

**AUXICO RESOURCES CANADA INC.  
INFORMATION CIRCULAR**

**PART I  
INFORMATION CONCERNING THE MEETING**

**DATE, TIME AND PLACE OF MEETING**

This information circular (the “**Circular**”) is provided in connection with the solicitation of proxies by the management of Auxico Resources Canada Inc. (“**Auxico**” or the “**Corporation**”) for use at the annual general meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares in the share capital of the Corporation (the “**Common Shares**”) to be held at the Corporation’s offices at 230 Notre Dame Street West, Montreal, Quebec H2Y 1T3, on March 29, 2018 at 10:00 am (Eastern Time) or any adjournment thereof for the purposes set forth in the attached notice of meeting. Unless otherwise indicated, the information contained herein is dated as of February 26, 2018 and all dollar amounts set forth herein are expressed in Canadian dollars.

**SOLICITATION OF PROXIES**

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone, by telecopy, by Internet, by advertisement or by officers or regular employees of Auxico at nominal cost. Auxico will bear the cost of management’s proxy solicitation.

**QUORUM FOR THE TRANSACTION OF BUSINESS**

A person attending the Meeting and representing personally or by proxy one or more Shareholders holding at least a majority of the votes attached to outstanding Common Shares will form a quorum. If a quorum is not achieved at the opening of the Meeting, the Shareholders present or represented by proxy may adjourn the Meeting for less than 30 days and reconvene it to another fixed time and place, but may not transact any other business.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are senior officers of Auxico. **A Shareholder may choose to be represented at the Meeting by someone other than those named in the form of proxy. That representative is not required to be a Shareholder.** A Shareholder desiring to appoint some other person as his or her proxy holder may do so by either entering that person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Auxico’s Registrar and Transfer Agent, Computershare Investor Services Inc., at 1500 Robert-Bourassa Boulevard, Montreal, Quebec, H3A 3S8, before 5:00 p.m. on February 22, 2018 or, if the Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays), preceding the day of the adjourned Meeting.

A Shareholder who has given a proxy may revoke it as to any matter on which a vote has not already been cast under the authority conferred by that proxy and may do so:

- (a) by completing and signing a proxy bearing a later date and depositing it as described above;
- (b) by depositing a document that revokes the proxy signed by himself or herself or by his or her attorney authorized in writing
  - i. at the registered office of Auxico 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
  - ii. with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof; or
- (c) in any other manner permitted by law.

## **EXERCISE OF DISCRETION BY PROXIES**

If you have appointed the Management Proxyholders as your proxyholder, they will, unless you give contrary instructions, vote your Common Shares at the Meeting as follows:

- FOR the election of the proposed nominees as directors;
- FOR the appointment of Guimond Lavallée Inc., Chartered Professional Accountants Company as the auditor for Auxico;
- FOR the resolution to authorize the directors to fix the remuneration to be paid to the auditor;
- FOR the resolution to re-approve the current rolling 10% stock option plan;
- FOR any other business as may properly be brought before the Meeting and at any adjournment thereof.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying notice of meeting (the “Notice of Meeting”) and to other matters that may properly come before the Meeting. At the date of this Circular, the management of Auxico is not aware of any such amendments, variations or other matters expected to come before the Meeting other than the matters referred to in the Notice of Meeting. If any matters that are not now known properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As of the date of this Circular, 35,810,000 Common Shares were issued and outstanding. All Shareholders registered at the close of business on February 22, 2018 (the “Record Date”) will be entitled, at the Meeting, to one vote for each Common Share held.

To the knowledge of the directors and officers of Auxico, as at the date of this Circular, no person beneficially owns or exercises control or direction over, directly or indirectly, more than ten percent 10% of the outstanding voting Common Shares.

## **NOTICE TO BENEFICIAL HOLDERS OF SHARES**

The information set forth in this section should be reviewed carefully by non-registered Shareholders. Shareholders who do not hold their shares in their own name (the “Beneficial Shareholders”) should note that only proxies deposited by Shareholders whose names appear on the records maintained by Auxico’s registrar and transfer agent as holders of record (“Registered Shareholders”) will be recognized and acted upon at the Meeting.

If Common Shares are listed in an account statement provided to a Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder’s name. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository of Securities Limited, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such shares are registered under the name of CEDE & Co. (the registration name for The Depository Trust Company, which acts as nominee for many U.S. brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted according to the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

*National Instrument 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial

Shareholder by its broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to the Registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. In Canada, the vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications (“**Broadridge**”), formerly known as ADP Investor Communications. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks them 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 Common Shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary (“**Intermediary**”), please contact your Intermediary for assistance.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or his or her broker’s agent), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares as proxyholder for the Registered Shareholder by entering his or her own name in the blank space on the form of proxy provided to him or her by his or her broker (or his or her broker’s agent) and return it to that broker (or that broker’s agent) in accordance with the broker’s instructions (or the agent’s instructions).

**All references to Shareholders in this Circular, the enclosed form of proxy and the Notice of Meeting are to the Registered Shareholders unless specifically stated otherwise.**

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

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

Except as set out herein, if applicable, no person who has been a director or executive officer of Auxico at any time since the beginning of its last financial year, no proposed nominee of Auxico’s management for election as a director of Auxico and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than in their capacity as a Shareholder.

### **PRESENTATION OF FINANCIAL STATEMENTS**

Auxico’s audited consolidated financial statements for the year ended September 30, 2017 and the report of the auditors thereon will be placed before you at the Meeting. A copy of these financial statements, together with the auditor’s report thereon, and Management’s Discussion and Analysis, will be mailed to those Shareholders who return the ‘request for annual and interim financial statement return card’, mailed to Shareholders in connection with the Corporation’s 2018 annual general meeting, and indicated to the Corporation that they wished to receive these documents. Shareholders can request a copy of our future financial statements and MD&A by completing our supplemental request card which accompanies the Notice of Meeting and this Circular. These financial statements and MD&A are also available for review on SEDAR. See “*Part VIII – ADDITIONAL INFORMATION*” below.

### **ELECTION OF DIRECTORS**

Auxico’s articles of incorporation provide that Auxico’s board of directors (the “**Board**”) shall consist of a minimum of one and a maximum of ten directors. The Board currently consists of six directors.

**The management representatives named in the enclosed form of proxy intend to vote FOR the election of the six nominees whose names are set forth below on any ballot that may be called for, unless authority to do so is withheld.**

Auxico’s management does not contemplate that any of the nominees will be unable to serve as a director. A Board of six directors is to be elected at the Meeting to serve the next annual general meeting of the Corporation, or until their successors are elected or appointed.

The following table and notes thereto set out the name of each person proposed to be nominated for election as a director of Auxico; the person’s position and office held in Auxico; the person’s principal occupation or employment; the year in which that person became a director of Auxico; and, to the best of the knowledge of Auxico’s directors and officers, the number of Common Shares beneficially owned, directly or indirectly, or subject to direction by that person at the date of this Circular.

<b>Name</b>	<b>Position at Auxico</b>	<b>Principal Occupation or Employment</b>	<b>Year Became a Director</b>	<b>Number of Common Shares Held or Beneficially Held</b>
<b>Pierre Gauthier</b>	Chairman of the Board and CEO	Chairman of the Board & CEO, Auxico	2014	2,366,000 <sup>(1)</sup>
<b>Mark Billings</b>	President and Director	President, Auxico	2016	500,000
<b>Bernard Jun He</b>	Director	Director, Auxico	2017	500,000
<b>Marc Filion</b>	Director	Director & CFO, Abcourt Mines	2016	6,000
<b>Rick Whittaker</b>	Director	Co-Founder and CEO, AirShare Inc.	2016	0
<b>Salvador Brouwer</b>	Director	Director, Auxico	2018	0

(1) Mr. Pierre Gauthier personally holds 6,000 common shares in the share capital of Auxico and beneficially holds 2,360,000 common shares in the share capital of Auxico through Gencap Inc. a company controlled by Mr. Pierre Gauthier.

**Background – Proposed Directors and Executive Officers**

The following is a brief description of each of the proposed directors and executive officers of the Corporation, including their names, proposed positions and responsibilities with the Corporation:

**Pierre Gauthier, Chairman of the Board and Chief Executive Office and Director**

Mr. Gauthier holds a Bachelor of Commerce from the University of Ottawa and a M.B.A. from Concordia University. Founder, President and CEO of Dundee Sustainable Technologies Inc. until December 2014. In the last 20 Years he has been involved in raising over \$500 million dollars of financing in various projects.

**Mark Billings, President and Director**

Mr. Billings has an MBA from the Harvard Business School and he is a Chartered Financial Analyst. He has been an investment banker, having raised hundreds of millions of dollars for small-cap companies, including several junior mining companies. Mr. Billings also founded and managed companies in the junior resource sector, in addition to being CEO, CFO or a director of a number of publicly traded resource companies in Canada and abroad.

Mr. Mark Billings is not a party to any employment, non-competition or confidentiality agreement with the Company..

**Rick Whittaker, Director**

During his 20 year career in technology investment, Mr. Whittaker has been consistently recognized as a motivational leader, guiding teams of up to 300 people through rapid change. Mr. Whittaker led initiatives in product development, and managed several advanced technology investment programs. He holds several patents on these technologies, which are in production today. Mr. Whittaker has applied his experience in clean technology development and investment to help traditional industries in the energy, mining, manufacturing, transportation, agriculture and forestry sectors become more sustainable. Most recently, Mr. Whittaker was the founding Vice President and Chief Technology Officer of Canada's largest clean technology fund where he helped grow the organization from \$100M to over \$1B in funds under management, leveraged by an additional \$1.9B in private sector capital. Mr. Whittaker attracted over \$430M of matching funding from the defence industry as part of their offset and growth strategies. Mr. Whittaker understands the very real challenges of an entrepreneur: in addition to managing a portfolio of over 200 companies, Mr. Whittaker has personally launched, built and transitioned four of his own start-up companies. Mr. Whittaker has a Bachelor's degree in Applied Sciences from the University of Waterloo with an option in Management Science. He has received the Governor General's Award for Academic Excellence.

**Marc Filion, Board Member**

Dr. Filion holds a PhD (Economic Geology and Geostatic) from Royal School of Mines, Imperial College, London, U.K. (1973) and a M.B.A from École des Hautes Études Commerciales, Montréal. He has more than thirty five years of experience in the development and management of capital intensive world-class industrial projects in joint venture with international business partners.

**Bernard Jun He, Director**

Mr. Jun HE is an entrepreneur with over 20 years of operational and investing experience. Mr. Jun HE has successfully completed a number of multijurisdictional joint venture transactions and has effectively conducted business in China, Hong Kong, North America, Africa, and Europe. The foundation of Mr. Jun HE's businesses are manufacturing and international trade. In 2002, Mr. He began to invest in mineral exploration and mining in West Africa - Burkina Faso, Mali, Guinea, Ivory Coast, Niger. Mr. Jun HE controls a gold tailings mine, the Tounte Project located in Burkina Faso. He was also instrumental in assembling a 250 sq km highly prospective gold property in Burkina Faso. Recently Mr. Jun HE has spent a significant amount of time in Niger establishing operations focusing on the exploration of uranium properties. Mr. Jun HE starts to work on Central and South America in the past few years. Mr. He holds an MBA from Universite de Nice Business School in France as well as a Diplome d'Etudes Approfondies from IAE Paris. Mr. Jun HE is well connected in the GTA area, he is the member of numbers of China/Canada business associations. He has been elected the 2014 best Asia Pacific Business Award. He also spent lots of time to the local community and charity work. He speaks four languages – English, French, Mandarin and Cantonese.

**Salvador Brouwer, Director**

Salvador Brouwer, holds a bachelor degree in science (geology) from the University of Waterloo. He worked for Falconbridge for 30 years in Canada and the Dominican Republic. From 1996 to 1999, he was exploration manager for Latin America. Salvador has extensive knowledge of the geology, mining and processing of various deposits throughout Latin America.

## **Corporate Cease Trade Orders, Bankruptcy, Penalties and Sanctions**

Except as described elsewhere herein:

To the Corporation's knowledge, save and except as disclosed elsewhere herein, no existing or proposed director, officer, promoter or other member of management of the Corporation is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other corporation that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that corporation, was the subject of a cease trade order or similar order or an order that denied the corporation access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

Mark Billings and Jacques Arsenault, respectively President, Director and CFO of the Corporation, are presently a director and Chief Financial Officer of Manganese X Energy Corp., respectively (formerly Sunset Cove Mining Inc. (TSX-V: SSM) ("**Sunset Cove**")), which was issued a cease trade order ("**CTO**") by the British Columbia Securities Commission ("**BCSC**") on August 6, 2015 as a result of Sunset Cove's incapacity to file its annual audited financial statements, management's discussion and analysis and CEO and CFO certificates by the filing deadline of July 30, 2015, as prescribed by National Instrument 51-102 – Continuous Disclosure Obligations, due to a lack of funding to pay for the costs associated with the audit. This CTO was lifted by the BCSC on June 1, 2016 as Sunset Cove has met all of its continuous disclosure requirements.

### **Penalties or Sanctions**

To the Company's knowledge, no existing or proposed director, officer, promoter or other member of management of the Corporation has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

To the Corporation's knowledge, no existing or proposed director, officer, promoter or other member of management of the Corporation has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts Of Interest**

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interest of the Corporation and to disclose any interests which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of the Corporation's knowledge, there are no known existing or potential conflicts of interest among the Corporation and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management may from time to time 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 those other companies.

## **STOCK OPTION PLAN**

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Stock Option Plan Resolution**") re-approving the current stock option plan of the Corporation (the "**Stock Option Plan**").

The Stock Option Plan of the Corporation was adopted by the Board on February 10, 2017. The maximum number of common shares of the Corporation reserved for issuance under the Stock Option Plan is 10% of the issued and outstanding Common Shares on a "rolling" basis.

The Stock Option Plan is a "rolling" stock option plan. Pursuant to the rules of the CSE, all unallocated options, rights or other entitlements under a security based compensation arrangement that does not have a fixed maximum number of securities issuable, such as the Stock Option Plan, must be re-approved by a majority of the directors and the shareholders of a corporation every year.

The Board believes that the Stock Option Plan offers to participants a competitive and stable level of equity-based compensation. The Stock Option Plan allows the Corporation to secure and retain key personnel and to provide additional motivation to such persons to exert their best efforts on behalf of the Corporation.

**Management of the Corporation recommends that Shareholders vote in favor of the Stock Option Plan Resolution. Unless you give other instructions, the persons named in the form of proxy intend to vote FOR the Stock Option Plan Resolution.**

## **APPOINTMENT OF AUDITORS**

Auxico's management proposes to re-appoint Guimond Lavallée Inc., Chartered Professional Accountants Company as Auxico's auditor to hold office until the next annual meeting of Shareholders.

**Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of Guimond Lavallée Inc., Chartered Professional Accountants Company as the auditor of Auxico to hold office until the next annual meeting of shareholders and FOR the authorization of the directors to fix the auditors' remuneration.**

*(remainder of the page intentionally left blank)*

**PART III**  
**STATEMENT OF EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION & 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 listed in the Summary Compensation Table that follows. The Corporation's Named Executive Officers (as determined by applicable securities legislation) are the following:

- Pierre Gauthier, Chief Executive Officer;
- Mark Billings, President; and
- Jacques Arsenault, Chief Financial Officer.

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

In this Circular:

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

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

**"closing market price"** means the price at which the corporation's security was last sold, on the applicable date, (a) in the security's principal marketplace in Canada, or (b) if the security is not listed or quoted on a marketplace in Canada, in the security's principal marketplace;

**"Corporation"** includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

**"external management company"** includes a subsidiary, affiliate or associate of the external management company;

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

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

**"NEO" or "Named Executive Officer"** means each of the following individuals:

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



"**NI 52-107**" means National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency;

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

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

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

"**replacement grant**" means an option that a reasonable person would consider to be granted in relation to a prior or potential cancellation of an option;

"**repricing**" means, in relation to an option, adjusting or amending the exercise or base price of the option, but excludes any adjustment or amendment that equally affects all holders of the class of securities underlying the option and occurs through the operation of a formula or mechanism in, or applicable to, the option;

## **GOALS AND OBJECTIVES**

Historically, the Corporation is a mineral exploration company with property interests located in Mexico. 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.

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.

**DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

The Company does not have any arrangements, standard or otherwise, pursuant to which directors are compensated by the Company for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultants or experts. The Board intends to compensate directors primarily through the grant of stock options and reimbursement of expenses incurred by such persons acting as directors of the Company.

The following table contains information about the compensation paid to, earned by and payable to, the Corporation's Chief Executive Officer, Pierre Gauthier, Chief Financial Officer, Jacques Arsenault, and President, Mark Billings for the years ended September 30, 2016 and September 30, 2017:

Name and Principal Position	Year/Period	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$) <sup>(2)</sup>	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Pierre Gauthier CEO	2017	Nil	Nil	\$91,024	Nil	Nil	Nil	\$50,350	\$141,374
	2016	Nil	Nil	Nil	Nil	Nil	Nil	\$109,416	\$109,416
Jacques Arsenault, CFO	2017	Nil	Nil	\$31,818	Nil	Nil	Nil	Nil	\$31,818
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Billings, President	2017	Nil	Nil	\$91,024	Nil	Nil	Nil	\$60,000	\$151,024
	2016	Nil	Nil	Nil	Nil	Nil	Nil	\$60,000	\$60,000

**NOTES:**

- (1) Based on values derived from using Black Scholes option pricing methodology.
- (2) These amounts represent advances to directors and executive officers of Auxico. For more information, please refer to the table under section entitled "Indebtness of Directors and Executive Officers" below.

*(Remainder of the page is intentionally left blank)*

## STOCK OPTIONS AND OTHER COMPENSATION SECURITIES

The following table provides all compensation securities granted or issued to each director and NEO by the Corporation or one of its subsidiaries for the financial year ended September 30, 2017, for services provided or to be provided, directly or indirectly, to the Corporation or any of its subsidiaries:

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 (\$)	Number of Shares or Units of Shares that have not Vested (#)	Market or Payout Value of Share-Based Awards that have not Vested (\$)
<b>Pierre Gauthier</b> , Chairman & CEO	500,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Jacques Arsenaault</b> , CFO	175,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Mark Billings</b> , President	500,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Marc Filion</b> , Board Member	175,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Rick Whittaker</b> , Director	175,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Salvador Brouwer</b> , Director	150,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Bernard Jun He</b> , Director	150,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>Robin Conners</b> , Former Director <sup>(1)</sup>	150,000	0.25	February 9, 2022	Nil	Nil	Nil
<b>TOTAL</b>	1,975,000	-	-	-	-	-

NOTE:

(1): Robin Conners resigned from his position as director of the Corporation on January 31, 2018.

All of the option awards described above were made under the Stock Option Plan adopted by the Shareholders of the Corporation on February 10, 2017, which authorizes the Board to grant options to directors, officers, employees and consultants to acquire Common Shares at a price no less than the closing market price of the Common Shares the business day before the Corporation notifies the Canadian Stock Exchange of the grant of the option for a minimum amount of \$0.10 per option. The number of Common Shares which may be granted to any one person shall not exceed 5% (2% for consultants) over a twelve-month period. Subject to earlier termination and in the event of dismissal for cause, termination other than for cause or in the event of death, all options granted under the Stock Option Plan will expire on the date of expiry set by the Board at the time of grant, which may not be later than ten years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

As at the date of the grant, the issued and outstanding Common Shares were 35,810,000. The Corporation may issue a maximum of 3,581,000 Common Shares under the Stock Option Plan.

On February 10, 2017, the Corporation granted a total of 1,975,000 stock options to its directors and officers and 500,000 stock options to consultants to the Corporation, to purchase a total of 2,475,000 Common Shares of the Corporation at a price of \$0.25 per Common Share until February 9, 2022.

On October 23, 2017, the Corporation further granted a total of 1,100,000 stock options to consultants to purchase 1,100,000 Common Shares of the Corporation at a price of \$0.40 per Common Share until October 22, 2022. Out of the 1,100,000 stock options granted on October 23, 2017, 200,000 stock options expired on the date that is three months following termination of the related consulting agreement between the Corporation and such consultant, the whole in accordance with the provisions of the Stock Option Plan.

Therefore, as of the date of this Circular, there are a total of 3,375,000 stock options issued and outstanding in the share capital of the Corporation, so the Corporation may be able to grant an additional number of 206,000 stock options under its Stock Option Plan.

As of the date of this Circular, no director or Named Executive Officer exercised any compensation securities during the most recently completed financial year.

<b>Exercise of Compensation Securities by Directors and NEOs</b>							
<b>Name and position</b>	<b>Type of compensati on security</b>	<b>Number of underlying securities exercised</b>	<b>Exercise price per security (\$)</b>	<b>Date of exercise</b>	<b>Closing price per security on date of exercise (\$)</b>	<b>Difference between exercise price and closing price on date of exercise (\$)</b>	<b>Total value on exercise date (\$)</b>
-	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### **PENSION PLAN BENEFITS**

The Corporation does not have a pension plan that provides for payments or benefits to NEOs at, following, or in connection with retirement.

### **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.

## **PART IV** **AUDIT COMMITTEE**

### **AUDIT COMMITTEE CHARTER**

The text of the charter of Auxico's audit committee (the "Audit Committee") is attached as Schedule A to this Circular.

### **COMPOSITION OF THE AUDIT COMMITTEE**

Mark Billings	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Marc Filion	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Rick Whittaker	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

**NOTES:**

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Mr. Mark Billings, the Corporation's President, is not "independent" as defined in NI 52-110 as he is an executive officer of the Corporation. Mr. Marc Filion and Rick Whittaker are independent.

The Corporation, as a 'venture issuer', is exempt from the Audit Committee composition requirements in NI 52-110 which require all Audit Committee members to be independent.

All of the Audit Committee members are "financially literate", as defined in NI 52-110, as all of the Audit Committee members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

- **Mark Billings** has an MBA from the Harvard Business School and he is a Chartered Financial Analyst. He has been an investment banker, having raised hundreds of millions of dollars for small-cap companies, including several junior mining companies. Mr. Billings also founded and managed companies in the junior resource sector, in addition to being CEO, CFO or a director of a number of publicly traded resource companies in Canada and abroad.
- **Dr. Marc Filion** Dr. Filion holds a PhD (Economic Geology and Geostatic) from Royal School of Mines, Imperial College, London, U.K. (1973) and a M.B.A from École des Hautes Études Commerciales, Montréal. Dr. Filion is a certified board director and company executive. He currently sits on a number of boards as chairman of the board or as an active audit and compensation, nominating and corporate governance committee member. A geological engineer by training, Dr. Filion exercised his technical skills in Canada and abroad while at the employ of SOQUEM, SNC-Lavalin and CHIM International for over 40 years. He was also the Chairman of SOQUEM from 1999 to 2006. Dr. Filion served as President and Chief Operating Officer of SGF Mineral Inc. from 1998 to 2004 and also as Senior Vice President, Investments for Mines, Minerals and Materials for SGF from 2004 to 2006. Recent assignments involved his expertise in bringing a graphite deposit into production in Asia and the development of an eco-friendly extractive metallurgical technology for nickel deposits. Dr. Filion has been active on numerous boards of small and

large mines and metals companies and offers in-depth experience in the development and management of capital intensive world-class industrial projects in joint venture with international business partners.

- **Rick Whittaker-** During his 20 year career in technology investment, Mr. Whittaker has been consistently recognized as a motivational leader, guiding teams of up to 300 people through rapid change. Mr. Whittaker led initiatives in product development, and managed several advanced technology investment programs. He holds several patents on these technologies, which are in production today. Mr. Whittaker has applied his experience in clean technology development and investment to help traditional industries in the energy, mining, manufacturing, transportation, agriculture and forestry sectors become more sustainable. Most recently, Mr. Whittaker was the founding Vice President and Chief Technology Officer of Canada's largest clean technology fund where he helped grow the organization from \$100M to over \$1B in funds under management, leveraged by an additional \$1.9B in private sector capital. Mr. Whittaker attracted over \$430M of matching funding from the defence industry as part of their offset and growth strategies. Mr. Whittaker understands the very real challenges of an entrepreneur: in addition to managing a portfolio of over 200 companies, Mr. Whittaker has personally launched, built and transitioned four of his own start-up companies. Mr. Whittaker has a Bachelor's degree in Applied Sciences from the University of Waterloo with an option in Management Science. He has received the Governor General's Award for Academic Excellence.

### **AUDIT COMMITTEE OVERSIGHT**

The Audit Committee has made no recommendation to nominate or compensate an external auditor that the board of directors declined to adopt.

### **USE OF CERTAIN EXEMPTIONS**

Since the beginning of its most recently completed fiscal year, Auxico has not availed itself of the exemption provided for in Section 2.4 of NI 52-110 (*De Minimis* Non-audit Services) or an exemption from Part 8 of NI 52-110.

### **PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee has adopted no specific policies or procedures for the engagement of non-audit services.

### **FEES FOR THE EXTERNAL AUDITOR'S SERVICES**

The following table lists by category the fees invoiced to date by Auxico's external auditors for the fiscal year ended September 30, 2017.

Type of Fees	2015	2016	2017
Audit fees	\$15,500	\$11,000	\$21,200
Fees for audit-related services	Nil	Nil	\$14,900
Fees for tax services	Nil	Nil	Nil
Other fees	Nil	Nil	Nil
<b>Total</b>	<b>\$15,500</b>	<b>\$11,000</b>	<b>\$36,100</b>

"**Audit fees**" are the total fees paid for auditing the annual consolidated financial statements and other audits involving legal filings.

"**Fees for audit-related services**" are the total fees paid for audit-related services, particularly consulting fees related to accounting and financial reporting standards.

"**Fees for tax services**" are the total fees paid for compliance with tax regulations, tax advice and consulting and tax planning services for preparing tax returns for Auxico's income tax, capital tax and sales taxes.

"**Other fees**" are the total fees paid for all services other than those listed under audit fees, fees for audit-related services and tax services, and mainly concern fees for translation and services related to a financing.

### **EXEMPTION FOR VENTURE ISSUERS**

As a "venture issuer" under NI 52-110, Auxico benefits from the exemption provided for at Section 6.1 of that regulation.

## **PART V** **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation.

National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**") establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. The Board is of the view that the Corporation's general approach to corporate governance, summarized below, is appropriate and substantially consistent with objectives reflected in the guidelines for improved corporate governance in Canada adopted by the Canadian Securities Administrators .

National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") also requires the Corporation to disclose annually in its information circular certain information concerning its corporate governance practices. As a "venture issuer" the Corporation is required to make these disclosures with reference to the requirements of Form 58-101F2.

### **BOARD OF DIRECTORS**

The Board is currently composed of six members, four of whom are independent, namely Marc Filion, Bernard Jun He, Rick Whittaker and Salvador Brouwer. Pierre Gauthier and Mark Billings are not considered independent as they act as the Chief Executive Officer and President of Auxico, respectively.

### **MANDATE OF THE BOARD**

The mandate of the board of directors of Auxico is to (a) satisfy itself as to the integrity of Auxico's CEO and other executive officers; (b) adopt a strategic planning process which will take into account the opportunities and risks of the business of Auxico; (c) identify the principal risks of Auxico's business and ensure the implementation of appropriate systems to manage these risks; (d) plan succession (including appointing, training and monitoring senior management); (e) adopt a communication policy; (f) the internal control and management information systems; and (g) develop Auxico's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.

## DIRECTORSHIPS

The following table sets out the proposed directors, officers and promoters of the Corporation that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

<b>Name</b>	<b>Name and Jurisdiction of Other Reporting Issuers</b>	<b>Name of Exchange or Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
<b>Mark Billings</b>	Canamex Resources Corp. (British Columbia)	TSX-V	Director, Chairman & CEO	February 2009	October 2017
	St-Georges Eco-Mining Corp. (Quebec)	CSE	Director, Chairman & CFO	December 2009	Present
	Fancamp Exploration Ltd. (British Columbia)	TSX-V	Director	August 2014	Present
	Knowlton Capital Inc. (Quebec)	NEX	Director	August 2014	July 2016
	Manganese X Energy Corp. (British Columbia)	TSX-V	Director	February 2015	Present
	Orex Exploration Inc. (Quebec)	TSX-V	Director, Chairman, President, CEO & CFO	October 2007	May 2015
	Argex Titanium Inc. (Quebec)	TSX	Director, President, CEO, CFO & Senior Vice President (Corporate Development)	July 2008	June 2014
	Iconic Minerals Ltd. (British Columbia)	TSX-V	Director	July 2009	February 2014
	Zephyr Minerals Ltd. (Nova-Scotia)	TSX-V	Director	April 2011	January 2014
	TransAmerican Energy Inc. (British Columbia)	TSX-V	Director	March 2010	January 2014
	LiteWave Corp. (Nevada)	OTCBB	Director & CFO	January 2009	October 2012



	Kintavar Exploration Inc.	TSX-V	Director	March 2017	Present
	Golden Hope Mines Ltd.	TSX-V	Director	June 2017	Present
<b>Marc Filion</b>	ADF Group (Quebec)	TSX	Director & CFO	March 2007	May 2015
	SAMA Resources (British Columbia)	TSX-V	Director	May 2015	Present
	SRG Graphite Inc. (Quebec)	TSX-V	Director	December 2016	Present
	Abcourt Mines (Quebec)	TSX-V	Director	March 2006	Present
	ADF Group Inc.	TSX-V	Director	March 2007	May 2015
<b>Jacques Arsenault</b>	Vanadium One Energy Corp. (Ontario)	TSX-V	CFO	October 2016	Present
	Manganese X Energy Corp. (formerly Sunset Cove Mining Inc.) (British Columbia)	TSX-V	CFO	October 2016	Present
	Caldera Resources Inc. (Quebec)	TSX-V	CFO	December 2008	December 2012
<b>Bernard Jun He</b>	Homeland Uranium Inc. (now Western Uranium Corporation), (Ontario)	TSX-V	Director	July 2012	July 2015
<b>Salvador Brouwer</b>	Everton Resources Inc.	TSX-V	Director	January 2013	Present
<b>Michel Lebeuf Jr.</b>	Tantalex Resources Corporation (British Columbia)	CSE	Director Corporate Secretary	November 2015	Present
	Bitumen Capital Inc. (now Goliath Resources LTD) (Quebec)	TSX-Venture Exchange	Director Corporate Secretary	February 28, 2017	October 2017
	Komet Resources Inc. (previously "les Manufacturiers	TSX-Venture	Director Corporate Secretary	November 2009	July 2014

	Komet Inc.”) (Quebec)	Exchange			
	Ressources Northcore Inc. (Ontario)	TSX- Venture Exchange	Director	March 2012	October 2014

### **ORIENTATION AND CONTINUING EDUCATION**

The Board has no governance policies relating to the directors' orientation and continuing education.

### **ETHICAL BUSINESS CONDUCT**

The Board expects management to operate the business of the Corporation in a manner that enhances shareholder value and is consistent with the highest level of integrity.

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the applicable law have been sufficient to ensure that the Board acts in the best interests of the Corporation and its Shareholders.

### **NOMINATION OF DIRECTORS**

Auxico's directors are responsible for the selection of nominees to the Board.

### **ASSESSMENTS**

The skills and knowledge of the Board of Directors as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies. Auxico has no formal policy concerning the evaluation of members of the Board, save and except to abide by the provisions of *Policy 3.1 - Directors, Officers, Other Insiders & Personnel and Corporate Governance* of the Exchange.

### **COMMITTEES OF THE BOARD**

At the present time, the Board has appointed an audit committee and a compensation committee. See schedule A “Audit Committee Charter”.

### **COMPENSATION**

Auxico has no formal policy concerning compensation for the board members.

## **PART VI** **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Circular, the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, any person or company who owns of record, or is known by the Corporation to own beneficially, directly or indirectly, more than 10% of the Common Shares of the Corporation or any associate or affiliate of the foregoing persons or companies in any transaction or in any proposed transaction within the three years before the date of the Circular that has materially affected or is reasonably expected to materially affect the Corporation.

**PART VII**  
**OTHER MATTERS**

Auxico's management knows of no other matter to come before the Meeting other than the matters referred to in the Notice of the Meeting. If any matters that are not now known properly come before the Meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.

Shareholders with voting rights at Auxico's next annual general meeting who wish to submit a motion regarding any issue to be debated during that meeting must submit their motions to Auxico's Registrar and Transfer agent, Computershare Investor Services Inc, no later than February 22, 2018.

There are no other material facts other than as disclosed in this Circular.

**PART VIII**  
**ADDITIONAL INFORMATION**

Additional information concerning Auxico, including its consolidated interim and annual financial statements and related management's discussion and analysis, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) accessible at [www.sedar.com](http://www.sedar.com).

**Auxico's directors have approved the contents and sending of this Circular.**

**DATED** at Montreal, Quebec on February 26, 2018

*(s) Pierre Gauthier*  
**CEO**

## SCHEDULE A

### AUDIT COMMITTEE CHARTER



#### 1. Mandate

The Audit Committee will be responsible for managing, on behalf of shareholders of the Corporation, the relationship between the Corporation and the external auditors. In particular, the Audit Committee will have responsibility for the matters set out in this Charter, which include:

- (a) overseeing the work of external auditors engaged for the purpose of preparing or issuing an auditing report or related work;
- (b) recommending to the board of directors the nomination and compensation of the external auditors;
- (c) reviewing significant accounting and reporting issues;
- (d) reviewing the Corporation's financial statements, MD&A and earnings press releases before the Corporation publicly discloses this information;
- (e) focusing on judgmental areas such as those involving valuations of assets and liabilities;
- (f) considering management's handling of proposed audit adjustments identified by external auditors;
- (g) being satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements of the Corporation;
- (h) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (i) evaluating whether management is setting the appropriate tone by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.

#### 2. Membership of the Audit Committee

##### Composition

The audit committee will be comprised of at least such number of directors as required to satisfy the audit committee composition requirements of National Instrument 52-110, as amended from time to time. Each member will be a director of the Corporation.

##### Independence

The Audit Committee will be comprised of a number of independent directors required to enable the Corporation to satisfy:

- (a) the independent director requirements for audit committee composition required by National Instrument 52-110, as amended from time to time, and

- (b) the independent director requirements of the stock exchange on which the Corporation's shares are traded from time to time.

### **Chair**

The Audit Committee shall select from its membership a chair. The job description of the chair is attached as Exhibit 1 hereto.

### **Expertise of Audit Committee Members**

Each member of the Audit Committee must be financially literate. Financially literate means the ability to read and understand a set of financial statements that represent a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### **Financial Expert**

The Corporation will strive to include a financial expert on the Audit Committee. An Audit Committee financial expert means a person having: (i) an understanding of financial statements and accounting principles; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience in preparing, auditing, analyzing or evaluating financial statements that present a similar breadth and level of complexity as the Corporation's statements; (iv) an understanding of internal controls; and (v) an understanding of an Audit Committee's functions.

### **3. Meetings of the Audit Committee**

The Audit Committee must meet in accordance with a schedule established each year by the board of directors, and at other times as the Audit Committee may determine. A quorum for transaction of business in any meeting of the Audit Committee is a majority of members. At least twice a year, the Audit Committee must meet with the Corporation's chief financial officer and external auditors separately.

### **4. Responsibilities of the Audit Committee**

The Audit Committee will be responsible for managing, on behalf of the shareholders of the Corporation, the relationship between the Corporation and the external auditors. In particular, the Audit Committee has the following responsibilities:

#### External Auditors

- (a) the Audit Committee must recommend to the board of directors:
  - (i) the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit or review services for the Corporation; and
  - (ii) the compensation of the external auditors;
- (b) the Audit Committee must be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) with respect to non-audit services:
  - (i) the Audit Committee must pre-approve all non-audit services provided to the Corporation or its subsidiaries by its external auditors or the external auditors of the Corporation's subsidiaries, except

- for tax planning and transaction support services in an amount not to exceed \$15,000 for each service in a fiscal year; and
- (ii) the Audit Committee must pre-approve all non-audit services provided to the Corporation or its subsidiaries by its external auditors or the external auditors of the Corporation's subsidiaries, except *de minimis* non-audit services as defined in applicable law.
- (d) the Audit Committee must also:
- (i) review the auditors' proposed audit scope and approach;
  - (ii) review the performance of the auditors; and
  - (iii) review and confirm the independence of the auditors by obtaining statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors;

#### Accounting Issues

- (e) the Audit Committee must:
- (i) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and,
  - (ii) ask management and the external auditors about significant risks and exposures and plans to minimize such risks.

#### Financial Statements, MD&A and Press Releases

- (f) the Audit Committee must:
- (i) review the Corporation's financial statements, MD&A and earnings press releases before the Corporation publicly discloses this information;
  - (ii) in reviewing the annual financial statements, determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles;
  - (iii) pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
  - (iv) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses, warranty, professional liability, litigation reserves and other commitments and contingencies;
  - (v) consider management's handling of proposed audit adjustments identified by the external auditors;
  - (vi) ensure that the external auditors communicate certain required matters to the committee;
  - (vii) be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure referred to in paragraph (f)(i) (above), and must periodically assess the adequacy of those procedures;

- (viii) be briefed on how management develops and summarizes quarterly financial information, the extent to which the external auditors review quarterly financial information and whether that review is performed on a pre- or post-issuance basis;
- (ix) meet with management, either telephonically or in person to review the interim financial statements;
- (x) to gain insight into the fairness of the interim statements and disclosures, the Audit Committee must obtain explanations from management on whether:
  - (a) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (b) changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
  - (c) generally accepted accounting principles have been consistently applied;
  - (d) there are any actual or proposed changes in accounting or financial reporting practices;
  - (e) there are any significant or unusual events or transactions;
  - (f) the Corporation's financial and operating controls are functioning effectively;
  - (g) the Corporation has complied with the terms of loan agreements or security indentures; and
  - (h) the interim financial statements contain adequate and appropriate disclosures;

#### Compliance with Laws and Regulations

- (g) the Audit Committee must:
  - (h) periodically obtain updates from management regarding compliance;
- (iii) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- (iv) review the findings of any examinations by regulatory agencies such as the Ontario Securities Commission; and
- (v) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements;

#### Employee Complaints

- (i) the Audit Committee must establish procedures for:
  - (j) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (iii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

### Other Responsibilities

- (i) the Audit Committee must:
- (j) review and approve the Corporation's hiring policies of employees and former employees of the present and former external auditors of the Corporation;
- (iii) evaluate whether management is setting the appropriate tone by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (iv) focus on the extent to which internal and external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown;
- (v) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;
- (vi) periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Corporate Governance and Nominating Committee and the board for approval;
- (vii) review, and if deemed appropriate, approve expense reimbursement requests that are submitted by the chief executive officer or the chief financial officer to the Corporation for payment;
- (viii) assist the board to identify the principal risks of the Corporation's business and, with management, establish systems and procedures to ensure that these risks are monitored; and
- (ix) carry out other duties or responsibilities expressly delegated to the Audit Committee by the board.

### **5. Authority of the Audit Committee**

The Audit Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Audit Committee; and
- (c) communicate directly with the internal and external auditors.