

**TELFERSCOT RESOURCES INC.**  
**SUITE 2702, 401 BAY STREET**  
**TORONTO, ONTARIO**  
**M5H 2Y4**

**INFORMATION CIRCULAR**  
**MANAGEMENT SOLICITATION**  
**(Containing information as at July 10, 2013 unless otherwise stated)**

**SOLICITATION OF PROXIES**

**This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies by and on behalf of the management (the “Management”) of Telferscot Resources Inc. (the “Corporation”) for use at the Annual General and Special Meeting of the Corporation (the “Meeting”) to be held at Suite 2702, 401 Bay Street, Toronto, Ontario, M5H 2Y4, at the hour of 10:00 o’clock in the morning (Toronto time), on Monday, the 19<sup>th</sup> day of August, 2013, for the purposes set out in the accompanying Notice of Meeting. The cost of solicitation will be borne by the Corporation.**

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally by the directors and/or officers of the Corporation at nominal cost. Arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares (“**Common Shares**”) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are officers or directors of the Corporation (the “**Management Designees**”). **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO** by inserting such other person’s name in the blank space provided in the form of proxy and depositing the completed proxy with the Transfer Agent of the Corporation, **Capital Transfer Agency, Inc., 121 Richmond Street West, Suite 401, Toronto, Ontario M5H 2K1**. A proxy can be executed by the shareholder or his attorney duly authorized in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, the proxy may be revoked before it is exercised by instrument in writing executed and delivered in the same manner as the proxy at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting and upon either such occurrence, the proxy is revoked.

Please note that Shareholders who receive their Meeting Materials (as defined in the “Advice to Beneficial Shareholders” section below) from Broadridge Investor Communication Solutions, Canada (“**Broadridge**”) must return the proxy forms, once voted, to Broadridge for the proxy to be dealt with.

**DEPOSIT OF PROXY**

By resolution of the Directors duly passed, **ALL PROXIES TO BE USED AT THE MEETING MUST BE DEPOSITED NOT LATER THAN 4:00 P.M. FRIDAY AUGUST 16, 2013, OR ANY ADJOURNMENT THEREOF, WITH THE CORPORATION OR ITS AGENT, CAPITAL TRANSFER AGENCY, INC.,** provided that a proxy may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time for voting. A return envelope has been included with this material.

## ADVICE TO BENEFICIAL SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, common shares owned by a person are registered either (a) in the name of an intermediary (an “**Intermediary**”) that the non-registered holder deals with in respect of the common shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“**CDS**”)) of which the Intermediary is a participant (a “**non-registered holder**”). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Circular and the accompanying Notice of Meeting together with the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to non-registered holders of Common Shares. Intermediaries are required to forward the Meeting Materials to non-registered holders unless a non-registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive Meeting Materials will either:

- a) 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 and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically the non-registered holder will also be given a page of instructions, which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of the Common Shares they beneficially own. Should a non-registered holder who receives either form of proxy wish to vote at the Meeting in person, the non-registered holder should strike out the persons named in the form of proxy and insert the non-registered holder’s name in the blank space provided. Non-registered holders should carefully follow the instructions of their Intermediary including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.

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

## EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy for use at the Meeting will vote the shares in respect of which they are appointed in accordance with the directions of the shareholders appointing them. **IN THE ABSENCE OF SUCH DIRECTIONS, SUCH SHARES SHALL BE VOTED “FOR”:**

- (a) appointment of MNP LLP, Chartered Accountants, as the auditors of the Corporation for the ensuing year and authorizing the directors to fix their remuneration;
- (b) election of the directors as nominated by Management;

- (c) a resolution authorizing the Corporation to complete a transaction (the “**Exchange Transaction**”) with Allied Link Holdings Ltd. (“**ALH**”) pursuant to which ALH would agree to surrender its 12,237,200 common shares of the Corporation for cancellation in consideration for receiving 28.79% of the Corporation’s interest in Kolwezi Copper Corp. (“**KCC**”);
- (d) if the resolution set out in item (c) above is approved, a resolution approving a reduction in the Corporation’s stated capital to the extent necessary to complete the Exchange Transaction; and
- (c) to transact such further and other business as may properly come before the said Meeting or any adjournment of adjournments thereof.

**ALL AS MORE PARTICULARLY DESCRIBED IN THIS CIRCULAR.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to any amendment, variation or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT DESIGNEES SHOULD PROPERLY COME BEFORE THE MEETING, THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

**EFFECTIVE DATE**

The effective date of the Circular is July 10, 2013.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Each shareholder of record will be entitled to one (1) vote for each Common Share held at the Meeting.

Holders of record of the Common Shares of the Corporation on July 10, 2013 (the “**Record Date**”) will be entitled either to attend and vote at the Meeting in person shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation as described herein, to attend and vote thereat by proxy the shares held by them. However, if a holder of Common Shares of the Corporation has transferred any shares after the Record Date and the transferee of such shares establishes ownership thereof and makes a written demand, not later than ten (10) days before the Meeting, to be included in the list of shareholders entitle to vote at the Meeting, the transferee will be entitled to vote such shares.

The authorized capital of the Corporation presently consists of an unlimited number of Common Shares, of which 42,512,200 Common Shares are issued and outstanding as fully paid and non-assessable as of the Record Date.

To the knowledge of the directors and executive officers of the Corporation, there are no parties who beneficially own, directly or indirectly, or exercise control or direction over 10% or more of any class of securities of the Corporation other than as follows:

| <u>Name of Share holder</u> | <u>Number and Type of Securities</u>   | <u>Percentage of Class</u> | <u>Percentage of Voting Securities</u> |
|-----------------------------|--|----------------------------|--|
| Allied Link Holdings Ltd.   | 12,237,200 Common Shares               | 28.79%                     | 28.79%                                 |
| James Garcelon              | 4,525,000 Common Shares <sup>(1)</sup> | 10.64%                     | 10.64%                                 |

**Note:**

(1) Held as to 4,125,000 Common Shares directly with the balance held by Mr. Garcelon's spouse.

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

None of the directors or executive officers of the Corporation, no proposed nominee for election as a director of the Corporation, none of the persons who have been directors or executive officers of the Corporation since the commencement of the Corporation's last completed financial year, and no associate or affiliate of any 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 and the appointment of officers except as disclosed herein.

## **EXECUTIVE COMPENSATION**

The information contained below is provided as required under Form 51-102F6 for Venture Issuers, as such term is defined in National Instrument 51-102.

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides information about the Corporation's executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers ("**Named Executive Officers**") listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2012, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Corporation:

- James Garcelon, Chief Executive Officer
- Geoff Kritzinger, CPA, CA, Chief Financial Officer
- William Trewick, President and Chief Operating Officer

The Corporation does not employ or retain any other individuals who would qualify as a "Named Executive Officer" because no other executive officer or employee of the Corporation receives total compensation (including without limitation salary and bonus) in excess of \$150,000.

The Compensation Committee is responsible for the compensation program for the Corporation's Named Executive Officers.

### **Compensation Objectives and Principles**

The Corporation is a mineral exploration company with property interests located in the Democratic Republic of Congo. The Corporation has no revenues from operations and often operates with limited financial resources. As a result, to ensure that funds are available to complete scheduled programs, the Compensation Committee has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial condition of the Corporation in the future.

Since the preservation of cash is an important goal of the Corporation, an important element of the compensation awarded to the Named Executive Officers is the granting of stock options, which do not require cash disbursement by the Corporation. The granting of stock options also helps to align the interests of the Named Executive Officers with the interests of the Corporation. The other two elements of the compensation the Corporation awards to its Named Executive Officers are: (i) base cash consulting fees; and (ii) cash bonus payments for achievement of stated milestones or benchmarks. The Corporation does not provide its Named Executive Officers with perquisites or personal benefits that are not otherwise available to all of our employees.

### **Compensation Processes and Goals**

The deliberations with respect to compensation are conducted in a special session from which management is absent. These deliberations are intended to advance the key objectives of the compensation program for the Corporation's Named Executive Officers. At the request of the Board of Directors, the Named Executive Officers may, from time

to time, provide advice to the Board of Directors with respect to the compensation program for the Corporation's Named Executive Officers.

The Corporation relies on its Compensation Committee, through discussion without any formal objectives, targets, criteria or analysis, in determining the compensation of its Named Executive Officers. The Compensation Committee is responsible for determining all forms of compensation, including the provision of long-term incentives through the granting of stock options to the Named Executive Officers of the Corporation, and to others, including without limitation to the Corporation's directors, to ensure such arrangements reflect the responsibilities and risks associated with each such officer's position. The Compensation Committee incorporates the following goals when it makes its compensation decisions with respect to the Corporation's Named Executive Officers: (i) the recruiting and retaining of executives who are critical both to the success of the Corporation and to the enhancement of shareholder value; (ii) the provision of fair and competitive compensation; (iii) the balancing of the interests of management with the interests of the Corporation's shareholders; (iv) the rewarding of performance, both on an individual basis and with respect to the operations of the Corporation as a whole; and (v) the preservation of available financial resources. The Board of Directors does not currently consider the implications of the risks associated with the Corporation's compensation policies and practices as a result of the limited options available to the Corporation.

### **The Implementation of the Corporation's Compensation Policies**

#### *Consulting Fees*

During the year ended December 31, 2012, the Corporation did not pay any compensation to the Chief Executive Officer:

The Chief Financial Officer receives \$3,500 per month through the Corporation's contract with Grove Capital Group. This amount was agreed upon between the Chief Financial Officer and the Corporation taking into account the following considerations:

- the Chief Financial Officer's prior public company and financial reporting experience gained through his senior financial management roles at a number of public mineral exploration and mining companies; and
- the Chief Financial Officer's experience as a Chartered Accountant.

The President and Chief Operating Officer does not receive any compensation directly from the Corporation for acting as President. For the year ended December 31, 2012, Mr. Trewick was compensated by Kolwezi Copper Corp. On December 31, 2012 the Corporation held a 41.6% interest in KCC and was responsible for funding all of its expenses. From January 1, 2012 to June 30, 2012, Mr. Trewick received a salary of US\$120,000 per annum. From July 1, 2012 to April 30, 2013, Mr. Trewick's salary was US\$150,000 per annum. Subsequent to year end, the shareholders of KCC entered into a heads of agreement pursuant to which a new investor acquired a 70% interest in KCC and has agreed to provide up to \$20,000,000 in financing which will be used to cover all costs of KCC. As a result, the Corporation is no longer responsible for any portion of Mr. Trewick's compensation. Furthermore, effective July 10, 2013 Mr. Trewick is no longer the President and COO of the Corporation.

#### *Stock Options*

The granting of options to the Named Executive Officers under the Corporation's Stock Option Plan provides an appropriate long-term incentive to management to create shareholder value. The number of options the Corporation grants to each Named Executive Officer reasonably reflects the Named Executive Officer's specific contribution to the Corporation in the execution of such person's responsibilities. However, the number of options granted does not depend upon nor does it reflect the fulfillment of any specific performance goals or similar conditions. Previous grants of options to Named Executive Officers are taken into consideration by the Compensation Committee in developing its recommendations with respect to the granting of new options. On November 29, 2012, 750,000 options were granted to the Named Executive Officers.

The granting of options to the other directors of the Corporation under the Corporation's Stock Option Plan provides



### Summary Compensation Table

| Name and Principal Position                            | Year | Salary<br>(\$) | Share-Based Awards<br>(\$) | Option-Based Awards<br>(\$) <sup>(1)</sup> | Non-Equity Incentive Plan Compensation<br>(\$) |                           | Pension Value<br>(\$) | All Other Compensation<br>(\$) | Total Compensation<br>(\$) |
|--|------|----------------|----------------------------|--|--|---------------------------|-----------------------|--------------------------------|----------------------------|
|  |      |                |                            |  | Annual Incentive Plans                         | Long-Term Incentive Plans |                       |                                |                            |
| William Trewick<br>President and COO <sup>(2)(4)</sup> | 2012 | 135,000        | Nil                        | 3,055                                      | Nil  | Nil                       | Nil                   | Nil                            | <b>138,055</b>             |
|  | 2011 | 60,000         | Nil                        | 55,000                                     | Nil  | Nil                       | Nil                   | Nil                            | 115,000                    |

- (1) Based on values derived from using Black Scholes option pricing methodology.  
(2) Mr. Garcelon resigned as President on July 27, 2011 and was replaced by William Trewick;  
(3) Mr. Lowe resigned as Chief Financial Officer on September 1, 2011 and was replaced by Geoff Kritzing.  
(4) Given fluctuating foreign exchange rates, Mr. Trewick's monthly compensation paid in USD is assumed to be equivalent to CAD; his employment Telferscot commenced in July, 2011.

### Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of December 31, 2012

The following table summarizes all share-based and option-based awards granted by the Corporation to its Named Executive Officers, which are outstanding as of December 31, 2012.

| Name            | Option-Based Awards  |                               |                        | Share-Based Awards   |   |   |
|-----------------|--|-------------------------------|------------------------|--|---|---|
|                 | Number of Securities Underlying Unexercised Options<br>(#) | Option Exercise Price<br>(\$) | Option Expiration Date | Value of Unexercised In-The-Money Options<br>(\$) <sup>(1)</sup> | Number of Shares or Units of Shares that have not Vested<br>(#) | Market or Payout Value of Share-Based Awards that have not Vested<br>(\$) |
| James Garcelon  | 400,000  | \$0.15                        | November 29, 2017      | Nil  | 266,667   | Nil   |
| Geoff Kritzing  | 100,000  | \$0.15                        | November 29, 2017      | Nil  | 66,667  | Nil   |
|                 | 200,000  | \$0.15                        | July 27, 2016          | Nil  | 66,667  | Nil   |
| William Trewick | 250,000  | \$0.15                        | November 29, 2017      | Nil  | 166,667   | Nil   |
|                 | 500,000  | \$0.15                        | July 27, 2016          | Nil  | Nil   | Nil   |

Note:

- (1) The value of the unexercised in-the-money options was calculated based on the difference between the closing price of the Common Shares underlying the options on the last trading date prior to December 31, 2012, which was \$0.02 and the exercise price of the option.

### Value Vested or Earned by Named Executive Officers During the Year Ended December 31, 2012 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation

The following table summarizes the value vested or earned during the year by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended December 31, 2012.

| Name             | Option-Based Awards - Value Vested During the Year<br>(\$) <sup>(1)</sup> | Share-Based Awards - Value Vested During the Year<br>(\$) | Non-Equity Incentive Plan Compensation - Value Earned During the Year<br>(\$) |
|------------------|---|---|---|
| James Garcelon   | 4,888   | Nil   | Nil   |
| Geoff Kritzinger | 7,333   | Nil   | Nil   |
| William Trewick  | 3,055   | Nil   | Nil   |

Note:

(1) Based on values derived from using Black Scholes option pricing methodology

### Termination and Change of Control Benefits

The Corporation has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of any such officer's employment with the Corporation, from a change of control of the Corporation or a change in the responsibilities of a Named Executive Officer following a change in control.

### Compensation of Directors

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Corporation's directors, other than its Named Executive Officers, the compensation of whom is detailed above under "Summary Compensation Table", for the fiscal year ended December 31, 2012.

| Director Compensation Table |                                 |                         |   |   |                           |                    |                             |            |
|-----------------------------|---------------------------------|-------------------------|---|---|---------------------------|--------------------|-----------------------------|------------|
| Name                        | Fees Earned (\$) <sup>(1)</sup> | Share-Based Awards (\$) | Option-Based Awards (\$) <sup>(2)</sup> | Non-Equity Incentive Plan Compensation (\$) |                           | Pension Value (\$) | All Other Compensation (\$) | Total (\$) |
|                             |                                 |                         |   | Annual Incentive Plans                      | Long-Term Incentive Plans |                    |                             |            |
| Stephen Coates              | 1,500                           | Nil                     | 4,888                                   | Nil   | Nil                       | Nil                | Nil                         | 6,388      |
| Gerry Gravina               | 1,500                           | Nil                     | 2,444                                   | Nil   | Nil                       | Nil                | Nil                         | 3,944      |
| Louis Chertkow              | 1,500                           | Nil                     | 4,888                                   | Nil   | Nil                       | Nil                | Nil                         | 6,388      |

(1) Starting in the fourth quarter of 2012, the Board of Directors approved quarterly directors fees of \$1,500 for each independent director. Such fees have, to date, remained unpaid.

(2) Based on values derived from using Black Scholes option pricing methodology

### Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who are Named Executive Officers) as of December 31, 2012

The following table summarizes all share-based and option-based awards granted by the Corporation to its directors (other than directors who are Named Executive Officers whose share-based and option-based awards outstanding as of December 31, 2011 detailed above) which are outstanding as of December 31, 2012.



| Name           | Option-Based Awards  |                               |                        | Share-Based Awards   |   |   |
|----------------|--|-------------------------------|------------------------|--|---|---|
|                | Number of Securities Underlying Unexercised Options<br>(#) | Option Exercise Price<br>(\$) | Option Expiration Date | Value of Unexercised In-The-Money Options<br>(\$) <sup>(1)</sup> | Number of Shares or Units of Shares that have not Vested<br>(#) | Market or Payout Value of Share-Based Awards that have not Vested<br>(\$) |
| Gerry Gravina  | 200,000  | \$0.15                        | November 29, 2017      | Nil  | 133,334   | Nil   |
|                | 200,000  | \$0.15                        | July 27, 2016          | Nil  | Nil   | Nil   |
| Stephen Coates | 400,000  | \$0.15                        | November 29, 2017      | Nil  | 266,667   | Nil   |
| Louis Chertkow | 400,000  | \$0.15                        | November 29, 2017      | Nil  | 266,667   | Nil   |

Note:

(1) The value of the unexercised in-the-money options was calculated based on the difference between the closing price of the Common Shares underlying the options on the last trading day prior to December 31, 2012, which was \$0.02, and the exercise price of the option.

#### **Value Vested or Earned During the Year Ended December 31, 2012 by Directors (Other Than Directors Who are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year ended December 31, 2012 by directors of the Corporation (other than directors who are Named Executed Officers whose value vested or earned during the year ended December 31, 2012 under option-based awards, share-based awards and non-equity incentive plan compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

| Name           | Option-Based Awards- Value Vested During the Year<br>(\$) <sup>(1)</sup> | Share-Based Awards- Value Vested During the Year<br>(\$) | Non-Equity Incentive Plan Compensation- Value Earned During the Year<br>(\$) |
|----------------|--|--|--|
| Gerry Gravina  | 2,444  | Nil  | Nil  |
| Stephen Coates | 4,888  | Nil  | Nil  |
| Louis Chertkow | 4,888  | Nil  | Nil  |

Note:

(1) Based on values derived from using Black Scholes option pricing methodology

#### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION**

The following table sets out information as of December 31, 2012 with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

| <u>Plan Category</u>                                       | <u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u> | <u>Weighted-average exercise price of outstanding options, warrants and rights</u> | <u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 3,000,000  | \$0.15   | 1,251,220  |
| Equity compensation plans not approved by security holders | Nil  | Nil  | Nil  |
| Total  | 3,000,000  | \$0.15   | 1,251,220  |

## **STOCK OPTION PLAN**

Shareholders of the Corporation adopted a stock option plan (the “**Stock Option Plan**”) on October 1, 2010. The following is a summary of its principal terms.

The purpose of the Stock Option Plan is to encourage common stock ownership in the Corporation for directors, executive officers, employees and consultants who are primarily responsible for the management and profitable growth of its business, to provide additional incentive for superior performance by such persons and to enable the Corporation to attract and retain valued directors, officers and employees by granting stock options to such persons.

The Stock Option Plan provides that eligible persons thereunder include any director, employee (full-time or part-time), executive officer or consultant of the Corporation or any subsidiary thereof. A consultant means an individual (including an individual whose services are contracted through a personal holding company) with whom the Corporation or a subsidiary has a contract for substantial services.

The Stock Option Plan is administered by the Board of Directors of the Corporation. The Board of Directors has the authority to determine, among other things, subject to the terms and conditions of the Stock Option Plan, the terms, limitations, restrictions and conditions respecting the grant of stock options under the Stock Option Plan.

The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares from time to time. Investor Relations persons may not be granted options exceeding 2% of outstanding capital and such options must vest over one (1) year with no more than 25% vesting in each quarter.

Pursuant to the Stock Option Plan, the options will not be transferable other than by will or the laws of descent and distribution, the option price to be such price as is to be fixed by the Plan’s administrator but shall not be less than the fair market value of the shares at the time the option is granted and payment thereof shall be made in full on the exercise of the options. The terms of the options may not exceed five (5) years and shall be subject to earlier redemption upon the termination of employment. If an optionee ceases to be an eligible person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable in a period not exceeding six (6) months following the termination of the optionee’s position with the Corporation but only up to and including the original option expiry date. If an optionee dies, the legal representative of the optionee may exercise the optionee’s options for a period not exceeding one (1) year after the date of the optionee’s death but only up to and including the original option expiry date. The Stock Option Plan also contains anti-dilution provisions usual to plans of this type.

The Corporation will not provide any optionee with financial assistance in order to enable such optionee to exercise

stock options granted under the Stock Option Plan. The Corporation has no other compensation plans or arrangements in place and none are currently contemplated.

As of the date of this Circular, there are 3,000,000 stock options outstanding under the Plan and 1,251,220 options available for grant as follows

| <b>Name and Position</b>                  | <b>Common Shares Under Option</b> | <b>Exercise Price Range</b> | <b>Expiry Date</b>                        |
|---|-----------------------------------|-----------------------------|---|
| Directors                                 | <b>1,200,000</b>                  | <b>\$0.15</b>               | <b>July 27, 2016 to November 29, 2017</b> |
| Directors who are also Executive Officers | <b>1,150,000</b>                  | <b>\$0.15</b>               | <b>July 27, 2016 to November 29, 2017</b> |
| Executive Officers                        | <b>300,000</b>                    | <b>\$0.15</b>               | <b>July 27, 2016 to November 29, 2017</b> |
| Consultants                               | <b>350,000</b>                    | <b>\$0.15</b>               | <b>July 27, 2016 to November 29, 2017</b> |
| <b>TOTAL</b>                              | <b>3,000,000</b>                  |                             |   |

#### **INDEBTEDNESS OF OFFICERS AND DIRECTORS**

No officer or director of the Corporation is indebted to the Corporation for any sum.

#### **MANAGEMENT CONTRACTS**

No management functions of the Corporation are performed to any substantial degree by a person other than the directors or executive officers of the Corporation. The Corporation pays a monthly management fee to Grove Capital Group Ltd., a corporation controlled by a director of the Corporation. The contract provides for a fee of \$17,500 a month and includes \$3,500 for the services of Geoff Kritzing as Chief Financial Officer as well as office rent, corporate secretarial services and general administrative services. Total fees paid to Grove Capital Group Ltd. for the year ended December 31, 2012 amounted to \$210,000.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No insider of the Corporation, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Corporation or any of its subsidiaries, other than disclosed under the headings "Executive Compensation" and "Stock Option Plan" and as disclosed below.

#### **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS**

The Corporation is required to have an audit committee comprised of not less than three directors. The following sets out the disclosure required by Multilateral Instrument 52-110 of the Canadian Securities Administrators ("MI 52-110") with respect to the audit committee of a Venture Issuer.

## **The Audit Committee's Charter**

The Corporation's Audit Committee is governed by its Audit Committee Charter, a copy of which is annexed hereto as **Appendix "A"**.

## **Composition of the Audit Committee**

The Corporation's Audit Committee is currently comprised of three (3) directors, James Garcelon, Stephen Coates and Gerry Gravina. As defined in MI 52-110, Mr. Coates and Mr. Gravina are independent. Also as defined in MI 52-110, all three members of the Audit Committee are financially literate.

## **Audit Committee Oversight**

Since the commencement of the Corporation's most recently completed fiscal year, the Corporation's Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

## **Relevant Education and Experience**

The following is a summary of the relevant education and experience of each of the members of the Corporation's Audit Committee:

**Stephen Coates:** Mr. Coates is a founder and principal of Grove Capital Group, specializing in the incubation and development of new resource companies across the world. Mr. Coates previously founded and served as CEO of TSX-listed Homeland Energy Group and having spent more than 12 years in the resource and financial industries, brings together strengths in business development, communications and finance to create strategic relationships for success. Stephen Coates began his career in investment management and advisory services at RBC Dominion Securities in Canada. Following which he joined Independent Equity Research Corp. as Vice President, Business Development. In 2003, Mr. Coates formed Grove Communications Inc. to provide communications and business development services to small-cap public companies primarily in the mining and resource industry. In 2006, he co-founded Homeland Uranium Inc., which subsequently gave rise to Homeland Energy Group Limited, which he served as President and Chief Executive Officer of from December 2004 to October 2009. Mr. Coates is a graduate of Kings College at the University of Western Ontario in London, Canada. He also served two years with the Government of Ontario ending as Special Assistant to then Premier Mike Harris.

**James Garcelon:** Mr. Garcelon has over 20 years of experience in the financial services and resource industries. He began his career at RBC Dominion Securities where he acted in a number of capacities and areas including investment banking, derivatives and quantitative research. In 1997, he joined Pacific Century Group a Hong Kong based private equity fund. Pacific Century was then a strategic investor in Gordon Capital Corporation, which was acquired by HSBC Securities in late 1998. Mr. Garcelon played an instrumental role in the restructuring and merging of the two organizations. He was appointed Managing Director, Institutional Research at HSBC Securities in 2000. In 2003, Mr. Garcelon joined National Bank Financial and was promoted to Managing Director, Head of Institutional Sales in 2005. Currently Mr. Garcelon is a Principal with, and cofounder of, Grove Capital Group a merchant banking group. He is also a director of Homeland Uranium Inc., Midlands Minerals Corporation and a past director and audit committee chair for Southern Andes Energy Inc. He is a Chartered Financial Analyst and holds a Masters of Science in International Political Economy from the London School of Economics in addition to a HBA from the Richard Ivey School of Business

**Gerry Gravina:** Mr. Gravina began his investment career as an Equities Analyst at Commercial Union Assurance of Canada, an insurance company since acquired by Aviva. From 1980 to 1996, Mr. Gravina held a number of increasingly senior positions in institutional equity agency and liability trading. He was a Vice President and Director at Merrill Lynch Canada, Partner at Loewen Ondaatje McCutcheon, and Vice President and Manager at RBC Dominion Securities in that time period. From 1996 to 2002, Mr. Gravina was Executive Vice President and Managing Partner for Institutional Equities at Gordon Capital Corporation. In late 1998, Gordon Capital was acquired by HSBC Securities Canada, a subsidiary of one of the largest banking and financial services organizations in the world. At HSBC, Mr. Gravina's responsibilities grew to include equity research and proprietary trading. Mr.

Gravina joined National Bank Financial in 2002 as Executive Vice President and Head of Institutional Equities. In 2009, Mr. Gravina founded Visum Capital, a multi-strategy alternative investment management firm, bringing to fruition his unique vision for trading and managing risk in the Canadian marketplace. At Visum, Mr. Gravina is responsible for the firm's risk policy and management as well as trading Canadian equity strategies. Mr. Gravina holds an Honours Bachelor's degree from the University of Toronto.

### Reliance on Certain Exemptions

Since the effective date of MI 52-110, the Corporation has not relied on the exemptions contained in sections 2.4 or 8 of MI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditors, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditors in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of MI 52-110, in whole or in part.

### Pre-Approval Policies and Procedures

The Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Committee will review the engagement of non-audit services as required.

### External Auditors Service Fees (By Category)

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

| <u>Financial Year Ending</u> | <u>Audit Fees</u> | <u>Audit Related Fees</u> <sup>(1)</sup> | <u>Tax Fees</u> <sup>(2)</sup> | <u>All Other Fees</u> <sup>(3)</sup> |
|------------------------------|-------------------|--|--------------------------------|--------------------------------------|
| 2012 <sup>(4)</sup>          | \$35,000          | Nil                                      | Nil                            | Nil                                  |
| 2011                         | \$71,561          | Nil                                      | Nil                            | Nil                                  |

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under Audit Fees.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column
- (4) Estimated 2012 audit fees not billed as of effective date of circular

### Exemption

The Corporation is relying upon the exemption in section 6.1 of MI 52-110 for venture issuers which allows for an exemption from Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of MI 52-110 and allows for the short form of disclosure of audit committee procedures set out in Form 52-110F2.

## CORPORATE GOVERNANCE

Effective June 30, 2006, the securities regulatory authorities in Canada adopted National Instrument 58-101-Disclosure of Corporate Governance Practices ("NI-58-101") and National Policy 58-201 Corporate Governance Guidelines ("NP-58-201"). NP-58-201 contains a series of guidelines for effective corporate governance. The guidelines deal with such matters as the constitution and independence of corporate boards, their functions, the experience and education of board members and other items dealing with sound corporate governance.

Pursuant to NI-58-101, the Corporation is now required to provide disclosure in this Information Circular of its corporate governance practices in accordance with Form 58-101F2 which follows:

1. **Board of Directors** — Currently Stephen Coates, Gerry Gravina and Louis Chertkow are the independent directors of the Corporation. James Garcelon is Chief Executive Officer and William Trewick is President. On March 7, 2012 the Board of Directors adopted a new set of corporate governance policies including a Board Charter, Code of Business Conduct and Ethics, Insider Trading Policy, Whistle Blower Policy and

Disclosure Policy.

2. **Directorships** — No director of the Corporation is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction except for: James Garcelon, director of Midlands Minerals Corporation and Homeland Uranium Inc. and Stephen Coates, Director of Exploratus Inc., Caracara Silver Inc., Gallahad Metals Inc., and Homeland Uranium Inc.
3. **Orientation and Continuing Education** —Currently the full Board of Directors is responsible for providing for orientation and continuing education for new directors. In the future, the Board of Directors may consider creating a Corporate Governance Committee, one of the mandates of which will be to create an orientation program for new board members. The Board of Directors has not currently established criteria for continuing education for directors.
4. **Ethical Business Conduct** — A Code of Business Conduct was established March 7, 2012 and is available on SEDAR.
5. **Nomination of Directors** — The Board of Directors will continue to be responsible for identifying new candidates for the board including members to fill any vacancies on the board. It will consider candidates submitted by directors, officers, employees, shareholders and others and may retain search firms for the purposes of identifying suitable candidates who meet the level of personal and professional integrity and ability it deems appropriate for directors of the Corporation.
6. **Compensation** — On March 7, 2012 a Compensation Committee was established comprised of Gerry Gravina, Stephen Coates and James Garcelon, the majority of whom are independent. The Compensation Committee will continue to review the compensation of directors and officers including the granting of stock options. Compensation will be determined with reference, in part, to compensation of officers and directors in similar industries performing similar functions.
7. **Other Board Committees** — Currently the Board of Directors has established an Audit Committee and a Compensation Committee. The Board of Directors is considering the establishment of a Corporate Governance Committee but has no intention at this time to establish other standing committees of the board.
8. **Assessments** — The full Board of Directors will establish procedures for satisfying itself that the board, its committees, and its individual directors are performing effectively.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Presentation of Financial Statements**

The consolidated financial statements of the Corporation for the years ended December 31, 2012 and 2011 and the report of the auditors thereon will be submitted to the Meeting. Receipt at the Meeting of the auditors' report and the Corporation's consolidated financial statements will not constitute approval or disapproval of any matters referred to therein. The consolidated financial statements and the Management's Discussion and Analysis for the year ended December 31, 2012 have been mailed to shareholders of record and non-objecting beneficial shareholders. A copy of these consolidated financial statements can be obtained at [www.sedar.com](http://www.sedar.com). In the alternative, upon receiving a written request to the address on the first page of this Circular, the Corporation will mail a copy of the consolidated financial statements to you.

### **2. Appointment of Auditors**

The persons named in the enclosed form of proxy intend to vote for the re appointment MNP LLP (previously MSCM LLP), as auditors of the Corporation to hold office until the next annual meeting of shareholders and to

authorize the directors of the Corporation to fix the auditors' remuneration.

On the representations of the said auditors, neither that firm nor any of its partners has any direct financial interest nor any material indirect financial interest in the Corporation or any of its subsidiaries nor has had any connection during the past three years with the Corporation or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

The shareholders are urged by Management to appoint MNP LLP, as the Corporation's auditors and to authorize the Board of Directors to fix their remuneration.

### **3. Election of the Board of Directors**

The Board of Directors of the Corporation presently consists of five (5) directors. Louis Chertkow and William Trewick have elected not to stand for re-election as directors. The persons named in the enclosed form of proxy intend to vote for the election as directors of the Corporation, the three (3) nominees of Management whose names are set forth below. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation. The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all of the positions and offices with the Corporation now held by them, their present principal occupations or employments and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them as of July 10, 2013. The information as to shares beneficially owned has been furnished to the Board of Directors by the respective nominees.

| <b><u>Name Municipality of Residence</u></b>         | <b><u>Position with Corporation</u></b> | <b><u>Principal Occupation or Employment for the Last Five Years</u></b>   | <b><u>Director From</u></b> | <b><u>Number of Shares Beneficially Owned or Controlled</u></b> |
|--|---|--|-----------------------------|---|
| James Garcelon <sup>(1)(2)</sup><br>Toronto, Ontario | CEO and Director                        | Principal of Grove Capital Group since 2009.<br>Strategic Advisor to Homeland Energy Group Inc. from 2008 to 2009.<br>Prior to that, Managing Director, Head of Institutional Equity Sales National Bank Financial | June 2, 2010                | 4,525,000 Common Shares <sup>(3)</sup>                          |
| Stephen Coates <sup>(1)(2)</sup><br>Toronto, Ontario | Director                                | Principal of Grove Capital Group since 2009. Prior to that, President of Homeland Energy Group Ltd. from 2004 to 2009  | June 2, 2010                | 2,963,089 Common Shares <sup>(4)</sup>                          |
| Gerry Gravina <sup>(1)(2)</sup><br>Toronto, Ontario  | Director                                | Since December of 2009, Co-President of Visum Capital Inc., prior to that Mr. Gravina was a private investor and entrepreneur.   | August 6, 2010              | 1,100,000 Common Shares   |

Note:

(1) Member of the Audit Committee.

(2) Members of the Compensation Committee

- (3) Held as to 4,125,000 Common Shares directly and 400,000 by Mr. Garcelon's spouse
- (4) Held as to 2,108,500 Common Shares directly, and 400,000 Common Shares through two trusts which are controlled by Mr. Coates, 438,589 are held by Mr. Coates spouse and children.

The shareholders are urged to elect Management's nominees as directors of the Corporation.

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

#### **Cease Trade Orders**

Except as disclosed below, none of the directors or officers of the Corporation is, or within the past ten years prior to the date hereof has been, a director, officer or promoter of any other issuer that, while that person was acting in that capacity:

- (1) was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; or
- (2) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person,

Geoff Kritzingner was Chief Financial Officer of Enquest Energy Services Corp. (ENQ – TSXV), which in May, 2010, was subject to a cease trade order for failure to file audited financial statements and other required disclosures within prescribed time limits. The cease trade order has not been rescinded.

#### **Penalties or Sanctions**

None of the directors or officers of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

#### **Individual Bankruptcies**

None of the directors or officers of the Corporation has, within the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

#### **Conflict of Interest**

To the best of the Corporation's knowledge and other than as disclosed herein, there are no existing or potential conflicts of interest among the Corporation, its promoters, directors, officers or other members of management of the Corporation except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies and their duties as a director, officer, promoter or management of the Corporation.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.



#### **4. Approval of Exchange Transaction**

At the Meeting, Shareholders will be asked to, if thought appropriate, adopt, with or without amendments, a resolution to approve a transaction (the “**Exchange Transaction**”) whereby the Corporation will exchange a portion of its interest in Kolwezi Copper Corp. (“KCC”) in return for the cancellation of shares of the Corporation.

##### **Background**

As announced on June 4, 2013, the Corporation, along with all of the shareholders of KCC, entered into a heads of agreement (the “**HOA**”) with Ivory Investments Limited (“**Ivory**”) pursuant to which Ivory agreed to provide up to \$20,000,000 in funding to support exploration on KCC’s properties in the Democratic Republic of the Congo in exchange for 70% of the total outstanding capital of KCC. As a result of the HOA as well as the issuance of shares for finder’s fees in respect of the HOA, the Corporation’s interest in KCC is being reduced to 10.39%. The Corporation’s interest in KCC will effectively be a carried interest until such time as the entire \$20,000,000 has been expended or until the facility is terminated in accordance with its terms. Management of the Corporation will therefore be seeking other opportunities for the Corporation. Allied Link Holdings Ltd. (“**ALH**”) invested in the Corporation solely to participate in the properties held by KCC. ALH owns 12,237,200 common shares of the Corporation representing 28.79% of outstanding capital.

With the new direction to be undertaken by the Corporation, Management approached ALH with a proposal whereby ALH would exchange its shares of the Corporation for an equivalent percentage of the Corporation’s stake in KCC. Management is of the view that the Exchange Transaction is in the best interests of the shareholders of the Corporation.

##### **Terms of the Transaction**

ALH currently holds 12,237,200 common shares of the Corporation representing 28.79% of the 42,512,200 common shares currently outstanding. On the completion of the steps set out in the HOA, the Corporation will hold shares of KCC representing 10.39% of KCC’s total outstanding common shares (the “**KCC Stake**”). 28.79% of the KCC Stake is 2.99%. As a result, the Corporation will transfer to ALH shares of KCC representing 2.99% of KCC’s outstanding capital in consideration for ALH surrendering its entire position in the Corporation for cancellation, reducing the Corporation’s outstanding common shares to 30,275,000.

Management has also taken into account the following information in deciding to recommend the Exchange Transaction to Shareholders:

ALH acquired a majority of its shares in the Corporation in later private placements at a price materially higher than the average price paid by the remaining Shareholders. As a result, the Exchange Transaction will result in the remaining Shareholders of the Corporation having an interest in a greater percentage of KCC than their capital contributions represent of the total amount raised by the Corporation since its incorporation.

Completion of the Exchange Transaction will remove a significant controlling shareholder and provide more flexibility to pursue other opportunities.

In addition, by surrendering its entire share position in the Corporation, ALH will forgo any future opportunities pursued by the Corporation. The benefit of any future opportunities will be for the sole benefit of the remaining Shareholders.

For all of the above reasons, Management is recommending that Shareholders vote in favour of the Exchange Transaction.

##### **Resolution**

ALH is a related party of the Corporation as such term is defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”) as ALH controls approximately 28.79% of

outstanding capital and Louis Chertkow, the principal of ALH, is a director of the Corporation. The Exchange Transaction is exempt from the valuation requirements of MI 61-101 on the basis of the exemption set out in section 5.5(b) but the Exchange Transaction is subject to minority shareholder approval. As a result ALH is excluded from voting on the Exchange Transaction. A total of 12,737,200 shares comprised of ALH's holdings and the holdings of its associates and affiliates will be excluded from voting.

At the Meeting, Shareholders, other than ALH, will be asked to approve the following resolution. The resolution must be approved by a simple majority of all shareholders voting at the meeting other than ALH.

**BE IT RESOLVED THAT:**

1. The Corporation is hereby authorized to transfer to Allied Link Holding Ltd. ("ALH") that number of shares of Kolwezi Copper Corp. ("KCC") representing 2.99% of the issued and outstanding capital of KCC in consideration for ALH surrendering 12,237,500 common shares of the Corporation for cancellation;
2. Any director or officer of the Corporation be and each of them is hereby authorized to do such things and to execute and deliver all such documents that such director or officer may, in his discretion, determine to be necessary or useful in order to give full effect to the intent and purpose of this resolution.

**The directors of the Corporation unanimously recommend that the Shareholders vote in favour of the Exchange Transaction.**

**UNLESS OTHERWISE INDICATED, THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE IN FAVOUR OF THE EXCHANGE TRANSACTION.**

**5. Reduction of Stated Capital**

**General**

At the Meeting, Shareholders will be asked, if the Exchange Transaction is approved, to consider and, if thought appropriate, adopt, with or without amendments, a special resolution to reduce the stated capital account of the Common Shares by up to \$1,500,000 or such other amount as shall be determined by the Board of Directors without making any payment on such reduction (the "**Stated Capital Reduction Resolution**").

**Background and Reasons for the Reduction of Stated Capital**

As at March 31, 2013, the Corporation had an accumulated deficit of \$3,461,437 and the stated capital of the Common Shares was \$3,440,870. The deficit was primarily attributable to losses experienced by the Corporation during the financial years ended December 31, 2011, and December 31, 2012.

Shareholders will be asked at the Meeting to approve a special resolution authorizing up to a \$1,500,000 reduction in the stated capital account of the Common Shares (the "**Reduction of Capital**"). The Reduction of Capital will be required following the completion of the Exchange Transaction. Pursuant to Section 34(2) of the *Canada Business Corporations Act* (the "**CBCA**"), the Corporation can only acquire the Common Shares held by ALH if, following the completion of the Exchange Transaction, the realizable value of the Corporation's assets exceeds the aggregate of its liabilities and its stated capital. The Board of Directors of the Corporation is in the process of determining the realizable value of its assets. Based upon the information available, the Board of Directors is of the view that the maximum amount by which the stated capital of the Corporation would need to be reduced so that following the Exchange Transaction the realizable value of its assets would be greater than the aggregate of its liabilities and stated capital is \$1,500,000. The Board of Directors will finalize the amount of Reduction of Capital immediately following the completion of the Exchange Transaction but in any event such reduction will not exceed \$1,500,000. The Reduction of Capital will be credited against the consolidated accumulated deficit of the Corporation (the "**Deficit**"). The Reduction of Capital will not otherwise affect the assets or liabilities of the Corporation. The Reduction of Capital will not result in any monetary or other payment to Shareholders. It will not change the amount of shareholder's equity, but solely its composition.

## **Certain Canadian Federal Income Tax Considerations**

This summary is of a general nature only. It is based on the current provisions of the Tax Act and its Regulations, all proposed amendments thereto publicly announced by the Minister of Finance (Canada) prior to the date hereof, and the Corporation's understanding of the current published administrative and assessing practices of the Canada Revenue Agency ("CRA"). The summary assumes that any proposed amendments will be enacted as proposed, does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action or any changes in administrative practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

Generally, under the Tax Act any payment made by a public corporation (which the Corporation is) on a reduction of capital will be treated as a dividend, subject to certain limited exceptions such as the redemption of shares, certain reorganizations and the distribution of certain transaction proceeds. However, since no amount will be paid by the Corporation on the reduction of capital contemplated in the Stated Capital Reduction Resolution, none of the shareholders will be deemed to have received a dividend by virtue of such reduction of capital. In addition, there will not be any resulting adjustments to the adjusted cost base of shares held by shareholders as a result of such Reduction of Capital.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all the Canadian federal income tax considerations. Accordingly, shareholders should consult their own tax advisors with respect to their particular circumstances.

### **Resolution**

At the Meeting, the Corporation's Shareholders will be asked to approve the Stated Capital Reduction Resolution, in the form set out below. The approval of the Stated Capital Reduction Resolution will require the affirmative vote of 66⅔% of the votes cast by the Shareholders, present in person or represented by proxy at the Meeting.

#### **BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:**

1. The stated capital account maintained in respect of the Common Shares of the Corporation is hereby authorized to be reduced by up to \$1,500,000, or such other amount as shall be determined by the board of directors as necessary to effect the Exchange Transaction, without any payment being made to holders of Common Shares on such reduction.
2. The reduction of the stated capital account maintained in respect of the Common Shares shall not take effect until the directors of the Corporation pass a resolution specifying the amount by which the stated capital shall be reduced.
3. Any director or officer of the Corporation be and each of them is hereby authorized to do such things and to execute and deliver all such documents that such director or officer may, in his discretion, determine to be necessary or useful in order to give full effect to the intent and purpose of this resolution.
4. Notwithstanding that this resolution has been passed by the Corporation's Shareholders, the directors of the Corporation are hereby authorized and empowered to revoke this resolution, without any further approval of the Corporation's shareholders, at any time prior to the time the directors pass the resolution contemplated above, if such revocation is considered necessary or desirable by the directors.

**The directors of the Corporation unanimously recommend that the Shareholders vote in favour of the Stated Capital Reduction Resolution.**

**UNLESS OTHERWISE INDICATED, THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE IN FAVOUR OF THE STATED CAPITAL REDUCTION RESOLUTION.**

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to the Company is provided in the Company's comparative financial statements and management discussion and analysis ("MD&A") for the fiscal year ended December 31, 2012. Shareholders may contact the Company to request copies of the financial statements and MD&A by mail to Suite 2701, 401 Bay Street, Toronto, ON M5H 2Y4 attention: Catherine Beckett.

## **APPROVAL OF DIRECTORS**

The Circular and the mailing of same to shareholders have been approved by the Board of Directors of the Corporation.

DATED the 10<sup>th</sup> day of July 2013.

## **BY ORDER OF THE BOARD OF DIRECTORS**

*"James Garcelon"*

**JAMES GARCELON**  
C.E.O.

## APPENDIX "A" AUDIT COMMITTEE CHARTER

### PURPOSE

The overall purpose of the Audit Committee (the "Committee") of the Board of Directors of Telferscot Resources Inc. (the "Corporation") will be to carry out the functions associated with an audit committee of an issuer of the size and nature of the Corporation (as defined below). The purpose of the Committee is to ensure that the Corporation's management has designed and implemented an effective system to review and report on the integrity of the consolidated financial statements, operational and financial risk management and internal controls of the Corporation. The Committee will also review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts with respect to such matters. As part of this mandate, the Committee shall take all necessary steps to ensure compliance by the Corporation with all laws and regulatory policies, rules, regulations and instruments pertaining to audit and financial reporting that are applicable to the Corporation from time to time (the "Applicable Laws").

### COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of not less than two members of the Board of Directors of the Corporation (the "Board"), of whom:

- (a) must meet any independence tests; and
- (b) must satisfy any financial literacy or other competency standards;

set out under Applicable Laws, except as may be allowed under any applicable exemptions provided for under Applicable Laws or any exemption orders obtained from applicable regulatory authorities.

2. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

3. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair (the "Chairman") from amongst their number.

4. The Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee.

5. The quorum for meetings shall be a majority of the members (the "Members") of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

6. The Committee shall have access to such officers and employees of the Corporation and of the other consolidated subsidiaries of the Corporation, and to the Corporation's external auditors and to

such information respecting the Corporation, as the Committee considers to be necessary or advisable in order to perform its duties and responsibilities.

7. Meetings of the Committee shall be conducted as follows:

- (a) the Committee shall meet at least six times annually at such times and at such locations as may be requested by the Chairman. The Corporation's external auditors or any member of the Committee may request a meeting of the Committee;
- (b) the Corporation's external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
- (c) the Chief Executive Officer and the Chief Financial Officer of the Corporation shall be invited to attend all meetings of the Committee, except executive sessions and private sessions with the external auditors. Other management representatives of the Corporation shall be invited to attend as necessary.

8. The internal auditors of the Corporation (if any) and the external auditors of the Corporation shall have a direct line of communication to the Committee through the Chairman. The Corporation shall require the external auditors of the Corporation to report directly to the Committee. The internal auditor (if any) shall report directly and solely to the Chairman of the Audit Committee.

#### DUTIES AND RESPONSIBILITIES

9. The overall duties and responsibilities of the Committee shall include:

- (a) assisting the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and approving the Corporation's annual and quarterly consolidated financial statements;
- (b) establishing and maintaining a direct line of communication with the Corporation's internal (if any) and external auditors and assessing their performance;
- (c) ensuring that the management of the Corporation has designed, implemented and is maintaining an effective system of internal controls for the Corporation; and
- (d) reporting regularly to the Board on the fulfilment of the duties and responsibilities of the Committee.

10. The duties and responsibilities of the Committee as they relate to the external auditors shall include:

- (a) recommending to the Board a firm of external auditors to be engaged by the Corporation;
- (b) reviewing and approving the fee, scope and timing of the audit and other related services rendered by the external auditors;
- (c) overseeing 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

Corporation, including the resolution of disagreements between management of the Corporation and the external auditor regarding financial reporting;

- (d) reviewing the audit plan of the external auditors prior to the commencement of the audit;
- (e) reviewing with the external auditors, upon completion of their audit:
  - (i) contents of their report;
  - (ii) scope and quality of the audit work performed;
  - (iii) adequacy of the Corporation's financial and auditing personnel;
  - (iv) co-operation received from the Corporation's personnel during the audit;
  - (v) internal resources used;
  - (vi) significant transactions outside of the normal business of the Corporation; and
  - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems.
- (f) pre-approving all, non-audit services to be provided to the Corporation by the Corporation's external auditor in accordance with Applicable Laws.

11. The Committee shall hold meetings with the external auditors at least once a year without the presence of management of the Corporation prior the approval of the audited annual financial statements of the Corporation and at such other times as determined necessary or appropriate by the Committee.

12. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors (if any) shall include:

- (a) periodically reviewing the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
- (b) reviewing and approving the internal audit plan; and
- (c) reviewing significant internal audit findings and recommendations, and management's response thereto.

13. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

- (a) ensure adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;

- (b) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
- (c) review compliance with any business conduct policy that the Corporation may put in place and periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;
- (d) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
- (e) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

14. The Committee is also charged with the responsibility to:

- (a) review and approve the Corporation's financial statements (annual and interim) and MD&A (annual and interim) as well as the financial sections of prospectuses and other public reports requiring approval by the Board before such documents are publicly disclosed by the Corporation;
- (b) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
- (c) review the minutes of any audit committee meeting of associated companies, partnerships or trusts;
- (d) review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material affect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (e) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (f) establish procedures for the confidential, anonymous submission by employees of the Corporation or any other consolidated subsidiary of the Corporation of concerns regarding questionable accounting or auditing matters,
- (g) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation; and



- (h) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders.

15. The Committee has the authority:

- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- (b) to set and pay the compensation for any advisors employed by the Committee.