

**KWG RESOURCES INC.**

**Annual and Special Meeting of Shareholders**

**to be held on Thursday, July 21, 2016**

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**June 20, 2016**



## KWG RESOURCES INC.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE (the “Notice”) IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders (the “Meeting”) of KWG RESOURCES INC. (the “Corporation”), for the year ended December 31, 2015, will be held on Thursday, July 21, 2016 at 11:00 a.m. (local time), at the offices of Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, for the following purposes:**

- (a) To receive the audited consolidated financial statements of the Corporation for the years ended December 31, 2015 and 2014 and the auditor’s report thereon;
- (b) To elect directors of the Corporation;
- (c) To appoint the auditor of the Corporation and to authorize the directors to fix the auditor’s remuneration;
- (d) To consider and, if deemed advisable, to pass a special resolution authorizing the amendment of the articles of the Corporation to change the province in which the registered office of the Corporation is to be situated from the Province of Quebec to the Province of Ontario, the full text of which is reproduced in the Management Proxy Circular accompanying this Notice under the heading *Change of Location of Registered Office*;
- (e) TO consider and, if deemed advisable, pass a special resolution, with or without variation, the full text of which is reproduced as Schedule “A” to the Management Information Circular accompanying this Notice and incorporated by reference in this Notice (the “**Capital Reorganization Resolution**”), authorizing the Corporation to:
  - (i) create a new class of convertible shares to be classified as “Multiple Voting Shares” in an unlimited number with the rights, privileges, restrictions and conditions described in Exhibit I to Schedule “A” to such Management Information Circular, which rights, privileges, restrictions and conditions shall be annexed to the Articles; and
  - (ii) change the classification of each Common Share, whether issued or unissued, into a convertible “Subordinate Voting Share” and to change the rights, privileges, restrictions and conditions of such shares to the rights, privileges, restrictions and conditions described in Exhibit I to Schedule “A” to such Management Information Circular, which rights, privileges, restrictions and conditions shall be annexed to the Articles;
- (f) TO transact such other business as may properly be brought before the Meeting, or any adjournment thereof.

A shareholder of the Corporation may in connection with the Capital Reorganization Resolution, exercise the right to dissent pursuant to Section 190 of the Canada Business Corporations Act, the whole as described in the Management Proxy Circular accompanying this Notice under the heading “Right to Dissent”.

**The details of the matters proposed to be put before the Meeting are set forth in the Management Information Circular accompanying the Notice, which is supplemental to and expressly made part of this Notice.**

A Proxy Form is enclosed herewith. Registered Shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the enclosed Proxy Form to Computershare Investor Services Inc., Attention Proxy Department by mail or personal delivery to 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 or by fax to 1-866-249-7775, in either case, prior to 5:00 p.m. (Toronto time) on July 19, 2016 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to such adjourned or postponed meeting. Non-registered Shareholders receiving these materials through their broker or other intermediary should complete and return the voting instruction form provided to them by their broker or other intermediary in accordance with the instructions provided therein.

DATED at Montréal, Québec, this 20<sup>th</sup> day of June 2016

**BY ORDER OF THE BOARD OF DIRECTORS**

(s) *Luce L. Saint-Pierre*

Luce L. Saint-Pierre, Corporate Secretary



**MANAGEMENT INFORMATION CIRCULAR  
SOLICITATION OF PROXIES BY MANAGEMENT**

**SOLICITATION OF PROXIES**

**This Management Information Circular is furnished in connection with the solicitation by the management of KWG Resources Inc. (the “Corporation”) of proxies to be used at the annual and special meeting of shareholders and any adjournment thereof (the “Meeting”) of the Corporation to be held at the time and place and for the purposes set forth in the Notice of Meeting.** It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Corporation may also solicit proxies by telephone, facsimile, e-mail or in person.

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are directors and officers of the Corporation. A shareholder has the right to appoint as his or her proxy a person, who need not be a shareholder, other than those whose names are printed on the accompanying form of proxy. **A shareholder who wishes to appoint some other person to represent him or her at the Meeting may do so either by inserting such other person’s name in the blank space provided in the enclosed form of proxy and signing the form of proxy or by completing and signing another proper form of proxy.**

To be valid, the Proxy Form must be received by Computershare not later than 5:00 p.m. (Toronto time) on July 19, 2016, or at least 48 hours (excluding Saturdays, Sundays and holidays) before the date of the Meeting in the case of any adjournment or postponement thereof.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been taken pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by the shareholder’s attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The revocation of a proxy, in order to be acted upon, must be deposited with Computershare Investor Services Inc. (Attention: Proxy Department), 700 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 prior to 5:00 p.m. on the second to last business day immediately preceding the Meeting or with the Secretary of the Corporation before the commencement of the Meeting or at any adjournment thereof.

**EXERCISE OF DISCRETION BY PROXIES**

**Shares represented by properly executed proxies in favour of the persons classified in the enclosed form of proxy, in the absence of any direction to the contrary, will be voted: (i) for the election of directors; (ii) for the appointment of auditors; (iii) for the amendment of the articles of the Corporation to change the province in which the registered office of the Corporation is to be situated; (iv) and for the Capital Reorganization (as defined herein); all as further described in this Management Information Circular.** Instructions with respect to voting will be respected by the persons classified in the enclosed form of proxy. With respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting, such shares will be voted by the persons so classified in their discretion. As of the date of this Management Information Circular, management of the Corporation knows of no such amendments, variations or other matters.

**NON REGISTERED SHAREHOLDERS**

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a person (a “**Non-Registered Holder**”) are registered either: (i) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the shares, such as securities dealers or brokers, banks, trust companies, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSA’s and similar plans; or (ii) in the name of a clearing agency of which the Intermediary is a participant. In accordance with National Instrument 54-101 of the Canadian Securities Administrators, entitled “Communication with Beneficial Owners of Securities of a Reporting Issuer”, the Corporation has distributed copies of the Notice of Meeting and this Management Information Circular (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders, and often use a service company for this purpose. Non-Registered Holders will either:

- (a) typically, be provided with a computerized form (often called a “voting instruction form”) which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the

- Intermediary must follow. In order for the applicable computerized form to validly constitute a voting instruction form, the Non-Registered Holder must properly complete and sign the form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or service company. In certain cases, the Non-Registered Holder may provide such voting instructions to the Intermediary or its service company through the Internet or through a toll-free telephone number; or
- (b) less commonly, be given a proxy form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the proxy form and submit it to Computershare Investor Services Inc. (Attention: Proxy Department), 700 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own.

Should a Non-Registered Holder who receives a voting instruction form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should print his or her own name, or that of such other person, on the voting instruction form and return it to the Intermediary or its service company. Should a Non-Registered Holder who receives a proxy form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons set out in the proxy form and insert the name of the Non-Registered Holder or such other person in the blank space provided and submit it to Computershare Investor Services Inc. at the address set out above.

**In all cases, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when, where and by what means the voting instruction form or proxy form must be delivered.**

Non-Registered Holders of “beneficial shareholders” are either “objecting beneficial owners” or “OBOs”, who object to the disclosure by Intermediaries of information about such OBO’s ownership in the Corporation, or “non-objecting beneficial owners” or “NOBOs”, who do not object to such disclosure. The Corporation intends to pay for proximate Intermediaries to send the proxy-related materials to NOBOs and OBOs.

A Non-Registered Holder may revoke voting instructions which have been given to an Intermediary at any time by written notice to the Intermediary.

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

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation’s last completed financial year or any associate or affiliate of any such director, executive officer or proposed nominee has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

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

The directors of the Corporation have fixed May 25, 2016 (the “**Record Date**”), at the close of business, as the record date for the determination of the shareholders entitled to receive notice of the Meeting and to vote thereat. All holders of at least one common share of the Corporation (a “**Common Share**”) as of that date will have the right to vote at the Meeting, except to the extent that a person has transferred any of his or her Common Shares after such record date and the transferee of those shares (i) produces properly endorsed share certificates, or (ii) otherwise establishes that he or she owns the shares and demands, no later than ten days before the Meeting, that his or her name be included in the list prepared by the transfer agent before the Meeting, in which case the transferee will be entitled to vote at the Meeting.

As of the Record Date, 961,320,281 Common Shares were outstanding, each giving the right to one vote at the Meeting. To the knowledge of the directors and officers of the Corporation, the only persons, firms or corporations who own, as of the date hereof, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation, are as follows:

<b>Shareholder Name</b>	<b>Number of Common Shares</b>	<b>Percentage of Issued Shares</b>
Noront Resources Ltd.*	111,733,215	11.62%
* Held by Noront Muketei Minerals Ltd.		

## ELECTION OF DIRECTORS

The board of directors of the Corporation (the “**Board**”) proposes to nominate the five persons named below for election as directors of the Corporation, all of whom are current directors of the Corporation. Unless otherwise directed, it is the intention of management nominees to vote proxies in the accompanying form of proxy for these five nominees. Each director will hold office until the next annual meeting of shareholders or until the election of his or her successor, unless he or she resigns or his or her office becomes vacant by removal, death or other cause or is replaced in accordance with the by-laws of the Corporation.

The following table sets out the name of each of the persons proposed to be nominated for election as director, all other positions and offices with the Corporation now held by such person, his or her municipality of residence and principal occupation, the year in which such person became a director of the Corporation, and the number of Common Shares that such person has advised are beneficially owned, controlled or directed, directly or indirectly, by such person as at the date indicated below. The information as to residence, principal occupation and number of shares beneficially owned, or controlled or directed, directly or indirectly, by the nominees was provided by the respective nominees.

Name, Position with the Corporation and Province/State of Residence	Principal Occupation	Date Became a Director of the Corporation	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly
FRANK C. SMEENK <sup>(1)</sup> President, Chief Executive Officer and Director <i>Ontario, Canada</i>	President and Chief Executive Officer of the Corporation	April 14, 1998	22,659,650 of which 1,260,000 are held indirectly
DOUGLAS M. FLETT <sup>(2)</sup> Chairman and Director <i>Ontario, Canada</i>	Treasurer and general counsel of <i>Fletcher Nickel Inc.</i> , a public junior mining company	January 25, 2006	3,125,000 of which 1,300,000 are held indirectly
CYNTHIA THOMAS <sup>(1)(2)(3)</sup> Director <i>Nevada, USA</i>	CEO of <i>Conseil Advisory Service</i> , an independent financial advisory firm specializing in the natural resource industry	May 21, 2010	750,000
THOMAS J. PLADSEN <sup>(2)(3)</sup> Director <i>Ontario, Canada</i>	Chief Financial Officer of <i>Atacama Pacific Gold Corporation</i> , a public gold exploration and development company	February 29, 2012	1,100,000
DONALD A. SHELDON <sup>(1)(3)</sup> Director <i>Ontario, Canada</i>	Partner of <i>Dickinson Wright LLP</i> , a law firm, since 2014  Executive Officer and Securities Lawyer at Sheldon Huxtable Professional Corporation, a law firm, from 2004 to 2014	April 8, 2014	1,287,500 of which 687,500 are held indirectly

(1) Member of the Governance and Nominating Committee

(2) Member of the Audit Committee

(3) Member of the Compensation Committee.

All of the nominees whose names are above mentioned have previously been elected directors of the Corporation at a shareholders’ meeting for which a proxy circular was issued and have had the principal occupation indicated for the previous five years.

### *Orders, Penalties and Bankruptcies*

To the knowledge of the Corporation, none of the foregoing nominees for election as a director:

- (b) is, as at the date of this Management Information Circular, or has been, within the last ten years, a director, or executive officer of any company that, while that person was acting in that capacity:
  - (i) was the subject of an order while the nominee was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

- (c) is, as at the date of this Management Information Circular or has been within the last ten years has been, a director or executive officer of any 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
- (d) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Except as described below, to the knowledge of the Corporation, none of the foregoing nominees for election as director has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

On June 8, 1999, MacDonald Oil Exploration Ltd. (“**MacDonald Oil**”) commenced a share exchange takeover bid offering under the provisions of the Canada Business Corporations Act, for the shares of Bresea Resources Ltd. (“**Bresea**”) (the “**Offer**”). Thirty-five minutes prior to the Offer’s expiry on July 12, 1999, the Ontario and Alberta Securities Commissions (the “**Commissions**”) issued Temporary Orders to cease trading in the shares of Bresea and the consideration to be paid for some 22 million Bresea shares previously tendered to the Offer. At a joint hearing of the Commissions convened on August 11, 1999 the Commissions issued orders (the “**Orders**”) in both Alberta and Ontario that trading cease by MacDonald Oil in the shares of Bresea and the consideration to have been paid for them by MacDonald Oil until, among other things, all such Bresea shares were returned to or withdrawn by their prior holders. All the Bresea shares were returned or withdrawn. Mr. Smeenck, a director of the Corporation standing for re-election at the Meeting, was, at the time of the Orders’ effect, an officer and director of MacDonald Oil.

In consequence of the Orders, MacDonald Oil was unable to satisfy its auditor as to the value of its investment in the Offer, prior to the time for filing its subsequent annual financial statements. Its application to the Ontario Securities Commission (“**OSC**”) for leave to therefore extend the time for filing was declined by the issue of a 15-day Temporary Order on February 2, 2000 which was dissolved on its expiry by the Issuer’s timely filings in the interim. Mr. Smeenck was made a party to the Temporary Order as a then-current insider of the Issuer.

Mr. Smeenck and MacDonald Oil (and other persons) entered into a settlement agreement with the OSC dated January 8, 2001 whereunder the parties agreed to the settlement of proceedings initiated by the OSC in respect of instances of non-compliance by Mr. Smeenck and MacDonald Oil (and others) with filing, disclosure and trading requirements under Ontario securities laws. The terms of the settlement provided that, *inter alia*, (i) each of the respondents would be reprimanded by the OSC; (ii) Mr. Smeenck would make a payment of \$5,000 to the OSC in respect of the OSC’s costs; (iii) commencing March 21, 2001, Mr. Smeenck would cease trading in any securities acquired by him after the date of the settlement for a period of one year; and (iv) Mr. Smeenck could continue as a director and as executive vice-president of MacDonald Oil but would be prohibited, for a period of two years, from assuming the responsibilities of certain of MacDonald Oil’s other offices, or acting as the chair of its board of directors or of any of its board committees.

Final Orders to cease trading in the shares of MacDonald Oil were issued by the Ontario Securities Commission on January 24, 2002, by the British Columbia Securities Commission on January 25, 2002 and by the Québec Securities Commission on February 4, 2002. Mr. Smeenck continues to be a director and officer of MacDonald Oil.

**Except where authority to vote on the election of directors is withheld, it is the intention of management nominees to vote FOR the election of the nominees whose names are here above set forth.**

**Management is not presently aware that any of the nominees will be unwilling to serve as a director if elected but in the event that, prior to the Meeting, any vacancies occur in the slate of nominees submitted herewith, the enclosed form of proxy confers discretionary authority upon the persons named therein to vote for the election of any other eligible person classified by the Board, unless instructions have been given to refrain from voting with respect to the election of directors.**

**STATEMENT OF EXECUTIVE COMPENSATION**

*Named Executive Officers*

In accordance with the provisions of applicable securities legislation, the Corporation had three “Named Executive Officers” during the year ended December 31, 2015: namely Frank C. Smeenk, President and Chief Executive Officer (“**CEO**”), Thomas E. Masters, Chief Financial Officer (“**CFO**”) and Maurice J. Lavigne, Vice-President, Exploration and Development.

*Directors’ and Named Executives Officers’ Compensation excluding Compensation Securities*

The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation or any subsidiary thereof to each NEO and each director of the Corporation, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Corporation or any subsidiary thereof.

<b>Name and principal position</b>	<b>Year</b>	<b>Salary, Consulting fee, Retainer or Commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or Meeting fees (\$)</b>	<b>Value of Perquisites (\$)</b>	<b>All other Compensation (\$)</b>	<b>Total compensation (\$)</b>
Frank C. Smeenk Director, President and Chief Executive Officer	2015	300,000	Nil	Nil	Nil	Nil	300,000
	2014	288,481	80,000	Nil	Nil	Nil	368,481
Thomas E. Masters <sup>(1)</sup> Chief Financial Officer	2015	142,168	Nil	Nil	Nil	Nil	142,168
	2014	181,028	Nil	Nil	Nil	Nil	181,028
Maurice Lavigne Vice-President	2015	200,000	Nil	Nil	Nil	Nil	200,000
	2014	152,884	80,000	Nil	Nil	Nil	232,884
Douglas M. Flett Director	2015	Nil	Nil	42,500	Nil	Nil	45,750
	2014	Nil	Nil	45,750	Nil	Nil	45,750
Cynthia Thomas Director	2015	Nil	Nil	15,500	Nil	Nil	15,500
	2014	Nil	Nil	18,250	Nil	Nil	18,250
Thomas Pladsen Director	2015	Nil	Nil	22,500	Nil	Nil	22,500
	2014	Nil	Nil	23,750	Nil	Nil	23,750
Donald A. Sheldon Director	2015	Nil	Nil	12,500	Nil	Nil	12,500
	2014	Nil	Nil	11,517	Nil	Nil	11,517

(1) Mr. Masters is a partner of Palmer Reed, an accounting firm which provides accounting services to the Corporation. During the fiscal year ended December 31, 2015, \$124,313 (2014 - \$148,678) was paid to Palmer Reed, in respect of services provided by Mr. Masters. Fees paid to Palmer Reed for its support staff in respect of bookkeeping and accounting services amounted to \$17,855 for the year ended December 31, 2015 (2014 - \$32,350).

*Stock Options and Other Compensation Securities*

The following table sets out all compensation securities granted or issued to each director and NEO by the Corporation or any subsidiary thereof in the year ended December 31, 2015 for services provided, or to be provided, directly or indirectly, to the Corporation or any subsidiary thereof:

<b>Name and position</b>	<b>Type of Compensation Security Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class <sup>(1)</sup></b>	<b>Date of Issue or Grant</b>	<b>Issue, Conversion or Exercise Price (\$)</b>	<b>Closing Price of Security or Underlying Security on Date of Grant (\$)</b>	<b>Closing Price of Security or Underlying Security at Year End</b>	<b>Expiry Date (DD-MM-YY)</b>
Frank C. Smeenk Director, President and Chief Executive Officer	5,389,000	26-08-15	0.05	0.015	0.015	26-08-20
	4,000,000	30-12-15	0.05	0.015	0.015	30-12-20
Thomas E. Masters Chief Financial Officer	4,700,000	26-08-15	0.05	0.015	0.015	26-08-20
	1,000,000	30-12-15	0.05	0.015	0.015	30-12-20
Maurice Lavigne Vice-President	4,700,000	26-08-15	0.05	0.015	0.015	26-08-20
	1,000,000	30-12-15	0.05	0.015	0.015	30-12-20
Douglas M. Flett Director	3,185,000	26-08-15	0.05	0.015	0.015	26-08-20
	1,000,000	30-12-15	0.05	0.015	0.015	30-12-20
Cynthia Thomas Director	3,000,000	26-08-15	0.05	0.015	0.015	26-08-20
	1,000,000	30-12-15	0.05	0.015	0.015	30-12-20
Thomas Pladsen Director	1,500,000	26-08-15	0.05	0.015	0.015	26-08-20
	500,000	30-12-15	0.05	0.015	0.015	30-12-20
Donald A. Sheldon Director	3,500,000	26-08-15	0.05	0.015	0.015	26-08-20
	500,000	30-12-15	0.05	0.015	0.015	30-12-20

- (1) Options entitling the holder to purchase one common share per option. Each grant represents less than 1% of the issued and outstanding common shares.  
(2) During the year ended December 31, 2015, no stock option has been re-priced, cancelled and replaced; had its term extended; or otherwise been materially modified.  
(3) Options vest as follows: 25% at the date of the grant and thereafter, 12.5% per quarter.  
(4) Except for the vesting conditions, there are no restrictions or conditions for converting, exercising or exchanging the options granted in the year ended December 31, 2015.  
(5) Refer to *Stock Option Plans and Other Incentive Plans* for more information on the stock option plan.

**Outstanding option-based awards**

The following table sets forth the total amount of compensation securities, and underlying securities, held by each named executive officer or director on December 31, 2015.

Name	Compensation securities <sup>(1)</sup> (#)	Exercise price	Expiry date
Frank C. Smeenk President, Chief Executive Officer and Director	600,000	\$0.10	14-03-2017
	1,111,000	\$0.10	09-05-2018
	500,000	\$0.10	08-04-2019
	5,389,000	\$0.05	26-08-2020
	4,000,000	\$0.05	30-12-2020
Thomas E. Masters Chief Financial Officer	700,000	\$0.10	09-05-2018
	600,000	\$0.10	08-04-2019
	4,700,000	\$0.05	26-08-2020
	1,000,000	\$0.05	30-12-2020
Maurice Lavigne Vice-President	4,700,000	\$0.05	26-08-2020
	1,000,000	\$0.05	30-12-2020
	600,000	\$0.10	08-04-2019
	700,000	\$0.10	09-05-2018
Douglas M. Flett Director	600,000	\$0.10	14-03-2017
	1,715,000	\$0.10	09-05-2018
	500,000	\$0.10	08-04-2019
	3,185,000	\$0.05	26-08-2020
	1,000,000	\$0.05	30-12-2020
Cynthia Thomas Director	750,000	\$0.115	23-03-2016
	600,000	\$0.10	13-03-2017
	1,150,000	\$0.10	09-05-2018
	500,000	\$0.10	08-04-2019
	3,000,000	\$0.05	26-08-2020
	1,000,000	\$0.05	30-12-2020
Thomas Pladsen Director	3,100,000	\$0.10	14-03-2017
	1,400,000	\$0.10	09-05-2018
	500,000	\$0.10	08-04-2019
	1,500,000	\$0.05	26-08-2020
	500,000	\$0.05	30-12-2020
Donald A. Sheldon Director	3,000,000	\$0.10	08-04-2019
	3,500,000	\$0.05	26-08-2020
	500,000	\$0.05	30-12-2020

(1) The compensation security is an option that gives the right to purchase one Common Share at the exercise price until the expiry date.

None of the directors or NEOs exercised any compensation securities, being solely stock options, during the year ended December 31, 2015.

*Stock Option Plans and Other Incentive Plans*

The Corporation’s current stock option plan (the “**Plan**”), was last approved by the shareholders in 2013. The purpose of the Plan is to attract, retain and motivate directors, officers, employees and consultants of the Corporation and its subsidiaries and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options (the “Options”), to acquire a proprietary interest in the Corporation.

The Plan is administered by the Board and its main provisions are as follows:

1. The exercise price, shall in no circumstances be lower than the market price of the Common Shares at the date of the grant of the Option.
2. At the time Options are granted:
  - (i) the aggregate number of Common Shares that may be issued pursuant to the exercise of Options under the Plan is currently shall not exceed 10% of the number of Common Shares issued and outstanding;
  - (ii) the maximum number of Common Shares, which may be reserved for issuance to any one optionee, in any 12-month period, shall not exceed 5% of the Common Shares then outstanding;
  - (iii) the maximum number of Common Shares, which may be reserved for issuance to any consultant, in any 12-month period, shall not exceed 2% of the Common Shares then outstanding;

- (iv) the maximum number of Common Shares granted to persons employed to provide investor relations activities must not exceed 2% of the Common Shares outstanding at the date of the grant in any 12-month period; and
  - (v) Options issued to consultants performing investor relations activities must vest in stages over a period of not less than 12 months with no more than ¼ of the Options vesting in any three-month period.
3. The Options may be exercisable for a period of up to five years.
  4. The Option can only be exercised by the optionee and only so long as the optionee is a director, officer, employee or consultant of the Corporation or any related entity including any of its Subsidiaries or within a period of not more than 90 days after ceasing to be a director, officer, or consultant (30 days in the case of a consultant engaged in “investor relation activities”) to the extent that the optionee was entitled to exercise the option at the date of such cessation.
  5. In case of the death of the optionee, any Option may, subject to the terms thereof and any other terms of the plan, be exercised by the legal representative(s) of the estate of the optionee at any time during 90 days following the death of the optionee but prior to the expiry of the option and only to the extent that the optionee was entitled to exercise such option at the date of death.
  6. In the event of the sale by the Corporation of all or substantially all of the property and assets of the Corporation or of the acquisition by any person who was not, immediately prior to the effective time of the acquisition, a registered or a beneficial shareholder in the Corporation, of Common Shares or rights or options to acquire Common shares of the Corporation or securities which are convertible into Common Shares of the Corporation or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders, the optionees are entitled to exercise and acquire all Common Shares under their Option, including in respect of Common Shares available under the Option that are not otherwise vested at that time, within 90 days of the close of any such transaction.
  7. Disinterested shareholder approval for any reduction in the exercise price of a previously granted Option shall be obtained prior to the exercise of such Option if the optionee is an insider of the Corporation.

The following table sets out certain details as at December 31, 2015 with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance, the Stock Option Plan being the sole such compensation plan of the Corporation.

Plan category	Number of Common Shares to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	86,350,000	\$0.069	791,896 <sup>(1)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	86,350,000	\$0.069	791,896 <sup>(1)</sup>

(1) On the basis of a maximum number of 871,418,968 being equal to 10% of the number of issued and outstanding shares at December 31, 2015. See “Other Business to be Considered at the Meeting – Amendment to the Stock Option Plan” for a description of proposed changes to the Stock Option Plan, in the event the Capital Reorganization is completed.

*Employment, Consulting and Management Agreements*

**NEO Contract**

On October 8, 2008, the Corporation entered into an employment agreement with Mr. Smeenck (the “**Smeenck Agreement**”). The term of the Smeenck Agreement is automatically extended from year to year. The Corporation may terminate the Smeenck Agreement at any time without cause provided that the Corporation pays at the time of termination an amount equal to 1.5 times his then-current annual salary and 1.5 times his annual performance bonus most recently paid. In the event Mr. Smeenck dies or becomes incapacitated, a payment of 12 months’ salary shall be paid to his wife or his estate. In the event of a change of control of the Corporation and the employment of Mr. Smeenck is terminated within the period of three (3) years following the date of the change of control (“**Involuntary Termination**”), the Corporation shall pay to Mr. Smeenck an amount equivalent to three (3) times the then-current annual salary and three (3) times the annual bonus most recently paid. In addition, Mr. Smeenck will be allowed to exercise all stock options granted to him which had not previously been exercised, including options not otherwise exercisable or, at his election, receive from the Corporation an amount equal to the positive difference, if any, between the market price (as defined in the *Securities Act* (Ontario)) of the shares on the date of the Involuntary Termination and the average price at which Mr. Smeenck has the right to exercise the options or, he may elect to have the Corporation arrange for him to participate in the stock option plan or plans applicable to the Corporation’s senior management for a further period of three (3) years from the date of the Involuntary Termination and to exercise all rights with respect to options granted under

that plan or plans as if he were employed during this period. Within 10 days of a change of control of the Corporation, the Corporation shall pay to Mr. Smeenk a lump sum amount of \$125,000 as a retention bonus. The Smeenk Agreement defines change of control as, the occurrence of any of the following events after October 8, 2008: (i) any change in the holding, direct or indirect, of shares of the Corporation which would result in persons or a group of persons acquiring a position to exercise effective control of the Corporation (including any holdings of shares entitling the holders to cast 20% or more of the votes attaching to the Common Shares), (ii) the members of the Board, as at October 8, 2008, ceasing to constitute a majority of the Board within any 12 month period, or (iii) a sale of 50% of the assets of the business to a person who is not affiliated with the Corporation. The Smeenk Agreement was last reviewed in January 2012 by the Compensation Committee increasing Mr. Smeenk's annual salary to \$300,000, all other terms and conditions of the Smeenk Agreement remaining the same.

Mr. Masters has not entered into a formal written contract or agreement with respect to the services he provides to the Corporation.

Mr. Lavigne has not entered into a formal written employment contract or agreement with respect to the services he provides to the Corporation.

#### **Other Change of Control Commitments**

Certain directors and officers of the Corporation are entitled to a lump sum payment, including a payment of \$125,000 to the CEO as described in the aforementioned paragraphs, on the occurrence of a merger, take-over or change of control of the Corporation, as defined by the Board.

The following tables provide estimates of the incremental amounts that would have been payable to NEOs assuming termination and/or change of control events occurred on December 31, 2015.

#### Estimated Incremental Payments as of December 31, 2015 - Termination without Cause

<b>Name</b>	<b>Salary and Bonus</b>
Frank Smeenk	\$570,000
Total	\$570,000

#### Estimated Incremental Payments as of December 31, 2015 - Death or Permanent disability

<b>Name</b>	<b>Salary</b>
Frank Smeenk	\$300,000
Total	\$300,000

#### Estimated Incremental Payments as of December 31, 2015 - Change of Control

<b>Name</b>	<b>Lump sum</b>
Frank Smeenk	\$125,000

#### Estimated Incremental Payments as of December 31, 2015 – Termination without Cause Following a Change of Control

<b>Name</b>	<b>Salary and bonus</b>
Frank Smeenk	\$1,140,000 <sup>(1)</sup>

(1) Under the Smeenk Agreement, all options granted to Mr. Smeenk will vest in the event of termination without cause following a change of control.

#### *Oversight and description of directors' and named executive officers' compensation*

##### Compensation Committee

The Compensation Committee is composed of Ms. Cynthia Thomas and Messrs. Pladsen and Sheldon, all independent directors. The Compensation Committee had two meetings in the year ended December 31, 2015.

##### Compensation Process

The Compensation Committee relies on the knowledge and experience of its members and the recommendations of the CEO to set appropriate levels of compensation for senior officers. Neither the Corporation nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant.

The Compensation Committee reviews and makes determinations with respect to senior officer compensation on an annual basis. When determining senior officer compensation, the Compensation Committee evaluates the CEO's achievements during

the preceding year and reviews the performance of other senior officers (as evaluated by the CEO based on their achievements during the preceding year).

The Compensation Committee uses all the data available to it to ensure that the Corporation is maintaining a level of compensation that is both commensurate with the size and activities of the Corporation and sufficient to retain key personnel.

In reviewing comparative data, the Compensation Committee refers to public information on executive compensation but does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level.

The Compensation Committee reviews the elements of the NEOs' compensation in the context of the total compensation package (including base salary, long-term equity incentive awards, including prior awards under the Plan) and recommends the NEOs' compensation packages.

The Corporation does not anticipate making any significant changes to its compensation policies and practices in 2016.

The Compensation Committee has considered the risk implications of the Corporation's compensation policies and practices and has concluded that there is no appreciable risk associated with such policies and practices as such policies and practices do not have the potential of encouraging an executive officer or other applicable individual to take on any undue risk or to otherwise expose the Corporation to inappropriate or excessive risks. Furthermore, although the Corporation does not have in place any specific prohibitions preventing a NEO or a director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of options or other equity securities of the Corporation granted in compensation or held directly or indirectly, by the NEO or director, the Corporation is unaware of the purchase of any such financial instruments by any NEO or director.

During 2015, the Corporation did not retain a compensation consultant or advisor to assist the Board or Compensation Committee in determining compensation for the Corporation's executive officers and directors.

#### Principles/Objectives of the Compensation Program

The primary goal of the Corporation's executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Corporation's senior officers is determined with regard to the Corporation's business strategy and objectives, such that the financial interests of the senior officers are matched with the financial interests of the shareholders.

#### Compensation Program Design and Analysis of Compensation Decisions

Standard compensation arrangements for the Corporation's senior officers are composed of the following elements, which are linked to the Corporation's compensation and corporate objectives as follows:

<b>Compensation Element</b>	<b>Link to Compensation Objectives</b>	<b>Link to Corporate Objectives</b>
Base Salary or Consultant Fees	Attract and Retain Reward	Competitive pay ensures access to skilled employees necessary to achieve corporate objectives. Yearly review based on NEO performance.
Stock options	Motivate and Reward Align interests with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies and objectives.

The Corporation is an exploratory stage mining company and will not be generating revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Compensation Committee to be appropriate in the evaluation of corporate or NEO performance. The compensation of the senior officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as achievement of the Corporation's business plans. In addition to the above compensation elements, the Compensation Committee is empowered to grant cash bonuses to senior officers in order to reward exceptional performance.

#### Base Salaries and Consultant Fees

The Corporation provides NEOs with base salaries and/or consulting fees which represent their minimum compensation for services rendered during the fiscal year. NEOs' base salaries and/or consulting fees depend on the scope of their experience,

responsibilities, leadership skills and performance. Base salaries and consulting fees are reviewed annually by the Compensation Committee. A description of the material terms of the CEO's employment contract is provided under "Termination and Change of Control Benefits". In addition to the above factors, decisions regarding salary increases are impacted by each NEO's current salary, general industry trends and practices, competitiveness and the Corporation's existing financial resources.

#### Options

The Options pursuant to the Corporation's Plan is an integral component of the compensation packages of the senior officers of the Corporation. The Compensation Committee believes that the grant of Options to senior officers and Common Share ownership by such officers serves to motivate and reward such officers to increase shareholder value by the achievement of the Corporation's long-term corporate strategies and objectives, thereby aligning such officers' interests with that of shareholders. Options are awarded by the Board based upon the recommendation of the Compensation Committee, which bases its decisions upon the level of responsibility and contribution of the individuals toward the Corporation's goal and objectives. The Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size of such grants. The Compensation Committee's decisions with respect to the granting of Options are reviewed by the Board and are subject to its final approval.

#### Analysis of Compensation Decisions

Standard compensation arrangements for the Corporation's senior officers are composed of base salary or consulting fees and stock options. In addition to the above compensation elements, the Compensation Committee is empowered to grant cash bonuses to senior officers in order to reward exceptional performance. In 2014, the Compensation approved the payment of a \$80,000 bonus to the CEO and a bonus of \$80,000 to the Vice-President, Exploration and Development in recognition of adding value to the Corporation's assets: principally the success of the Black Horse drilling program, securing the rights to a novel chromite reduction method which could potentially have a significant impact on processing metrics and spearheading initiatives to define a district development plan for the Ring of Fire.

#### *Pension Plan Benefits*

The Corporation does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

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

No person who is, or who was within the 30 days prior to the date of this Management Information Circular, a director, executive officer, employee or any former director, executive officer or employee of the Corporation or a subsidiary thereof, and furthermore, no person who is a nominee for election as a director of the Corporation, and no associate of such persons is, or was as of the date of this Management Information Circular indebted to the Corporation or a subsidiary of the Corporation or indebted to any other entity where such indebtedness is subject to a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary of the Corporation.

During the fiscal year ended December 31, 2015, none of the directors or executive officers of the Corporation, proposed nominees for election as a director, or any associate of the foregoing was indebted to the Corporation or any subsidiary of the Corporation.

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

No informed person or any proposed director of the Corporation, or any of the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has, in either case, materially affected or would materially affect the Corporation or any of its subsidiaries.

For the purposes of the above, "informed person" means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

## APPOINTMENT OF AUDITORS

Management proposes the re-appointment of McGovern, Hurley, Cunningham LLP, Chartered Accountants, as auditors of the Corporation. Their mandate will continue until the close of the next annual meeting or until their successors are appointed. The directors will be authorized to fix the remuneration of the auditors. McGovern, Hurley, Cunningham, LLP were first appointed auditors of the Corporation in 2012.

**Unless instructions are given to abstain from voting with regard to the appointment of the Auditors, it is the intention of management nominees to vote FOR the appointment of McGovern, Hurley, Cunningham, LLP as auditors of the Corporation until the close of the next annual meeting and will authorize the Board to determine their compensation.**

## MANAGEMENT CONTRACTS

During the most recently completed financial year, no management functions of the Corporation were to any degree performed by a person or company other than the directors or executive officers (or the companies controlled by them, either directly or indirectly) of the Corporation.

## OTHER BUSINESS TO BE CONSIDERED AT THE MEETING

### CHANGE OF LOCATION OF REGISTERED OFFICE

As approved by the shareholders in a previous annual meeting of the Corporation, the Corporation was continued under the Canada Business Corporations Act (the "Continuance").

All the activities of the Corporation are concentrated in Ontario and management believes it to be in the best interest of the Corporation to have its registered office situated in this province.

At the Meeting, the shareholders of the Corporation will be asked to consider the following special resolution authorizing the amendment of the articles of the Corporation to change the province in which the registered office of the Corporation is to be situated from the Province of Quebec to the Province of Ontario, if and when the Continuance is effective.

### **BE IT HEREBY RESOLVED AS A SPECIAL RESOLUTION:**

- **THAT** the Corporation be, and it hereby is, authorized and empowered to amend its articles to change the province in which the registered office of the Corporation is to be situated from the Province of Quebec to the Province of Ontario (the "Registered Office Amendment");
- **THAT** any one officer or any one director of the Corporation be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute or to cause to be executed, and to deliver or to cause to be delivered, articles of amendment, in duplicate, to the Director under the Canada Business Corporations Act to give effect to the Registered Office Amendment;
- **THAT** the directors of the Corporation may, in their absolute discretion, abandon and not proceed with the Registered Office Amendment and may revoke this special resolution before it is acted upon without further approval, ratification, or confirmation by the shareholders of the Corporation; and
- **THAT** any one officer or director of the Corporation be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute or to cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents, all in such form and containing such terms and conditions, as any one of them shall consider necessary or desirable in connection with the Registered Office Amendment and shall approve, such approval to be conclusively evidenced by the execution thereof by the Corporation, and to do or to cause to be done all such other acts and things as any one of them shall consider necessary or desirable in connection with the Registered Office Amendment or in order to give effect to the intent of the foregoing paragraphs of this resolution.

To be approved, this special resolution must be passed by at least two thirds of the votes cast by shareholders present in person or represented by proxy at the Meeting. The directors of the Corporation unanimously recommend that shareholders vote in favour of this special resolution. **Unless directed to vote against such special resolution, the persons named in the Form of Proxy accompanying this Circular intend to vote for the special resolution authorizing the change of the province in which the registered office is to be situated from the Province of Quebec to the Province of Ontario.**

## CAPITAL REORGANIZATION OF THE CORPORATION

The Corporation intends to create one new class of shares, namely Multiple Voting Shares, as described below, and to re-classify its outstanding Common Shares as Subordinate Voting Shares. Currently, given the current trading price of the Common Shares on the Canadian Securities Exchange (the “**Exchange**”), the Common Shares are not marginable. The Corporation has determined that it would be better positioned to take advantage of opportunities to acquire additional assets in exchange for its securities if it had shares which were marginable, as any such acquisition or other similar transaction would be more attractive to any potential counterparty. By virtue of creating the new classes of shares, the Corporation expects that the completion of any such transactions could be facilitated and therefore beneficial to the Corporation. As well, the Corporation anticipates that the Multiple Voting Shares may enhance the prospects for financing the operations of the Corporation.

### *Summary of the Capital Reorganization*

The Corporation proposes, subject to all necessary shareholder and regulatory approvals, to reorganize the capital structure of the Corporation as follows (the “**Capital Reorganization**”):

- (a) by amending the Articles of the Corporation to change the classification of each Common Share, whether issued or unissued, into one convertible “**Subordinate Voting Share**” and to change the rights, privileges, restrictions and conditions of such shares to the rights, privileges, restrictions and conditions therefor described in Exhibit 1 to the special resolution attached as Schedule “A” to this Management Information Circular; and
- (b) by amending the Articles to create a new class of convertible shares to be classified as “**Multiple Voting Shares**” in an unlimited number with the rights, privileges, restrictions and conditions described in Exhibit 1 to the special resolution attached as Schedule “A” to this Management Information Circular;

(the “**Capital Reorganization Amendment**”).

To the best of the knowledge of management and the Board of the Corporation, there are no affiliates of the Corporation that beneficially own any securities of the Corporation, there is no “control person” of the Corporation (within the meaning of such term in OSC Rule 56-501) and, accordingly, there are no Common Shares of the Corporation which may not be counted for the purpose of approval of the Capital Reorganization Resolution.

If the Capital Reorganization Amendment is adopted by the shareholders at the Meeting and implemented by the directors, the principal rights and restrictions attaching to the Subordinate Voting Shares and the Multiple Voting Shares will be as summarized below. **A copy of the full text of the rights, privileges, restrictions and conditions attaching to the Subordinate Voting Shares and the Multiple Voting Shares is attached as Exhibit I to Schedule “A” to this Management Information Circular.**

### *Voting Rights*

The holders of the Subordinate Voting Shares and the Multiple Voting Shares shall be entitled to receive notice of and to attend (in person or by proxy) and be heard at all meetings of the shareholders of the Corporation (other than separate meetings of the holders of shares of any other class of shares of the Corporation or any other series of shares of such other class of shares as the same may come into existence) and to vote at all such meetings with each holder of Subordinate Voting Shares being entitled to one (1) vote per Subordinate Voting Share held and each holder of Multiple Voting Shares being entitled to three hundred (300) votes per Multiple Voting Share held at all such meetings.

### *Subordinate Voting Share and Multiple Voting Share Convertibility and Exchange Rights*

Holders of Subordinate Voting Shares shall be entitled to convert their Subordinate Voting Shares into fully paid and non-assessable Multiple Voting Shares, at their option, at any time or from time to time, on the basis of 300 Subordinate Voting Shares for one Multiple Voting Share and holders of the Multiple Voting Shares shall be entitled to convert their Multiple Voting Shares into fully paid and non-assessable Subordinate Voting Shares at their option, at any time or from time to time, on the basis of one (1) Multiple Voting Share in exchange for three hundred (300) Subordinate Voting Shares. There are no restrictions on the right and ability of holders of either Subordinate Voting Shares or Multiple Voting Shares to participate in a takeover bid for either or both classes of shares, as the shares in each class are convertible into shares of the other class at any time.

Immediately after the amendment to the Articles, there will be no Multiple Voting Shares outstanding and the Corporation has no current intention of issuing Multiple Voting Shares other than for the purposes of completing any conversion or exchange of Subordinate Voting Shares into Multiple Voting Shares as described herein in the event the Capital Reorganization is completed. Any other Multiple Voting Shares will be issued only upon such further Exchange approvals, if any, as may be required. Accordingly, if the Capital Reorganization is completed, and no Subordinate Voting Shares are converted into or exchanged for Multiple Voting Shares, the Subordinate Voting Shares will represent 100% of the voting interest in the Corporation.

#### *Priority*

The holders of Subordinate Voting Shares and Multiple Voting Shares shall be entitled to participate as to dividends rateably with each other on a pro-rata basis based on the number of votes attaching to each such share and the Corporation shall pay dividends thereon, as and when declared by the Board out of monies properly applicable to the payment of dividends, in amounts per share and at the same time on all such Subordinate Voting Shares and Multiple Voting Shares at the time outstanding as the Board may from time to time determine. In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, all of the property and assets of the Corporation which remain after payment to the holders of any shares ranking in priority to the Subordinate Voting Shares and Multiple Voting Shares in respect of payment of all amounts attributed and properly payable to such holders of such other shares in the event of such liquidation, dissolution or winding-up or distribution, shall be paid and distributed rateably on a pro-rata basis, based on the number of votes attaching to each such share, to the holders of the Subordinate Voting Shares and Multiple Voting Shares, without preference or distinction.

#### *Anti-Dilution*

None of the Subordinate Voting Shares or Multiple Voting Shares shall be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner so as to preserve the rights conferred on each class of shares.

#### *Listing*

In effect, except for the differences based on voting rights per share between the Subordinate Voting Shares and the Multiple Voting Shares, there are no differences between such shares. The Corporation intends to apply to the Exchange for any necessary approvals of the Capital Reorganization and to continue the listing of the Common Shares as Subordinate Voting Shares and, if considered advisable, the listing of the Multiple Voting Shares on the Exchange. Although the Corporation does not have any current intention to issue Multiple Voting Shares except pursuant to the conversion right of the holders of Subordinate Voting Shares pursuant to the terms and conditions of the Subordinate Voting Shares set out in the Articles of the Corporation, in the event that a sufficient number of Subordinate Voting Shares are converted into or exchanged for Multiple Voting Shares or a sufficient number of Multiple Voting Shares are otherwise issued to meet the Exchange's distribution requirements, the Corporation intends to apply for a listing of the Multiple Voting Shares on the Exchange.

#### *Share Conversion Procedure*

Provided that the Capital Reorganization is approved at the Meeting and the Board determines to proceed with the Capital Reorganization, shareholders who wish to convert the Subordinate Voting Shares which they hold into Multiple Voting Shares, pursuant to the terms and conditions of the Subordinate Voting Shares set out in the Articles of the Corporation, may request a letter of transmittal or exchange form (the "**Exchange Form**") from the Corporation's registrar and transfer agent, Computershare Investor Services Inc. (on implementation of the Capital Reorganization a copy of the Exchange Form will be posted on the Corporation's website), then complete and return the Exchange Form along with their Common Share certificates to Computershare Investor Services Inc., which will issue and return to such shareholders certificates representing the Multiple Voting Shares to which they are entitled pursuant to the terms and conditions of the Subordinate Voting Shares set out in the Articles of the Corporation, on conversion of their shares into Multiple Voting Shares as described herein. Similarly, certificates for Multiple Voting Shares can be exchanged for certificates for Subordinate Voting Shares using the same procedure. Certificates for Subordinate Voting Shares and Multiple Voting Shares will have the Exchange Form or a variation thereof printed on the reverse side thereof. No fractional Multiple Voting Share will be issued pursuant to the exchange of Subordinate Voting Shares for Multiple Voting Shares; any fractional Multiple Voting Share which would otherwise be issued shall be rounded down to the next whole share and a certificate for Subordinate Voting Shares will be issued for such excess number of Subordinate Voting Shares not so exchanged.

**Non-registered shareholders should contact the Intermediary that holds Common Shares on their behalf and provide instructions to such Intermediary to effect the exchange of Subordinate Voting Shares for Multiple Voting Shares or the exchange of Multiple Voting Shares for Subordinate Voting Shares, as applicable.**

### *Income Tax Consequences*

The following summary, as of the date of this Management Information Circular, describes the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder in respect of the Capital Reorganization to shareholders who (i) hold their shares of the Corporation as capital property for the purposes of the Tax Act; and (ii) at all relevant times are, or are deemed to be, resident of Canada for the purposes of the Tax Act (a “**Resident Holder**”).

Generally, the Corporation’s Common Shares, Multiple Voting Shares and/or Subordinate Voting Shares will be considered to be capital property to a Resident Holder, provided such Resident Holder does not own such shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Resident Holders who might not otherwise be considered to hold any such assets as capital property may be entitled to have them treated as capital property in certain circumstances by making the irrevocable election permitted under subsection 39(4) of the Tax Act.

This summary is not applicable to a shareholder that is a “financial institution” (as defined in the Tax Act for the purposes of the “mark-to-market” rules) or a “specified financial institution”, or to a shareholder an interest in which is a “tax shelter investment” (as such terms are defined in the Tax Act). This summary is also not applicable to a shareholder that makes an election under section 85 of the Tax Act in respect of the Capital Reorganization or any subsequent conversion of Subordinate Voting Shares into Multiple Voting Shares. Any such shareholder should consult its own tax advisor with regard to its income tax consequences.

This summary is of a general nature only, based upon the facts set out in this Management Information Circular and upon the current provisions of the Tax Act in force as of the date of this Management Information Circular and counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency (“**CRA**”). The summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Management Information Circular (the “**Proposed Amendments**”). There can be no assurance that all of the Proposed Amendments will be implemented in their current form or at all. The summary otherwise does not take into account or anticipate any changes in the laws whether by legislative, regulatory or judicial decision or action which may affect adversely any income tax consequences described herein and does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those described herein, unless otherwise indicated.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the transactions contemplated by the Capital Reorganization or to the holding of the Corporation’s Common Shares, Subordinate Voting Shares or Multiple Voting Shares. Furthermore, the income and other income tax considerations will vary depending on the shareholder’s particular circumstances, including the province or provinces in which the shareholder resides or carries on business. Accordingly, the summary is of a general nature only and is not intended to be legal or tax advice to any shareholder. Shareholders should consult their own tax advisors for advice with respect to the tax consequences of these transactions based on their particular circumstances.

The Capital Reorganization comprises an amendment to the Articles of the Corporation whereby each of the Corporation’s Common Shares will be re-classified as one Subordinate Voting Share and each 300 Subordinate Voting Shares will in turn be convertible pursuant to their terms and conditions into one Multiple Voting Share.

A shareholder will not realize a capital gain or incur a capital loss on the re-classification of Common Shares as Subordinate Voting Shares under the Capital Reorganization. The adjusted cost base per Common Share immediately before such re-classification will be the adjusted cost base per Subordinated Voting Share immediately following such re-classification.

On the exchange of Subordinate Voting Shares held by a shareholder for Multiple Voting Shares pursuant to the terms of the Subordinate Voting Shares, no disposition will be considered to occur and therefore the shareholder will not realize a capital gain or incur a capital loss. The shareholder will be deemed to acquire the Multiple Voting Shares at a cost equal to the adjusted cost base of the exchanged Subordinate Voting Shares immediately before the exchange and such cost will be averaged with the adjusted cost base of any other Multiple Voting Shares held by the shareholder at that time as capital property.

On the exchange of Multiple Voting Shares held by a shareholder for Subordinate Voting Shares pursuant to the terms of the Multiple Voting Shares, no disposition will be considered to occur and therefore the shareholder will not realize a capital gain or incur a capital loss. The shareholder will be deemed to acquire the Subordinate Voting Shares at a cost equal to the adjusted cost base of the exchanged Multiple Voting Shares immediately before the exchange and such cost will be averaged with the adjusted cost base of any other Subordinate Voting Shares held by the shareholder at that time as capital property.

### *Shareholder Approval*

The proposed Capital Reorganization must be approved by a majority of not less than two-thirds of the votes cast by the shareholders who vote in respect of the proposed Capital Reorganization (the “**Capital Reorganization Resolution**”).

As such, at the Meeting, the shareholders will be asked to consider and, if appropriate, approve the Capital Reorganization Resolution in the form appended to this Management Information Circular as Schedule “A” authorizing the Capital Reorganization.

**The Board is recommending that shareholders vote FOR the approval of the Capital Reorganization Resolution. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the approval of the Capital Reorganization Resolution.**

The Capital Reorganization Resolution provides that the Board is authorized, in its sole discretion, to determine not to proceed with the Capital Reorganization, without further approval of the shareholders. In particular, if the special resolution is presented to the Meeting and approved, the Corporation may thereafter determine not to proceed with the Capital Reorganization.

### *Shareholders Right to Dissent*

Pursuant to Section 190 of the *Canada Business Corporations Act* (the “**CBCA**”), a shareholder of the Corporation may, in connection with the Capital Reorganization Resolution, exercise the right to dissent and demand that the Corporation repurchase its Common Shares as described in this Management Information Circular under the heading “Right to Dissent”.

## **RIGHT TO DISSENT**

Registered Shareholders have the right to dissent in respect of the Capital Reorganization and, if the Capital Reorganization becomes effective, to be paid the fair value of their shares in strict compliance with the provisions of Section 190 of the *Canada Business Corporations Act* (the “**CBCA**”).

A securityholder is not entitled to dissent (a shareholding electing to exercise such right of dissent, a “**Dissenting Shareholder**”) with respect to such holder’s securities if such holder votes any of those shares in favour of the Capital Reorganization Resolution. Voting against or the execution or exercise of a proxy to vote against the Capital Reorganization Resolution does not constitute a written notice of dissent or objection for the purposes of the CBCA. A brief summary of the provisions of Section 190 of the CBCA is set out below. The following summary does not purport to provide comprehensive statements of the procedures to be followed by a Dissenting Shareholder under the CBCA. However, the CBCA requires adherence to the procedures set out therein and failure to do so may result in the loss of all of the dissenter’s rights.

### **Section 190 of the CBCA**

In order to exercise the right of dissent a Dissenting Shareholder must at or before the Meeting deliver to the Corporation, a written objection pursuant to Section 190 of the CBCA with respect to the Capital Reorganization Resolution. After the Capital Reorganization Resolution is approved by the securityholders and if the Corporation notifies the Dissenting Shareholder of its intention to act upon the Capital Reorganization Resolution, the Dissenting Shareholder is then required within 20 days after receiving such notice (or, if he does not receive such notice, within 20 days after learning of the approval of the Capital Reorganization Resolution), to send to the Corporation, a written notice containing the holder’s name and address, the number and class of securities in respect of which the holder dissents and a demand for payment of the fair value of such shares. Within 30 days thereafter, the holder must send to the Corporation, the certificates for the securities in respect of which the holder dissents. A Dissenting Shareholder must dissent with respect to all securities held by the shareholder. Failure to comply with the statutory procedure will disqualify the Dissenting Shareholder from pursuing or enforcing the right of dissent.

If the Capital Reorganization approved by the Capital Reorganization Resolution becomes effective, the Corporation is required to determine the fair value of the Common Shares, and to make a written offer to pay such amount to the Dissenting Shareholder. If such offer is not made or, if made, is not accepted within 50 days after the Capital Reorganization becomes effective, the Corporation, may apply to the Court for an order requiring such holder’s securities to be purchased, fixing the price and terms of the purchase, and the Court may make such order and such consequential orders or directions as the Court considers appropriate. There is no obligation on the Corporation to make application to the Court. If the Corporation fails to make such application to the Court, the Dissenting Shareholder has the right to make the application to the Court within a further 20 days

or such further period as the Court may allow.

The Dissenting Shareholder, if the procedure for exercising the right of dissent is followed properly (and not withdrawn), will be entitled to receive the fair value of the Common Shares, held by such holder as of the day before the Meeting or such later date on which the Capital Reorganization Resolution is passed.

### **Address for Notice**

All notices to the Corporation pursuant to Section 190 of the CBCA should be addressed to the Corporation's solicitors:

Dickinson Wright LLP  
199 Bay Street, Suite 2200  
Box 447, Commerce Court Postal Station  
Toronto, Ontario, M5L 1G4  
Attention: Donald A. Sheldon

### **Strict Compliance with Dissent Provisions Required**

The foregoing summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of his Common Shares. Section 190 of the CBCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenters' rights. **Failure by a dissenting shareholder to adhere strictly to the requirements of Section 190 of the CBCA may result in the loss of such dissenting shareholder's rights.** Accordingly, each securityholder who might desire to exercise the dissenters' rights should carefully consider and comply with the provisions of the section, the full text of which is set out in Schedule "B" to this Circular, and consult such holder's legal advisor.

## **INFORMATION ON THE AUDIT COMMITTEE**

### *Charter of the Audit Committee*

The Charter of the Audit Committee is annexed to this Management Information Circular as Schedule "C".

### *Composition of the Audit Committee*

During 2015, the Audit Committee was composed of Ms. Thomas and Messrs. Flett and Pladsen. Under Multilateral Instrument 52-110 Audit Committees, a director of an Audit Committee is "independent" if he or she has no direct or indirect material relationship with the issuer, that is, a relationship which could, in the view of the Board, reasonably be expected to interfere with the exercise of the member's independent judgment. All members of the Audit Committee are independent with the exception of Mr. Flett who is Chairman of the Board.

The Board has determined that each of the three members of the Audit Committee is "financially literate" within the meaning of section 1.6 of Multilateral Instrument 52-110 *Audit Committees*, that is, each member has 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.

### *Education and Relevant Experience*

The education and related experience of each of the members of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee is set out below.

Mr. Pladsen has extensive experience in corporate financing and financial reporting for public and private companies. Mr. Pladsen received his Chartered Accountant classification with KPMG LLP in Toronto in the mid 1980's and has since held various financial positions and/or has been a member of the Board with TSX listed, TSXV listed and private mining and technology companies.

Mr. Flett completed three years of the Bachelor of Commerce program at the University of Windsor where he minored in accounting before transferring to the University of Windsor Law School. He was in private practice for over twenty years with a general, corporate and commercial firm where, during that time, he acted for 150 to 200 private companies.

Ms. Thomas, MBA has over 25 years of international mining and project finance experience. An independent mining finance consultant, Ms. Thomas formerly held the position of Director, Investment Banking with ScotiaMcLeod's Mining Group.

*Reliance on Exemption*

The Corporation is relying on the exemption set out in section 6.1 of Multilateral Instrument 52-110 - *Audit Committees* with respect to certain reporting obligations.

*Pre-approval Policies and Procedures for Audit Services*

Under its charter, the Audit Committee has the mandate to review and pre-approve management requests for any consulting engagement to be performed by the auditors of the Corporation that is beyond the scope of their audit services. There were no such mandates in 2015 and 2014.

*External Auditor Fees*

(a) Audit Fees

Audit fees amounted to \$36,720 for the fiscal year ended December 31, 2015 and \$36,720 for the fiscal year ended December 31, 2014.

(b) Non Audit-Related Fees

Non audit-related fees paid during the fiscal year ended December 31, 2015 amounted to \$nil and \$48,960 for the fiscal year ended December 31, 2014.

(c) Tax Fees

No tax fees were billed during the fiscal years ended December 31, 2015 and 2014.

**OTHER MATTERS**

Management of the Corporation knows of no other matter to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to the management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgment.

**CORPORATE GOVERNANCE PRACTICES**

**Information on Corporate Governance**

The following information of the Corporation's Corporate Governance Policy is given in accordance with NI 58-101.

**Board of Directors**

Ms. Thomas and Messrs. Pladsen and Sheldon are independent. Mr. Smeenk, President and Chief Executive Officer of the Corporation, and Mr. Douglas Flett, Chairman of the Board, are not considered independent.

**Directorships**

<b>Director</b>	<b>Issuer</b>
Frank C. Smeenk	Fletcher Nickel Inc. Debut Diamonds Inc. GoldTrain Resources Inc. MacDonald Oil Exploration Ltd.
Douglas Flett	Fletcher Nickel Inc. Debut Diamonds Inc. Tartisan Resources Corp.
Cynthia Thomas	Victory Nickel Inc. Nautilus Minerals Inc.
Thomas Pladsen	Crystal Peak Minerals Inc. Northfield Capital Corporation Superior Copper Corporation
Donald A. Sheldon	Metalcorp Limited

### **Orientation and Continuing Education**

The Board encourages directors to follow appropriate education programs offered by relevant regulatory bodies and provides them with the opportunity to enhance their understanding of the nature and operation of the Corporation.

### **Ethical Business Conduct**

Each director of the Corporation, in exercising his powers and discharging his duties, must act honestly and in good faith with a view to the best interests of the Corporation and further must act in accordance with the law and applicable regulations, policies and standards.

In a situation of conflict of interest, a director is required to disclose the nature and extent of any material interest he/she has in any material contract or proposed contract of the Corporation, as soon as the director becomes aware of the agreement or the intention of the Corporation to consider or enter into the proposed agreement and the director must refrain from voting and may not be present during deliberations concerning the agreement or transaction.

### **Nomination of Directors**

The Board selects nominees for election to the Board, after having considered the advice and input of the Governance and Nominating Committee and having carefully reviewed and assessed the professional competencies and skills, personality and other qualities of each proposed candidate, including the time and energy that the candidate can devote to the task, and the contribution that the candidate can bring to the Board dynamic.

### **Governance and Nominating Committee**

The Governance and Nominating Committee is composed of Ms. Thomas and Messrs. Sheldon and Smeenk. The Committee has the authority and responsibility for:

- (i) reviewing the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) reviewing annually the disclosure of corporate governance practices to be included in the Corporation's information circular;
- (iii) reviewing at least annually the size and composition of the Board, analyzing the needs of the Board and considering the skills, areas of experience, backgrounds, independence and qualifications of the Board members to ensure that the Board, as a whole, has a diversity of competencies and experience that support it in carrying out its responsibilities;
- (iv) assessing on a regular basis the effectiveness of the Board as a whole, the committees of the Board and the contribution of each director regarding his, her or its effectiveness and contribution;
- (v) acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board;
- (vi) determining at the earliest stage possible whether any proposed transaction discussed by the Board is or can be perceived as a related party transaction and, if such is the case, review any such transaction to ensure that it is being proposed and will be carried out with fairness and with the best interest of the Corporation in mind and or, alternatively, recommend that a special committee of disinterested directors be constituted to carry out the negotiations for such transaction and review and reported thereupon to the Board.

### **Assessments**

Refer to the responsibilities of the Governance and Nominating Committee described herein.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [WWW.SEDAR.COM](http://WWW.SEDAR.COM).

Copies of the Notice may be obtained without charge by contacting the Corporation as set forth below. Financial information relating to the Corporation is provided in the Corporation's audited consolidated financial statements for the years ended December 31, 2015 and 2014 and the related management's discussion and analysis (the "MD&A"). Shareholders who wish to obtain a copy of the financial statements and MD&A of the Corporation may contact the Corporation as follows:

By phone: 416 642-3575 or 1-888-642-3575  
By fax: 416 644-0592

By e-mail: [bh@kwgresources.com](mailto:bh@kwgresources.com)

By mail: **KWG RESOURCES INC.**  
141 Adelaide Street West,  
Suite 1000,  
Toronto, Ontario M5H 3L5

**BY ORDER OF THE BOARD OF DIRECTORS**

(s) *Luce L. Saint-Pierre*

Luce L. Saint-Pierre, Corporate Secretary

Montréal, Québec

June 20, 2016

**SCHEDULE "A"**

**CAPITAL REORGANIZATION**

**SPECIAL RESOLUTION OF THE SHAREHOLDERS  
OF KWG RESOURCES INC.**

**WHEREAS** the authorized share capital of the Corporation consists of an unlimited number of shares classified as common shares (the "**Common Shares**");

**AND WHEREAS** the Corporation proposes (i) to re-classify each outstanding Common Share as a "Subordinate Voting Share", (ii) to increase its authorized share capital by creating "Multiple Voting Shares" and (iii) to provide those classes of shares with the rights and restrictions set out in amended Articles as hereinafter provided;

**BE IT HEREBY RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the Corporation be authorized to amend its Articles under Section 173 of the *Canada Business Corporations Act* to:
  - (i) create a new class of convertible shares to be classified as "Multiple Voting Shares" in an unlimited number with the rights, privileges, restrictions and conditions described in Exhibit I to this special resolution, which rights, privileges, restrictions and conditions shall be annexed to the Articles; and
  - (ii) change the classification of each Common Share, whether issued or unissued, into a convertible "Subordinate Voting Share" and to change the rights, privileges, restrictions and conditions of such shares to the rights, privileges, restrictions and conditions described in Exhibit I to this special resolution, which rights, privileges, restrictions and conditions shall be annexed to the Articles;

such that the authorized share capital of the Corporation shall consist of an unlimited number of convertible shares of a class classified as Multiple Voting Shares and an unlimited number of convertible shares of a class classified as Subordinate Voting Shares (collectively, the "**Capital Resolution Amendment**");

2. notwithstanding that this resolution has been duly passed by the shareholders of the Corporation or has received the approval of all applicable exchange and regulatory authorities, the board of directors may, in its sole discretion, determine not to proceed with the Capital Resolution Amendment or revoke this resolution at any time prior to the filing of the articles of amendment, without further approval of the shareholders of the Corporation; and
3. any director or officer of the Corporation is hereby authorized to execute and deliver articles of amendment and to do all things and execute and deliver all such other instruments and documents as such person may determine to be necessary or desirable to give effect to this resolution and carry out the foregoing, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

## EXHIBIT I

### SHARE CONDITIONS ATTACHED TO MULTIPLE VOTING SHARES AND SUBORDINATE VOTING SHARES

The Multiple Voting Shares and Subordinate Voting Shares (sometimes collectively referred to as the “**Voting Shares**” or “**Participating Shares**”) shall have attached thereto the following rights and restrictions:

#### 1. **Payment of Dividends**

1.1 Subject to any preference as to the payment of dividends provided to any shares ranking in priority to the Participating Shares, the holders of Participating Shares shall, except as otherwise hereinafter provided, be entitled to participate rateably with each other as to dividends on a pro-rata basis based on the number of votes attaching to each such share and the Corporation shall pay dividends thereon, as and when declared by the Board of Directors of the Corporation out of moneys properly applicable to the payment of dividends, in amounts per share and at the same time on all such Participating Shares at the time outstanding as the Board of Directors may from time to time determine.

#### 2. **Liquidation, Dissolution or Winding-up**

2.1 In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, all of the property and assets of the Corporation which remain after payment to the holders of any shares ranking in priority to the Participating Shares in respect of payment upon liquidation, dissolution or winding-up of all amounts attributed and properly payable to such holders of such other shares in the event of such liquidation, dissolution, winding-up or distribution, shall, except as otherwise hereinafter provided, be paid or distributed to the holders of the Participating Shares on a pro-rata basis based on the number of votes attaching to each such share, without preference or distinction.

#### 3. **Anti-Dilution**

3.1 Neither class of Participating Shares shall be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of Participating Shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner so as to preserve the rights conferred hereby on each class in relation to the other class.

#### 4. **Voting**

4.1 The holders of the Multiple Voting Shares shall be entitled to receive notice of and attend (in person or by proxy) and be heard at all meetings of the shareholders of the Corporation (other than separate meetings of the holders of shares of any other class of shares of the Corporation or any series of such other class of shares) and to vote at all such meetings with each holder of Multiple Voting Shares being entitled to three hundred (300) votes per Multiple Voting Share.

4.2 The holders of the Subordinate Voting Shares shall be entitled to receive notice of and attend (in person or by proxy) and be heard at all meetings of the shareholders of the Corporation (other than separate meetings of the holders of shares of any other class of shares of the Corporation or any series of shares of such other class of shares) and to vote at all such meetings with each holder of Subordinate Voting Shares being entitled to one (1) vote per Subordinate Voting Share.

#### 5. **Convertibility and Exchange of Multiple Voting Shares**

5.1 A holder of Multiple Voting Shares shall have the right, at his, her or its option, at any time and from time to time, to convert such Multiple Voting Shares into Subordinate Voting Shares by exchanging such Multiple Voting Shares for Subordinate Voting Shares on the basis of three hundred (300) Subordinate Voting Shares for each one (1) Multiple Voting Share so exchanged.

5.2 To exercise such conversion right a shareholder or the shareholder’s attorney duly authorized in writing shall:

(a) give written notice to the Corporation’s transfer agent (the “**Transfer Agent**”) of the exercise of such conversion right and of the number of Multiple Voting Shares in respect of which the conversion right is being exercised;

(b) deliver to the Transfer Agent, the share certificate or certificates representing the Multiple Voting Shares in respect of which the conversion right is being exercised; and

- (c) pay any governmental or other tax imposed on or in respect of such exchange.

5.3 Upon due exercise of the conversion right, the Corporation shall issue a share certificate representing the number of fully paid and non-assessable Subordinate Voting Shares determined on the basis set out above in the name of the registered holder of the Multiple Voting Shares exchanged or in such name or names as such registered holder may direct in writing, provided that such registered holder shall pay any applicable security transfer taxes. If the conversion right is exercised in respect of less than all of the Multiple Voting Shares represented by any share certificate, the Corporation shall also issue a new share certificate representing the number of Multiple Voting Shares in respect of which the conversion right is not being exercised.

5.4 A holder of Multiple Voting Shares exchanged in whole or in part (or any other person or persons in whose name or names any certificate representing Subordinate Voting Shares are issued as provided above) shall be deemed to have become the holder of record of the Subordinate Voting Shares into which such Multiple Voting Shares are exchanged, for all purposes, on the final date of receipt by the Transfer Agent of the items referenced in clauses 5.2(a), (b) and (c) above, notwithstanding any delay in the delivery of the certificate representing the Subordinate Voting Shares into which such Multiple Voting Shares have been exchanged and, effective as of such date, the holder of Multiple Voting Shares shall cease to be registered as the holder of record of the Multiple Voting Shares so exchanged.

## 6. Conversion Right and Exchange of Subordinate Voting Shares

6.1 A holder of Subordinate Voting Shares shall have the right, at his, her or its option, at any time and from time to time, to convert such Subordinate Voting Shares into Multiple Voting Shares by exchanging such Subordinate Voting Shares for Multiple Voting Shares on the basis of one (1) Multiple Voting Share for every three hundred (300) Subordinate Voting Shares so exchanged.

6.2 To exercise such conversion right, such holder or the shareholder's attorney duly authorized in writing shall:

- (a) give written notice to the Transfer Agent of the exercise of such conversion right and of the number of Subordinate Voting Shares in respect of which the conversion right is being exercised, which number of Subordinate Voting Shares shall not be less than three hundred (300);
- (b) deliver to the Transfer Agent, the share certificate or certificates representing the Subordinate Voting Shares in respect of which the conversion right is being exercised; and
- (c) pay any governmental or other tax imposed on or in respect of such exchange.

6.3 Upon due exercise of the conversion right, the Corporation shall issue a share certificate representing the number of fully paid and non-assessable Multiple Voting Shares determined on the basis set out above in the name of the registered holder of the Subordinate Voting Shares exchanged or in such name or names as such registered holder may direct in writing, provided that such registered holder shall pay any applicable security transfer taxes. If the conversion right is exercised in respect of less than all of the Subordinate Voting Shares represented by any share certificate, the Corporation shall also issue a new share certificate representing the number of Subordinate Voting Shares in respect of which the conversion right is not being exercised.

6.4 A holder of Subordinate Voting Shares exchanged in whole or in part (or any other person or persons in whose name or names any certificate representing Multiple Voting Shares are issued as provided above) shall be deemed to have become the holder of record of the Multiple Voting Shares into which such Subordinate Voting Shares are exchanged, for all purposes, on the final date of receipt by the Transfer Agent of the items referenced in clauses 6.2(a), (b) and (c) above, notwithstanding any delay in the delivery of the certificate representing the Multiple Voting Shares into which such Subordinate Voting Shares have been exchanged and, effective as of such date, the holder of Subordinate Voting Shares shall cease to be registered as the holder of record of the Subordinate Voting Shares so exchanged.

## 7. General Conditions

7.1 Save as aforesaid, each Multiple Voting Share and Subordinate Voting Share shall have the same rights and attributes and be the same in all respects.

7.2 The provisions of these Articles 1 through 7 may be deleted, amended, modified or varied in whole or in part upon the approval of any such amendment being given by the holders of the Multiple Voting Shares and the holders of the Subordinate Voting Shares, each voting separately as a class, by special resolution and as required by applicable law.



## SCHEDULE "B"

### SECTION 190 OF CANADA BUSINESS CORPORATIONS ACT

#### Right to dissent

**190.** (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

#### Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

#### Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

#### Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

#### Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. D-2

### Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

### Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

### Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9), in which case the shareholder's rights are reinstated as of the date the notice was sent.

### Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

### Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

### Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

### Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

### Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

### Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

### No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16). D-3

### Parties

(19) On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

### Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

### Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

### Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

### Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

### Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

### Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

### Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## SCHEDULE “C”

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### **I. PURPOSE**

The Audit Committee (the “Committee”) is a committee of the board of directors. The primary function of the Committee is to assist the board of directors in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Committee. The Committee’s primary duties and responsibilities are:

- overseeing the integrity of the Corporation’s financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation’s external auditors, overseeing the external auditors’ qualifications and independence and providing an open avenue of communication among the external auditors, financial and senior management and the board of directors;
- monitoring the Corporation’s financial reporting process and internal controls, its management of business and financial risk, and its compliance with legal, ethical and regulatory requirements.

#### **II. COMPOSITION**

The Committee shall consist of a minimum of three directors of the Corporation, including the Chair of the Committee, the majority of whom shall not be employees, officers or “control persons”, as such term is defined hereunder, of the Corporation. All members shall, to the satisfaction of the board of directors, be “financially literate” as such term is defined hereunder.

The members of the Audit Committee shall be elected by the board of directors at the annual organizational meeting of the board of directors following the annual meeting of shareholders and hold office until their successors are duly elected and qualified. The board of directors may remove a member of the Audit Committee at any time in its sole discretion by resolution of the board.

#### **III. DUTIES AND RESPONSIBILITIES**

1. The Committee shall review and recommend to the board for approval the annual audited consolidated financial statements and the annual MD&A.
2. The Committee shall review with financial management and the external auditor the Corporation’s financial statements, MD&A’s and earnings releases prior to filing with regulatory bodies such as securities commissions and/or prior to their release.
3. The Committee shall review all documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or non audited interim financial statements results (e.g., prospectuses, press releases with financial results) prior to their release.
4. The Committee, in fulfilling its mandate, will:
  - (a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws.
  - (b) Satisfy itself that adequate procedures are in place for the review of the issuer’s public disclosure of financial information extracted or derived from the issuer’s financial statements, other than MD&A and annual and interim earnings press releases, and must periodically assess the adequacy of those procedures.
  - (c) Recommend to the board of directors the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor.
  - (d) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor, and discussing and resolving any material differences of opinion or disagreements between management and the external auditor.

- (e) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation to determine their independence and report to the board of directors.
- (f) Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Consider with management the rationale for employing accounting/auditing firms other than the principal external auditor.
- (g) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- (h) Arrange for the external auditor to be available to the Audit Committee and the full board of directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- (i) Oversee 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.
- (j) Review and approve hiring policies for employees or former employees of the past and present external auditors.
- (k) Review the scope of the external audit, including the fees involved.
- (l) Review the report of the external auditor on the annual audited consolidated financial statements.
- (m) Review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue.
- (n) Review major positive and negative observations of the auditor during the course of the audit.
- (o) Review with management and the external auditor of the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.
- (p) Review emerging accounting issues and their potential impact on the Corporation's financial reporting.
- (q) Review and approve requests for any engagement to be performed by the external auditor that is beyond the scope of the audit engagement letter and related fees.
- (r) Review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Corporation, and whether these matters have been appropriately disclosed in the financial statements.
- (s) Review the conclusions reached in the evaluation of management's internal control systems by the external auditors, and management's responses to any identified weaknesses.
- (t) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.
- (u) Review with management their approach with respect to business ethics and corporate conduct.
- (v) Review annually the legal and regulatory requirements that, if breached, could have a significant impact on the Corporation's published financial reports or reputation.
- (w) Receive periodic reports on the nature and extent of compliance with security policies. The nature and extent of non-compliance together with the reasons therefore, with the plan and timetable to correct such non-compliance will be reported to the board, if material.
- (x) Review with management the accuracy and timeliness of filing with regulatory authorities.
- (y) Review periodically the business continuity plans for the Corporation.
- (z) Review the annual audit plans of the external auditors of the Corporation.
- (aa) Review annually general insurance coverage of the Corporation to ensure adequate protection of major corporate assets including but not limited to D&O and "Key Person" coverage.
- (bb) Perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies.
- (cc) Establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or audit matters.

5. The Committee may engage and communicate directly and independently with outside legal and other advisors for the Committee as required and set and pay the compensation of such advisors.
6. On a yearly basis, the Committee will review the Audit Committee Charter and where appropriate recommend changes to the board of directors.

#### **IV. SECRETARY**

The Secretary of the Committee will be appointed by the Chair.

#### **V. MEETINGS**

1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.
2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.
3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.
4. Meetings of the Audit Committee shall be held from time to time as the Audit Committee or the Chairman of the Committee shall determine upon 48 hour notice to each of its members. The notice period may be waived by a quorum of the Committee.
5. The external auditors or any member of the Committee may also call a meeting of the Committee. The external auditors of the Corporation will receive notice of every meeting of the Committee.
6. The board shall be kept informed of the Committee's activities by a report, including copies of minutes, at the next board meeting following each Committee meeting.

#### **VI. QUORUM**

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee.

#### **VII. DEFINITIONS**

In accordance with *Multilateral Instrument 52-110 - Audit Committee*,

*"Financially literate"* means that the director has 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.

*"Control Person"* means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation.

**APPROVED BY THE BOARD OF DIRECTORS**