilities.

### **C. Meetings**

1. At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the matter will be referred to the Board for decision.
2. A quorum for meetings of the Committee shall be a majority of its members.
3. Meetings of the Committee shall be scheduled at least quarterly and at such other times during each year as it deems appropriate. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Committee Chair. The Chair of the Committee shall hold *in camera* sessions of the Committee, without management present, at every meeting.
4. The Committee shall report the results of meetings and reviews undertaken and any associated recommendations to the Board.
5. The Committee shall meet periodically with BacTech's external auditor (in connection with the preparation of the annual financial statements and otherwise as the Committee may determine), part or all of each such meeting to be in the absence of management.

### **D. Responsibilities**

As discussed above, the Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to the accounting and financial reporting processes of BacTech and external audits of BacTech's consolidated financial statements. In that regard, the Committee shall:

1. satisfy itself on behalf of the Board with respect to BacTech's internal control systems including identifying, monitoring and mitigating business risks as well as compliance with legal, ethical and regulatory requirements. The Committee shall also review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or other contingency (including tax assessments) that could have a material effect on the financial position or operating results of BacTech (on a consolidated basis), and the manner in which these matters may be, or have been, disclosed in the financial statements;
2. review with management and the external auditor the annual consolidated financial statements of BacTech, the reports of the external auditor thereon and related financial reporting, including Management's Discussion and Analysis and earnings press releases (collectively, "Annual Financial Disclosure") prior to their submission to the Board for approval. This process should include, but not be limited to:
  - a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future year's financial statements;
  - b) reviewing significant accruals, reserves or other estimates;
  - c) reviewing accounting treatment of unusual or non-recurring transactions;
  - d) reviewing disclosure requirements for commitments and contingencies;



- e) reviewing financial statements and all items raised by the external auditor, whether or not included in the financial statements; and
- f) reviewing unresolved differences between BacTech and the external auditor.

Following such review, the Committee shall recommend to the Board for approval all Annual Financial Disclosure;

- 3. review with management all interim consolidated financial statements of BacTech and related financial reporting including Management's Discussion and Analysis and earnings press releases (collectively "Quarterly Financial Disclosure") and, if thought fit, approve all Quarterly Financial Disclosure;
- 4. be satisfied that adequate procedures are in place for the review of BacTech's public disclosure of financial information extracted or derived from BacTech's financial statements, other than Annual Financial Disclosure or Quarterly Financial Disclosure, and shall periodically assess the adequacy of those procedures;
- 5. review with management and recommend to the Board for approval, any financial statements of BacTech which have not previously been approved by the Board and which are to be included in a prospectus of BacTech;
- 6. review with management and recommend to the Board for approval, BacTech's Annual Information Form;
- 7. with respect to the external auditor:
  - a) receive all reports of the external auditor directly from the external auditor;
  - b) discuss with external auditor:
    - i) critical accounting policies;
    - ii) alternative treatments of financial information within GAAP discussed with management (including the ramifications thereof and the treatment preferred by the external auditor); and
    - iii) other material, written communication between management and the external auditor;
  - c) consider and make a recommendation to the Board as to the appointment or re-appointment of the external auditor, being satisfied that such auditor is a participant in good standing pursuant to applicable securities laws;
  - d) review the terms of engagement of the external auditor, including the appropriateness and reasonableness of the auditor's fees and make a recommendation to the Board as to the compensation of the external auditor;
  - e) when there is to be a replacement of the external auditor, review with management the reasons for such replacement and the information to be included in any required notice to securities regulators and recommend to the Board for approval the replacement of the external auditor along with the content of any such notice;

- f) oversee the work of the external auditor in performing its audit or review services and oversee the resolution of any disagreements between management and the external auditor;
  - g) review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with BacTech and its affiliates in order to determine the external auditor's independence, including, without limitation:
    - iv) requesting, receiving and reviewing, on a periodic basis, written or oral information from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to BacTech;
    - v) discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and independence of the external auditor; and
    - vi) recommending that the Board take appropriate action in response to the external auditor's information to satisfy itself of the external auditor's independence;
8. establish procedures for:
    - a) the receipt, retention and treatment of complaints received by BacTech regarding accounting, internal accounting controls or auditing matters; and
    - b) the confidential, anonymous submission by employees of BacTech of concerns regarding questionable accounting or auditing matters;
  9. review with external auditor its assessment of the internal controls of BacTech, its written reports containing recommendations for improvement, and BacTech's response and follow-up to any identified weaknesses;
  10. with respect to risk management, be satisfied that BacTech has implemented appropriate systems of internal control over financial reporting (and review senior management's assessment thereof) to ensure compliance with any applicable legal and regulatory requirements;
  11. review annually with management and the external auditor and report to the Board on insurable risks and insurance coverage; and engage independent counsel and other advisors as it determines necessary to carry out its duties and set and pay the compensation for any such advisors.
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**SCHEDULE "B"**  
**BACTECH ENVIRONMENTAL CORPORATION**  
**(the "Corporation")**

**AUDIT COMMITTEE "WHISTLE-BLOWER" PROCEDURES POLICY**

**MI 52-110 Requirement**

Pursuant to Multilateral Instrument 52-110, the Corporation's Audit Committee is required to establish procedures for:

- a. the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

This procedures policy is designed to achieve this purpose.

**The Corporation's Procedure**

Employees having concerns regarding questionable accounting or auditing matters are encouraged to submit such concerns (the "Accounting Related Complaint") to the Chair of the Corporation's Audit Committee.

Any employee who wishes to make an Accounting Related Complaint may do so anonymously or in confidence by directing such Accounting Related Complaint in writing directly to the Chair of the Audit Committee. Delivery may be made directly to the Chairman or to the Chairman care of the Corporation and marked personal and confidential.

Upon receiving an Accounting Related Complaint, the Chair of the Audit Committee will, depending upon the apparent urgency of the matter, call a meeting of the Audit Committee or add the Accounting Related Complaint to the agenda for consideration at the next regularly scheduled meeting of the Audit Committee.

The Audit Committee shall review and discuss, on a preliminary basis, the nature of the Accounting Related Complaint and the accounting, internal accounting controls or auditing matters that are called into question. In conducting this review, the Audit Committee will hold an *in camera* session, and then may request the attendance, at its discretion, of the Chief Executive Officer, the Chief Financial Officer, the Corporation's auditor and/or the person making the Accounting Related Complaint (if known and if such person is amenable) and/or such other persons as it deems necessary. The purpose of the meeting and the nature of the Accounting Related Complaint shall have been communicated to all such attendees by notice prior to the meeting.

If the Audit Committee is satisfied upon a preliminary review that the Accounting Related Complaint has merit, the Audit Committee shall authorize the Chair of the Audit Committee to retain and consult with an appropriately qualified: (1) law firm; and (2) a registered public accounting firm, within the meaning of applicable securities legislation, other than the independent auditor, in order to review the Accounting Related Complaint.

Following the conclusion of its inquiries, the Audit Committee shall meet to determine the merit of the Accounting Related Complaint. Minutes of such meeting shall be kept in the normal course in order to ensure a record of the nature and treatment of the Accounting Related Complaint.

Upon reaching such determination, the Audit Committee will communicate its findings and recommendations to the Board. The Board shall consider and implement such recommendations, as it deems advisable, to rectify any deficiencies identified in the Accounting Related Complaint and shall communicate same to management.

The Audit Committee shall ensure that confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances; and the person who makes the Accounting Related Complaint (if known) shall receive a written summary of the final determination.

The Audit Committee shall retain all documentation regarding the Accounting Related Complaint, its preliminary review, any investigation, determination and implementation of recommendations for a period of no less than ten (10) years.

### **Administration**

The Corporation, through the Chief Executive Officer shall be responsible for the dissemination of this Policy to all Employees.

### **No Retaliation**

The Corporation will not allow or pursue retaliation of any kind in respect of an Accounting Related Complaint, or for assistance or information provided to applicable authorities in connection with an investigation of breaches of applicable securities law, where such are made or provided in good faith. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes corporate fraud, is a violation of this Procedure, a violation of the law or presents a substantial and specific danger to the public's health and safety. Any retaliatory action should immediately be reported to the Chairman or any other member of the Corporation's Board of Directors.