

**IMPACT SILVER CORP.**  
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**INFORMATION CIRCULAR**  
**As of April 15, 2014 (unless otherwise noted)**

**MANAGEMENT SOLICITATION OF PROXIES**

The Company is providing this Information Circular and a form of proxy in connection with management's solicitation of proxies for use at the annual general meeting (the "**Meeting**") of the Company to be held on May 15, 2014 and at any adjournments. Unless the context otherwise requires, when we refer in this Information Circular to the Company, its subsidiaries are also included. The Company will conduct its solicitation by mail and officers and employees of the Company may, without receiving special compensation, also telephone or make other personal contact. The Company will not reimburse shareholders, nominees, or agents for their costs of obtaining authorization from their principals to sign forms of proxy. The Company will pay the cost of solicitation.

**APPOINTMENT OF PROXYHOLDER**

The purpose of a proxy is to designate persons who will vote the proxy on your behalf in accordance with the instructions given by you in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or Directors of the Company (the "**Management Proxyholders**").

**As a shareholder, you have the right to appoint a person other than a Management Proxyholder, to represent you at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.**

**VOTING BY PROXY**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with your instructions on any ballot that may be called for and if you specify a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

**If you do not specify a choice and you have appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

**The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting.** At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

## **COMPLETION AND RETURN OF PROXY**

You must deliver the completed form of proxy to the office of the Company's registrar and transfer agent, Computershare Investor Services Inc. of Canada by hand or mail to 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, or to the Company's head office at the address listed on the cover page of this Information Circular, not less than 48 hours (excluding Saturdays, Sundays, and holidays) before the scheduled time of the Meeting or any adjournment. Alternatively, Shareholders may vote by telephone or internet and, if so, it is not necessary to return the proxy. Reference is made to the form of proxy for the specific instructions as to voting by telephone or internet.

## **NON-REGISTERED HOLDERS**

**Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting.** Most of the Company's shareholders are "**non-registered**" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to the Company are referred to as "**NOBOs**". Those non-registered holders who have objected to disclosing ownership information about themselves to the Company are referred to as "**OBOs**".

In accordance with securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice of Meeting, this Information Circular and the Proxy, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Shares are voted at the Meeting.

Meeting materials sent to non-registered holders who have not waived the right to receive Meeting Materials are accompanied by a request for voting instructions (a "**VIF**"). This form is instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a non-registered shareholder is able to instruct the registered shareholder (or Nominee) how to vote on behalf of the non-registered shareholder. VIFs, whether provided by the Company or by a Nominee, should be completed and returned in accordance with the specific instructions noted on the VIF.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

In either case, the purpose of this procedure is to permit non-registered shareholders to direct the voting of the shares which they beneficially own. Non-registered shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. Should a non-registered holder who receives a VIF wish to attend the Meeting or have someone else attend on his/her behalf, the non-registered holder may request (in writing) to the Company or its

Nominee, as applicable, without expense to the non-registered holder, that the non-registered holder or his/her nominee be appointed as proxyholder and have the right to attend and vote at the Meeting.

In addition, Canadian securities legislation now permits the Company to forward meeting materials directly to “non-objecting beneficial owners”. If the Company or its agent has sent these materials directly to you (instead of through a Nominee), your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Nominee holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Nominee holding on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions.

### **REVOCABILITY OF PROXY**

If you are a registered shareholder who has returned a proxy, you may revoke your proxy at any time before it is exercised. In addition to revocation in any other manner permitted by law, as a registered shareholder, you or your attorney authorized in writing or, if you are a corporation, by an authorized director, officer or attorney of the corporation, may revoke it by either:

- (a) signing a proxy bearing a later date; or
- (b) signing a written notice of revocation in the same manner as the form of proxy is required to be signed as set out in the notes to the proxy; or
- (c) attending the Meeting in person and registering with the scrutineer as a registered shareholder present in person.

**Only registered shareholders have the right to revoke a proxy.** The later proxy or the notice of revocation must be delivered to the office of the Company’s registrar and transfer agent or to the Company’s head office at any time up to and including the last business day before the scheduled time of the Meeting or any adjournment, or to the Chairman of the Meeting on the day of the Meeting or any adjournment.

If you are a non-registered shareholder who wishes to revoke a proxy authorization form (voting instructions) or to revoke a waiver of your right to receive Meeting materials and to give voting instructions, you must give written instructions to your Nominee at least seven days before the Meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS**

The Company is authorized to issue an unlimited number of common shares without par value (the “**shares**”), of which 68,128,244 shares are issued and outstanding as of April 10, 2014. There is only one class of shares.

Persons who are registered shareholders at the close of business on April 10, 2014 will be entitled to receive notice of and vote at the Meeting. On a show of hands, every shareholder and proxyholder will have one vote and, on a poll, every shareholder present in person represented by proxy will have one vote for each share. In order to approve a motion proposed at the Meeting, a majority of more than 50% of the votes cast will be required to pass an ordinary resolution, and a majority of at least two-thirds ( $\frac{2}{3}$ ) of the votes cast will be required to pass a special resolution.

To the knowledge of the Directors and executive officers of the Company, no person or company beneficially owns, controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Company, except the following:

<i>Name</i>	<i>No. of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</i>	<i>Percentage of Outstanding Shares</i>
CDS & Co <sup>(1)</sup>	53,552,499	78.61%
Energold Drilling Corp. <sup>(2)</sup>	6,980,001 <sup>(3)</sup>	10.25%

<sup>(1)</sup> The Company is not aware of the beneficial holders of the shares so registered.

<sup>(2)</sup> Energold Drilling Corp. is a reporting company listed on the TSX Venture Exchange (the “**Exchange**”).

<sup>(3)</sup> Of these common shares, 20,000 common shares are held indirectly in the name of Minera Hispaniola S.A., a private company controlled by Energold Drilling Corp.

## **ELECTION OF DIRECTORS**

The Directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until that person sooner ceases to be a director. The shareholders will be asked to pass an ordinary resolution to set the number of directors of the Company at seven for the next year, subject to any increases permitted by the Company’s Articles.

The Company has two committees, a Compensation Committee and an Audit Committee. Members of these committees are as set out below.

Unless you provide other instructions, the enclosed proxy will be voted for the nominees listed below, all of whom are presently members of the Board of Directors. Management does not expect that any of the nominees will be unable to serve as a director. If before the Meeting any vacancies occur in the slate of nominees listed below, the person named in the proxy will exercise his or her discretionary authority to vote the shares represented by the proxy for the election of any other person or persons as Directors.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual nominees, is as follows:

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(1)</sup></i>
<b>Frederick W. Davidson</b> British Columbia, Canada Chief Executive Officer, President and Director	Chartered Accountant; President and Chief Executive Officer of the Company since August 1999; President and Chief Executive Officer of Energold Drilling Corp. since June 2001	Since August 1999	641,750
<b>George A. Gorzynski</b> British Columbia, Canada Vice-President Exploration and Director	Geological Engineer; Exploration Consultant & Vice President Exploration of the Company	Since April 2004	237,000
<b>Victor A. Tanaka</b> <sup>(2)</sup> British Columbia, Canada Director	President and Chief Executive Officer of Bayswater Uranium Corporation	Since March 1996	50,000
<b>H. Walter Sellmer</b> <sup>(3)</sup> British Columbia, Canada Director	Geologist & Geological Consultant	Since August 1999	222,550
<b>Richard J. Mazur</b> <sup>(2)(3)</sup> British Columbia, Canada Director	President and Chief Executive Officer of Forum Uranium Corp.; Chief Executive Officer of Alto Ventures Ltd.	Since May 1993	209,750

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(1)</sup></i>
<b>Peter N. Tredger</b> <sup>(2)(3)</sup> British Columbia, Canada Director	Professional Engineer; Consulting Geologist	Since October 2007	22,000
<b>Jean-Pierre Bourtin</b> Connecticut, USA Director	Self-employed Financial Consultant	Since August 2008	556,250

Notes:

- (1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at April 15, 2014, based upon information furnished to the Company by individual Directors. Unless otherwise indicated, such shares are held directly.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity.

All of the nominees reside in Canada, except Jean-Pierre Bourtin.

### **CORPORATE CEASE TRADE ORDERS AND BANKRUPTCIES**

To the knowledge of the Company, no proposed director:

- (a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including the Company) that,
  - (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
  - (ii) was subject to a cease trade, and order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or

instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

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

The following directors of the Company hold directorships in other reporting issuers as set out below:

<i>Name of Director</i>	<i>Name of Other Reporting Issuer</i>
Frederick W. Davidson	Energold Drilling Corp.
George A. Gorzynski	Tirex Resources Ltd. Defiance Silver Corp. Berkwood Resources Ltd.
H. Walter Sellmer	Energold Drilling Corp.
Victor A. Tanaka	Bayswater Uranium Corporation Fjordland Exploration Inc. Westhaven Ventures Inc. Woodjam Copper Corp.
Richard J. Mazur	Alto Ventures Ltd. Forum Uranium Corp. Midnight Sun Mining Corp.
Peter N. Tredger	Skeena Resources Limited
Jean-Pierre Bourtin	None

## **EXECUTIVE COMPENSATION**

The Company has three Named Executive Officers (as defined below), Frederick W. Davidson, Richard S. Younker and George A. Gorzynski.

### **Compensation Discussion and Analysis**

#### *Compensation, Philosophy and Objectives*

Remuneration plays an important role in attracting, motivating, rewarding and retaining knowledgeable and skilled individuals to the Company's management team. The Company does not have a formal compensation program. The Compensation Committee meets to discuss and determine management compensation, without reference to formal objectives, criteria or analysis.

The Compensation Committee seeks to ensure that total compensation paid to all Named Executive Officers is fair and reasonable. The Compensation Committee reviews compensation paid to executives of companies similar in size and stage of development in the industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the executives while taking into account the financial and other resources of the Company.

### *Analysis of Elements*

Base salary is used to provide the Named Executive Officers a set amount of money during the year with the expectation that each Named Executive Officer will perform his responsibilities to the best of his ability and in the best interests of the Company.

The Company entered into an executive employment agreement with Mr. Davidson on September 1, 2009 (the “**Davidson Agreement**”).

For the financial year ending December 31, 2013, the Company paid Mr. Davidson a salary of \$164,000, a cash bonus of \$100,000 for his services as CEO and President, and an amount of \$13,200 for his services as a Director. (See “Termination and Change of Control Benefits” for more information about Mr. Davidson's Agreement.)

For the financial year ending December 31, 2013, the Company paid Mr. Younker a consulting fee of \$36,188.

For the financial year ending December 31, 2013, the Company paid Mr. Gorzynski a consulting fee of \$106,047 and director's fees of \$13,500.

The amounts described above were determined by the Compensation Committee of the Company.

The Company considers the granting of incentive stock options to be a significant component of executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of employment and periodically thereafter. The terms and conditions of the Company's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Company's stock option plan and as determined by the Board of Directors at the time of the grant.

### **Option-based Awards**

The Company has no long term incentive plans other than the stock option plan. The Company's directors, officers, consultants and employees are entitled to participate in the stock option plan. The stock option plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the stock option plan aligns the interests of the Named Executive Officer and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Company's common shares.

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

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- parties who are entitled to participate in the stock option plan;
- the exercise price for each stock option granted, subject to the provision that the exercise price cannot be lower than prescribed discount permitted by the Exchange from the market price on the date of grant;

- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the stock option plan. The Board of Directors reviews and approves grants of options on an annual basis and periodically during a financial year.

Pursuant to the Company's stock option plan, the Board grants options to Directors, executive officers, other employees and consultants as incentives.

The Compensation Committee recommends option grants to the Board. The Company granted stock options exercisable to purchase 605,000 shares of the Company to Named Executive Officers during the financial year ended December 31, 2013.

### **Compensation Governance**

For more information about the Compensation Committee and its compensation policies, please see the "Corporate Governance Disclosure – Compensation of Directors and the CEO".

### **Summary Compensation Table**

The table below sets out particulars of compensation paid to the following executive officers (each of whom is a "**Named Executive Officer**") for services to the Company during the three most recently completed financial years:

- (a) the individual who acted as the Company's CEO or acted in a similar capacity for any part of the most recently completed financial year;
- (b) the individual who acted as the Company's CFO or acted in a similar capacity for any part of the most recently completed financial year;
- (c) each of the Company's 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; and
- (d) each individual who would be an Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

Summary Compensation Table

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation <sup>(2)</sup> (\$)		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Frederick W. Davidson, President and CEO	2013	164,000 <sup>(5)</sup>	Nil	265,835 <sup>(3)(4)</sup>	100,000 <sup>(8)</sup>	Nil	Nil	13,200 <sup>(9)</sup>	543,035
	2012	141,000 <sup>(6)</sup>	Nil	Nil	125,000 <sup>(8)</sup>	Nil	Nil	12,200 <sup>(9)</sup>	278,200
	2011	126,000 <sup>(11)</sup>	Nil	281,910 <sup>(7)</sup>	75,000 <sup>(8)</sup>	Nil	Nil	8,800 <sup>(9)</sup>	491,710
Richard S. Younker, CFO	2013	Nil	Nil	28,028 <sup>(3)(4)</sup>	Nil	Nil	Nil	36,188 <sup>(10)</sup>	64,216
	2012	Nil	Nil	Nil	Nil	Nil	Nil	36,206 <sup>(10)</sup>	36,206
	2011	Nil	Nil	37,588 <sup>(7)</sup>	Nil	Nil	Nil	16,688 <sup>(10)</sup>	54,276
George A. Gorzynski, Vice-President Exploration	2013	Nil	Nil	129,163 <sup>(3)(4)</sup>	Nil	Nil	Nil	119,547 <sup>(12)</sup>	248,710
	2012	Nil	Nil	Nil	Nil	Nil	Nil	135,050 <sup>(13)</sup>	135,050
	2011	Nil	Nil	140,955 <sup>(7)</sup>	Nil	Nil	Nil	121,879 <sup>(14)</sup>	262,834

(1) This figure includes the dollar value of cash and non-cash base salary each Named Executive Officer earned during the relevant financial year.

(2) Perquisites and other personal benefits have not been included as they do not reach the prescribed threshold of the lesser of \$50,000 or 10% of the total annual salary.

(3) These options were granted on January 23, 2013 with 25% vesting immediately and 12.5% vesting each quarter thereafter. They are exercisable at a price of \$1.20 and expire on January 22, 2018. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 1.13%, expected dividend yield of \$nil, expected stock price volatility of 67%, and expected life of option of 3 years.

(4) On May 30, 2013, these options' exercise period was extended from January 6, 2014 to January 6, 2019. These were originally granted on January 6, 2009 and are exercisable at a price of \$0.55. The fair value of the extension has been estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 1.09%, expected dividend yield of \$nil, expected stock price volatility of 69%, and expected life of options of 3 years.

(5) From January 1, 2013 to April 30, 2013, Mr. Davidson received a salary of \$12,000 per month. From May 1, 2013 to December 31, 2013, Mr. Davidson received a salary of \$14,500 per month.

(6) From January 1, 2012 to April 1, 2012, Mr. Davidson received a salary of \$11,000 per month. From April 1, 2012 to December 31, 2012, Mr. Davidson received a salary of \$12,000 per month.

(7) These options were granted on September 27, 2011, with 25% vesting immediately and 12.5% vesting each quarter thereafter. They are exercisable at a price of \$1.85 and expire on September 26, 2016. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 1.01%, expected dividend yield of \$nil, expected stock price volatility of 75%, and expected life of options of 3 years.

(8) Mr. Davidson received a bonus of \$100,000 in cash for services as President in 2013, a bonus of \$125,000 in cash for services as President in 2012, a bonus of \$75,000 in cash for services as President in 2011.

(9) This amount was for directors' fees paid to Mr. Davidson.

(10) This amount was for consulting fees paid to Mr. Younker.

(11) From January 1, 2011 to July 1, 2011, Mr. Davidson received a salary of \$10,000 per month. From July 1, 2011 to December 31, 2011, Mr. Davidson received a salary of \$11,000 per month.

(12) This amount is for consulting fees of \$106,047 and directors' fees of \$13,500 paid to Mr. Gorzynski.

(13) This amount is for consulting fees of \$122,850 and directors' fees of \$12,200 paid to Mr. Gorzynski.

(14) This amount is for consulting fees of \$113,079 and directors' fees of \$8,800 paid to Mr. Gorzynski.

## Incentive Plan Awards

The following table discloses the particulars for each Named Executive Officer all awards outstanding at the end of the most recently completed financial year:

### *Outstanding share based compensation and option based awards*

<i>Name</i>	<i>Option-based Awards</i>				<i>Share-based Awards</i>		
	<i>Number of securities underlying unexercised options (#)</i>	<i>Option exercise price (\$)</i>	<i>Expiry Date</i>	<i>Value of unexercised in-the-money options (\$)<sup>(1)</sup></i>	<i>Number of shares or units of shares that have not vested (#)</i>	<i>Market of payout value of share-based awards that have not vested (\$)</i>	<i>Market or payout value of vested share-based awards not paid out or distributed (\$)</i>
Frederick W. Davidson	150,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	300,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	370,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	500,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
Richard S. Younker	20,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	40,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	50,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	15,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
George A. Gorzynski	75,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	150,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	185,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	225,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil

<sup>(1)</sup> This amount is based on the difference between the market value of the securities underlying the options at the year ended December 31, 2013, being \$0.47, and the exercise price of the option.

<sup>(2)</sup> These options were extended from January 6, 2014 to January 6, 2019.

### *Incentive Plan Awards – value vested or earned during the year*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer:

<i>Name</i>	<i>Option-based awards – Value vested during the year (\$)</i>	<i>Share-based awards – Value vested during the year (\$)</i>	<i>Non-equity incentive plan compensation – Value earned during the year (\$)</i>
Frederick W. Davidson	Nil	<sup>(1)</sup>	Nil
	Nil	<sup>(2)</sup>	

<i>Name</i>	<i>Option-based awards – Value vested during the year (\$)</i>		<i>Share-based awards – Value vested during the year (\$)</i>	<i>Non-equity incentive plan compensation – Value earned during the year (\$)</i>
	Nil	(3)		
	Nil	(4)		
Richard S. Younker	Nil	(5)	Nil	Nil
	Nil	(6)		
	Nil	(7)		
	Nil	(8)		
George A. Gorzynski	Nil	(9)	Nil	Nil
	Nil	(10)		
	Nil	(11)		
	Nil	(12)		

- (1) 92,500 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.  
(2) 46,250 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.  
(3) 46,250 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.  
(4) 46,250 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.  
(5) 12,500 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.  
(6) 6,250 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.  
(7) 6,250 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.  
(8) 6,250 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.  
(9) 46,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.  
(10) 23,125 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.  
(11) 23,125 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.  
(12) 23,125 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.

### **Pension Plan Benefits**

The Company does not have any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

### **Termination and Change of Control Benefits**

The Davidson Agreement is effective as of September 1, 2009 and will continue unless terminated in accordance with the terms of the Davidson Agreement. The Company may terminate the Davidson Agreement at any time without cause provided that the Company provides Mr. Davidson with severance payment in lieu of notice as outlined in the Davidson Agreement.

In the event that Mr. Davidson is terminated without cause by the Company or dies during the period of his employment, the Company will pay Mr. Davidson or his legal representative, as applicable, a severance payment which will consist of the following amounts:

- (a) the portion of Mr. Davidson’s annual salary, at the rate in effect at the time of the notice of termination, then accrued to the date of termination which has not been paid to Mr. Davidson;
- (b) an amount equal to the amount, if any, of vacation pay and reimbursable expenses accrued to the date of termination which have not been paid to Mr. Davidson; and
- (c) an amount equal to 36 months’ salary, at the rate in effect at the time of the notice of termination.

In the event of a Change of Control (as that term is defined below) of the Company if Mr. Davidson elects to terminate his employment within the period of 6 months following the date of the Change of Control,

the Company will pay to Mr. Davidson, on or before the fifth business day following the Change of Control, the following amounts:

- (a) the portion of Mr. Davidson's annual salary, at the rate in effect at the time of the notice of termination, then accrued to the date of termination which has not been paid to Mr. Davidson;
- (b) an amount equal to the amount, if any, of vacation pay and reimbursable expenses then accrued to the date of termination which have not been paid to Mr. Davidson; and
- (c) an amount equal to 36 months' salary, at the rate in effect at the time of the notice of termination.

For the purposes of the Davidson Agreement, a Change of Control includes the occurrence of any of:

- (a) the purchase or acquisition of any common shares or securities convertible into common shares ("**Convertible Securities**") by a Holder (as defined below) which results in the Holder beneficially owning, or exercising control or direction over, common shares or Convertible Securities such that, assuming only the conversion of Convertible Securities beneficially owned or over which control or direction is exercised by the Holders, the Holders would beneficially own, or exercise control or direction over, common shares of the Company carrying the right to cast more than 50% of the votes attaching to all such common shares;
- (b) Incumbent Directors (as defined below) ceasing to constitute a majority of the Board of Directors;
- (c) approval by the shareholders of the Company of:
  - i. an amalgamation, arrangement, merger or other consolidation or combination of the Company with another corporation pursuant to which the shareholders of the Company immediately thereafter do not own shares of the successor or continuing corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation;
  - ii. the liquidation, dissolution or winding up of the Company; or
  - iii. the sale, lease or other disposition of all or substantially all of the assets of the Company.

Holder means a person, a group of persons or persons acting jointly or in concert or persons associated or affiliated, within the meaning of the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), with any such person, group of persons or any such persons acting jointly or in concert.

Incumbent Director means any member of the Company's Board of Directors who was a member of the Company's Board of Directors immediately prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the directors, including a majority of the Incumbent Directors then on the Company's Board of Directors.

Shares mean the common shares of the Company and any other shares of the Company which have the right to vote in respect of the election of directors.

The following tables show the estimated compensation that would have been payable to Mr. Davidson assuming termination and/or Change of Control events occurring on December 31, 2013:

Name	Payment Upon Termination without Cause	Payment Upon Change of Control or Upon Constructive Dismissal
Frederick W. Davidson	\$522,000 <sup>(1)</sup>	\$522,000 <sup>(1)</sup>

<sup>(1)</sup> Pursuant to the terms of Mr. Davidson's Employment Agreement and a salary increase effective as of May 1, 2013, Mr. Davidson is paid an annual salary of \$174,000.

## Director Compensation

The Company has seven directors, two of which are also Named Executive Officers. For a description of the compensation paid to the Company's Named Executive Officers who also act as directors, see "Summary Compensation Table".

The Company has no arrangements, standard or otherwise, pursuant to which Directors are compensated by the Company or its subsidiaries for their services in their capacity as Directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Information Circular except as disclosed in the table below.

### Director Compensation Table

The following table sets forth all compensation the Company paid or granted to the Company's directors, other than Named Executive Officers, for the most recently completed financial year:

Name	Fees earned <sup>(1)</sup> (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
H. Walter Sellmer	14,100	Nil	71,948 <sup>(2)(3)</sup>	Nil	Nil	Nil	86,048
Victor A. Tanaka	14,700	Nil	79,458 <sup>(2)(3)</sup>	Nil	Nil	Nil	94,158
Richard J. Mazur	15,300	Nil	79,458 <sup>(2)(3)</sup>	Nil	Nil	Nil	94,758
Peter N. Tredger	15,300	Nil	86,968 <sup>(2)(3)</sup>	Nil	Nil	Nil	102,268
Jean-Pierre Bourtin	13,200	Nil	64,438 <sup>(2)</sup>	Nil	Nil	Nil	77,638

<sup>(1)</sup> Directors are compensated by the Company or its subsidiaries at \$12,000 per annum for their services in their capacity as Directors, with an additional \$300 per meeting attended. As well, they are compensated for services as a consultant or an expert.

<sup>(2)</sup> These options were granted on January 23, 2013 with 25% vesting immediately and 12.5% vesting each quarter thereafter. They are exercisable at a price of \$1.20 and expire on January 22, 2018. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 1.13%, expected dividend yield of \$nil, expected stock price volatility of 67%, and expected life of option of 3 years.

<sup>(3)</sup> On May 30, 2013, these options' exercise period was extended from January 6, 2014 to January 6, 2019. These were originally granted on January 6, 2009 and are exercisable at a price of \$0.55. The fair value of the extension has been estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 1.09%, expected dividend yield of \$nil, expected stock price volatility of 69%, and expected life of options of 3 years.

## Share-based awards, option based awards and non-equity incentive plan compensation

### Incentive Plan Awards

#### Outstanding share-based awards and option-based awards

The following table discloses the particulars for each director for awards outstanding at the end of the most recently completed financial year:

Name	Option –based awards				Share-based awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of share or units of shares that have not vested (#)	Market of payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
H. Walter Sellmer	50,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	100,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	125,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	50,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
Victor A. Tanaka	50,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	100,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	125,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	100,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
Richard J. Mazur	50,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	100,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	125,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	100,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
Peter N. Tredger	50,000	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	100,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	125,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil
	150,000	0.55	January 6, 2019 <sup>(2)</sup>	Nil	Nil	Nil	Nil
Jean-Pierre Bourtin	18,750	1.10	June 6, 2015	Nil	Nil	Nil	Nil
	100,000	1.85	September 26, 2016	Nil	Nil	Nil	Nil
	125,000	1.20	January 22, 2018	Nil	Nil	Nil	Nil

<sup>(1)</sup> This amount is based on the difference between the market value of the securities underlying the options at the year ended December 31, 2013, being \$0.47, and the exercise price of the option.

<sup>(2)</sup> These options were extended from January 6, 2014 to January 6, 2019.

*Incentive Plan Awards – value vested or earned during the year*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Director who is not also a Named Executive Officer:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
H. Walter Sellmer	Nil	Nil	Nil
	Nil		
	Nil		
	Nil		
Victor A. Tanaka	Nil	Nil	Nil

<i>Name</i>	<i>Option-based awards – Value vested during the year (\$)</i>		<i>Share-based awards – Value vested during the year (\$)</i>	<i>Non-equity incentive plan compensation – Value earned during the year (\$)</i>
	Nil	(6)		
	Nil	(7)		
	Nil	(8)		
Richard J. Mazur	Nil	(9)	Nil	Nil
	Nil	(10)		
	Nil	(11)		
	Nil	(12)		
Peter N. Tredger	Nil	(13)	Nil	Nil
	Nil	(14)		
	Nil	(15)		
	Nil	(16)		
Jean-Pierre Bourtin	Nil	(17)	Nil	Nil
	Nil	(18)		
	Nil	(19)		
	Nil	(20)		

- (1) 31,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.
- (2) 15,625 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.
- (3) 15,625 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.
- (4) 15,625 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.
- (5) 31,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.
- (6) 15,625 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.
- (7) 15,625 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.
- (8) 15,625 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.
- (9) 31,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.
- (10) 15,625 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.
- (11) 15,625 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.
- (12) 15,625 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.
- (13) 31,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.
- (14) 15,625 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.
- (15) 15,625 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.
- (16) 15,625 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.
- (17) 31,250 shares of the option vested on January 23, 2013. The market price of this option on January 23, 2013 was \$1.19.
- (18) 15,625 shares of the option vested on April 23, 2013. The market price of this option on April 23, 2013 was \$0.64.
- (19) 15,625 shares of the option vested on July 23, 2013. The market price of this option on July 23, 2013 was \$0.80.
- (20) 15,625 shares of the option vested on October 23, 2013. The market price of this option on October 23, 2013 was \$0.70.

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

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2013:

<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation plans</i>
Equity compensation plans approved by securityholders	6,432,500	\$1.25	380,324
Equity compensation plans not approved by	N/A	N/A	N/A

securityholders			
Total	6,432,500	\$1.25	380,324

**INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

There is no indebtedness of any Director, executive officer, proposed nominee for election as a Director or associate of them, to or guaranteed or supported by the Company or any of its subsidiaries either pursuant to an employee stock purchase program of the Company or otherwise, during the most recently completed financial year.

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

Except as set out herein, no person who has been a Director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a director of the Company 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 the election of directors or the appointment of auditors.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person of the Company, proposed nominee for election as a Director of the Company, or associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since the beginning of the Company's last financial year or in any proposed transaction, which has materially affected or will materially affect the Company or any of the Company's subsidiaries, other than as disclosed under the heading "Executive Compensation".

An "informed person" means:

- (a) a Director or executive officer of the Company;
- (b) a Director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, directly or indirectly, the Company's voting securities or who exercises control or direction over the Company's voting securities or a combination of both carrying more than 10 percent of the voting rights attached to all the Company's outstanding voting securities other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) the Company if it has purchased, redeemed or otherwise acquired any of the Company's securities, so long as the Company holds any of its securities.

**AUDIT COMMITTEE**

Under Section 224(1) of the BCBCA, the Exchange policies and National Instrument 52-110 *Audit Committees* ("NI 52-110"), the Company is required to have an Audit Committee.

**The Audit Committee's Charter**

*Mandate*

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### *Composition*

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is 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 presumably be expected to be raised by the Company's financial statements.

The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

#### *Meetings*

The Audit Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the CFO and the external auditors in separate sessions.

#### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Audit Committee shall:

#### Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental

body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - iii. such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee.

Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

### *Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### *Other*

Review any related-party transactions.

The Audit Committee met four times during the most recently completed financial year.

### **Composition of the Audit Committee**

The following are the members of the Audit Committee:

Peter N. Tredger<sup>(1)</sup>

Victor A. Tanaka<sup>(1)</sup>

Richard J. Mazur<sup>(1)</sup>

<sup>(1)</sup> All Audit Committee members are Independent and Financially Literate as such terms are defined in NI 52-110.

### **Relevant Education and Experience**

The educational background or experience of the following Audit Committee members has enabled each to perform his responsibilities as an Audit Committee member and has provided the member with an

understanding of the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves as well as experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities and an understanding of internal controls and procedures for financial reporting:

Peter Tredger is a professional engineer with 44 years of mining industry experience, including executive management positions with Thompson Creek Metals Company Inc. from 2006 to 2008; Blue Pearl Mining Inc. (now Thompson Creek) from 2004 to 2006; Glencairn Gold Corp. (now B2Gold Corp.) from 2002 to 2004; and, Wheaton River Minerals Ltd. (now Goldcorp Inc.) from 1992 to 2001. Previously, Mr. Tredger was an independent mining consultant, and for 11 years was employed by Amax Inc. in a variety of technical and management positions, prior to which he was an exploration geologist. Mr. Tredger has more than 20 years' experience as a public company Director and Audit Committee member.

Victor Tanaka has been involved with public and private mining companies for over 45 years. He has a BSc Geology Major from McGill University and is a registered professional geoscientist in the Province of British Columbia (APEGBC). He is currently President, Chief Executive Officer and a Director of Bayswater Uranium Corporation. Mr. Tanaka also sits on the boards of five other public resource companies.

Richard Mazur has been involved with public and private mining companies for over 35 years. He has an MBA (1985) from Queen's University, Kingston, Ontario and a Bachelor of Science degree in Geology (1975) from the University of Toronto. Mr. Mazur worked as a Project Geologist, Financial Analyst and Senior Executive in the resource sector over that period. He has been a Director and an Audit Committee member of public resource companies for over 20 years. Mr. Mazur is currently the President, CEO, Director of Forum Uranium Corp.; CEO, Director and Audit Committee member of Alto Ventures Ltd.; and is a Director and Audit Committee member of Midnight Sun Mining Corp.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

### **External Auditors Service Fees (By Category)**

The table below sets out all fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

<i>Financial Year Ending</i>	<i>Audit Fees</i>	<i>Audit Related Fees</i>	<i>Tax Fees</i>	<i>All Other Fees</i>
2013	\$125,500	\$131,775	Nil	Nil
2012	\$109,000	\$109,000	Nil	Nil

### **Exemption in Section 6.1 of NI 52-110**

The Company is relying upon the exemption in section 6.1 of NI 52-110, which exempts issuers whose shares are listed only on the Exchange from the requirements of Part 3 (*Composition of Audit Committee*) and Part 5 (*Reporting Obligations*).

### **APPOINTMENT OF AUDITORS**

Unless otherwise instructed, the proxies given in this solicitation will be voted for the re-appointment of PricewaterhouseCoopers LLP, Chartered Accountants, of 250 Howe Street, Suite 200, Vancouver, British Columbia V6C 3S7, as the Company's auditor to hold office until the next annual general meeting. The Company's Board of Directors is authorized to set the remuneration to be paid to the auditor.

Unless otherwise instructed, the proxies solicited by management will be voted for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Company's auditor.

### **MANAGEMENT CONTRACTS**

None of the Company's management functions or its subsidiaries are performed to any substantial degree by a person other than the Directors or executive officers of the Company or its subsidiaries.

### **CORPORATE GOVERNANCE DISCLOSURE**

National Policy 58-201 Corporate Governance Guidelines establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines and, as prescribed by National Instrument 58-101 Disclosure of Corporate Governance Practices, the Company discloses the following:

#### **1. Board of Directors**

The Company's Board of Directors facilitates its independent supervision over management through regular meetings of the Board, both with and without members of the Company's management (including members of management who are also directors) being in attendance.

#### **2. Independence of Members of Board**

The Company's Board consists of seven directors, five of whom are independent based upon the tests for independence set forth in NI 52-110. H. Walter Sellmer, Victor Tanaka, Richard Mazur, Peter Tredger and Jean-Pierre Bourtin are independent. Frederick Davidson is not independent as he is the President and CEO of the Company. George Gorzynski is not independent as he is the Vice-President Exploration of the Company.

The mandate of the Board, as prescribed by the BCBCA, is to manage or supervise management of the Company's business and affairs and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its committees.

#### **3. Management Supervision by Board**

The Board of Directors has determined that the current constitution of the Board is appropriate for the Company's current stage of development. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent Board members. The independent directors are however able to meet at any time without any members of management including the non-independent directors being present. Further supervision is performed through the Audit Committee which is composed of a majority of independent directors who meet with the Company's auditors without management being in attendance. The independent directors exercise their responsibilities for independent oversight of management through their majority control of the Board. The Board may appoint a lead director to direct Board operations.

#### **4. Participation of Directors in Other Reporting Issuers**

The participation of the directors in other reporting issuers is described in the table provided under "Election of Directors" in this Information Circular.

#### **5. Participation of Directors in Board Meetings**

During the year ended December 31, 2013, five board meetings were held. The attendance record of each director for the board meetings held is as follows:

<i>Name of Director</i>	<i>Number of Board Meetings Attended in the Most Recently Completed Financial Year</i>
Frederick Davidson	4
George Gorzynski	5
H. Walter Sellmer	5
Victor Tanaka	5
Richard Mazur	5
Peter Tredger	5
Jean-Pierre Bourtin	4

#### **6. Board Mandate**

The Board has not adopted a written mandate; however, it delineates certain roles and responsibilities as set out in its employment agreements.

#### **7. Position Descriptions**

The Board has not adopted position descriptions for the Chair of the Board and for the chairs of each of its committees. The Board has adopted a position description for the CEO, as set forth in the Company's employment agreement with the CEO.

#### **8. Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

- (a) information respecting the functioning of the Board Directors, committees and copies of the Company's corporate governance policies;
- (b) access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information; and

- (c) access to management and technical experts and consultants; and
- (d) a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

## **9. Ethical Business Conduct**

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders.

The Board has not yet adopted a Code of Conduct; however, it proposes to do so within the next year.

## **10. Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mining and financial services industries are consulted for possible candidates.

## **11. Compensation of Directors and the CEO**

The members of the Compensation Committee are H. Walter Sellmer, Peter N. Tredger, and Richard J. Mazur, all of whom are independent. The Compensation Committee has responsibility for determining compensation for the directors and senior management.

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

The Board has not yet adopted a written charter for the Compensation Committee.

## **12. Other Board Committees**

As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development.

## **13. Assessments**

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Board conducts informal surveys of its directors and receives reports from each committee respecting its own effectiveness.

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

### **A. Approval of Stock Option Plan**

On April 15, 2014, the Directors adopted a new Stock Option Plan (the “**2014 Plan**”) to replace its 2013 Stock Option Plan (the “**2013 Plan**”), subject to shareholder and regulatory approval. The 2014 Plan is a 10% rolling plan.

All existing and outstanding options will count against the number of shares reserved for issuance under the 2014 Plan as long as such options remain outstanding. Upon implementation of the 2014 Plan, all existing options will forthwith be governed by the 2014 Plan. The 2014 Plan may include such further and other amendments as may be required by the Exchange.

The full text of the 2014 Plan will be available for review at the Meeting and prior thereto at the Company’s offices at 1100 - 543 Granville Street, Vancouver, BC, V6C 1X8 during normal business hours.

Accordingly, at the Meeting, shareholders will be asked to pass an ordinary resolution in the following form:

“UPON MOTION IT WAS RESOLVED that the Company’s 2014 Stock Option Plan (as referred to in the Company’s Information Circular dated April 15, 2014), pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the common shares then outstanding of the Company, with such further and other amendments as may be required by the TSX Venture Exchange, be and is hereby authorized, confirmed and approved.”

**The Directors of the Company believe the passing of the foregoing ordinary resolution is in the best interests of the Company and recommend that shareholders of the Company vote in favour of the resolution.**

**Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote FOR the approval of the 2014 Plan.**

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at 1100 - 543 Granville Street, Vancouver, British Columbia V6C 1X8 to request copies of the Company’s financial statements and MD&A.

Financial information is provided in the Company’s comparative financial statements and MD&A for its most recently completed financial year which are filed on SEDAR.

**OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DATED April 15, 2014.

APPROVED BY THE BOARD OF DIRECTORS

*“Frederick W. Davidson”*

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Frederick W. Davidson  
President & Chief Executive Officer