



**MANAGEMENT INFORMATION CIRCULAR**  
**FOR AN ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF**  
**PELE MOUNTAIN RESOURCES INC.**  
**(the "Corporation")**

**SOLICITATION OF PROXIES**

This management information circular (the "**Circular**") is furnished in connection with the solicitation of proxies by the management of the Corporation for use at an annual and special meeting (the "**Meeting**") of shareholders of the Corporation to be held on **March 9, 2017** at the time and place and for the purposes set forth in an attached notice of the Meeting (the "**Notice**").

It is expected that the solicitation of proxies will be primarily by mail, subject to the use of the notice and access provisions (the "**Notice and Access Provisions**") in relation to the delivery of the meeting materials (as defined below), however, proxies may also be solicited personally or by the Corporation's investor relations group by telephone and by officers and directors of the Corporation (but not for additional compensation). The costs of solicitation will be borne by the Corporation. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries to forward solicitation materials to the beneficial owners of common shares of the Corporation held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

Unless otherwise specified, information contained in this Circular is given as of January 27, 2017 (the "**Record Date**") and, unless otherwise specified, all amounts shown represent Canadian dollars. All references to shareholders in this Notice, Circular and the accompanying proxy are to shareholders of record unless specifically stated otherwise.

**VOTING IN PERSON AT THE MEETING**

A registered shareholder, whose name has been provided to the Corporation's registrar and transfer agent, TSX Trust Company, will appear on a list of shareholders prepared by the registrar and transfer agent for purposes of the Meeting. To vote in person at the Meeting each registered shareholder will be required to register for the Meeting by identifying themselves at the registration desk. Non-registered beneficial shareholders must appoint themselves as a proxyholder to vote in person at the Meeting. Also see "*Advice to Beneficial Shareholders*" below.

## APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

If a registered shareholder cannot attend the Meeting but wishes to vote on the resolutions, the registered shareholder should sign, date and deliver the enclosed form of proxy to the Corporation's registrar and transfer agent, TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 so it is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof. The persons named in the enclosed instrument of proxy are officers and directors of the Corporation who have been selected by the directors of the Corporation and have indicated their willingness to represent as proxies the shareholders who appoint them. **A shareholder giving a proxy can strike out the names of the nominees printed in the accompanying form of proxy and insert the name of another nominee in the space provided, or the shareholder may complete another form of proxy. A proxy nominee need not be a shareholder of the Corporation.** A shareholder giving a proxy has the right to attend the Meeting, or appoint someone else to attend as his or her proxy at the Meeting and the proxy submitted earlier can be revoked in the manner described below.

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

A shareholder who has given a proxy may revoke it at any time in so far as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate, by a duly authorized officer, attorney or representative thereof and deposited at the registered office of the Corporation at any time prior to 4:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law. The Corporation's registered and head office is located at Suite 905, 2200 Yonge Street, Toronto, Ontario M4S 2C6.

## ADVICE TO BENEFICIAL SHAREHOLDERS

In many cases, common shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the common shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited or "**CDS**"). Non-Registered Holders do not appear on the list of shareholders of the Corporation maintained by the transfer agent.

In accordance with Canadian securities law, the Corporation has distributed copies of the Notice, Circular and the form of proxy (collectively, the "**meeting materials**") to CDS and intermediaries for distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, intermediaries will use a service company to forward the meeting materials to Non-Registered Holders. Non-Registered Holders will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the common shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

*Voting Instruction Form.* In most cases, a Non-Registered Holder will receive, as part of the meeting materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Holder's behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder.

*Form of Proxy.* Less frequently, a Non-Registered Holder will receive, as part of the meeting materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must complete the form of proxy and deposit it with the Corporation's registrar and transfer agent, TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, as described above. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided.

### **Non-Objecting Beneficial Owners**

These meeting materials are being sent to both registered and non-registered owners of the Corporation's common shares. If you are a non-registered owner, and the Corporation or its agent has sent these meeting materials directly to you, your name and address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these meeting materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these meeting materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions or form of proxy delivered to you.

### **NOTICE AND ACCESS**

"Notice and Access Provisions" means provisions concerning the delivery of proxy-related materials to shareholders found in section 9.1.1 of National Instrument 51-102 - Continuous Disclosure Obligations ("**NI 51-102**"), in the case of registered shareholders, and section 2.7.1 of National Instrument 54-101 - Communication with Beneficial Owners of Securities of a Reporting Issuer ("**NI 54-101**"), in the case of Non-Registered Holders, which would allow an issuer to deliver an information circular forming part of proxy-related materials to shareholders via certain specified electronic means provided that the conditions of NI 51-102 and NI 54-101 are met.

The Notice and Access Provisions are a mechanism which allows reporting issuers other than investment funds to choose to deliver proxy-related materials to registered holders and beneficial owners of securities by posting such materials on a non-SEDAR website (usually the reporting issuer's website and sometimes the transfer agent's website) rather than delivering such materials by mail. The Notice and Access Provisions can be used to deliver materials for both special and general meetings. Reporting issuers may still choose to continue to deliver such materials by mail, and beneficial owners will be entitled to request delivery of a paper copy of the information circular at the reporting issuer's expense.

The use of the Notice and Access Provisions reduces paper waste and mailing costs to the Corporation. In order for the Corporation to utilize the Notice and Access Provisions to deliver proxy-related materials by posting the meeting materials electronically on a website that is not SEDAR, the Corporation must send a notice to shareholders, including Non-Registered Holders, indicating that the proxy-related materials have been posted and explaining how a shareholder can access them or obtain from the Corporation, a paper copy of those materials. The meeting materials have been posted in full on the Corporation's website at [www.pelemountain.com](http://www.pelemountain.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

In order to use Notice and Access Provisions, a reporting issuer must set the record date for notice of the meeting to be on a date that is at least 40 days prior to the meeting in order to ensure there is sufficient time for the meeting materials to be posted on the applicable website and other materials to be delivered to shareholders. The requirements of that notice, which requires the Corporation to provide basic information about the Meeting and the matters to be voted on, explain how a shareholder can obtain a paper copy of the meeting materials, financial statements of the Corporation for the year ended September 30, 2016, and the auditor's report thereon, and related management's discussion and analysis ("**MD&A**"), and explain the Notice and Access Provisions process, have been built into the Notice. The Notice has been delivered to shareholders by the Corporation, along with the applicable voting document (a form of proxy in the case of registered shareholders or a voting instruction form in the case of Non-Registered Holders).

The Corporation will not rely upon the use of 'stratification'. Stratification occurs when a reporting issuer using the Notice and Access Provisions provides a paper copy of this Circular to some shareholders with the notice package. In relation to the Meeting, all shareholders will receive the required documentation under the Notice and Access Provisions, which will not include a paper copy of this Circular.

The Corporation will send proxy-related materials directly to non-objecting non-registered shareholders. The Corporation does not intend to pay for the intermediary to deliver to objecting Non-Registered Holders the proxy-related materials and Form 54-101F7 - Request for Voting Instructions Made by Intermediary of NI 54-101. Any shareholder who wishes to receive a paper copy of this Circular must make contact with the Corporation at 2200 Yonge Street, Suite 905, Toronto, Ontario M4S 2C6, Telephone: 416-368-7224 or Email: [info@pelemountain.com](mailto:info@pelemountain.com) or the Corporation's transfer agent, TSX Trust Company at 1-866-600-5869. In order to ensure that a paper copy of the meeting materials can be delivered to a requesting shareholder in time for such shareholder to review the meeting materials and return a proxy or voting instruction form prior to the deadline to receive proxies, it is strongly suggested that a shareholder ensure their request is received no later than February 28, 2017.

All shareholders may call the Corporation at 416-368-7224 or its transfer agent at 1-866-600-5869 in order to obtain additional information regarding the Notice and Access Provisions or to obtain a paper copy of the meeting materials, up to and including the date of the Meeting, including any adjournment of the Meeting.

## MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed proxy will vote or withhold from voting the common shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such common shares will be voted FOR each of the matters identified in the Notice and described in this Circular.**

The enclosed proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting. As of the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of common shares of which, as of the date of this Circular, an aggregate of 209,996,930 common shares of the Corporation are issued and outstanding. Each common share entitles the holder thereof to one vote at all meetings of shareholders of the Corporation.

All holders of record of common shares of the Corporation at the close of business on the Record Date will be entitled either to attend and vote at the Meeting in person the shares held by them or, provided a completed and executed proxy shall have been delivered to the Corporation as described above, to attend and vote thereat by proxy the shares held by them. However, if a holder of common shares of the Corporation has transferred any shares after the Record Date and the transferee of such shares establishes ownership thereof and makes a written demand, not later than ten days before the Meeting, to be included in the list of shareholders entitled to vote at the Meeting, the transferee will be entitled to vote such shares.

As of the date of this Circular, to the knowledge of the directors and senior officers of the Corporation through publicly available information on the System for Electronic Disclosure by Insiders (SEDI), no persons or companies beneficially own, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding voting shares of the Corporation.

## STATEMENT OF EXECUTIVE COMPENSATION

### *Compensation Discussion and Analysis*

The Corporation's Statement of Executive Compensation, in accordance with the requirements of Form 51-102F6V – *Statement of Executive Compensation - Venture Issuers*, is set forth below, which contains information about the compensation paid to, or earned by, the Corporation's Chief Executive Officer (“CEO”) and Chief Financial Officer and each of the other three most highly compensated executive officers of the Corporation earning more than CDN\$150,000 in total compensation as at September 30, 2016 (the “**Named Executive Officers**” or “**NEOs**”) during the Corporation's last two most recently completed financial years. Based on the foregoing, Alan L. Shefsky, President, CEO, and a director of the Corporation, and Paul Andersen, Chief Financial Officer of the Corporation, are the Corporation's only Named Executive Officers during the fiscal year-ended September 30, 2016.

### ***Objectives of the Compensation Program***

The objectives of the Corporation's compensation program are to attract, hold and inspire performance of members of senior management of a quality and nature that will enhance the long term value of the Corporation's assets and the growth of the Corporation and to ensure that executive compensation is fair and reasonable, rewards management performance and is, by being competitive, sufficient to attract and retain experienced and talented executives. Due to the nature of the mining industry, executive talent has significant mobility and, as a result, competition for experienced executives can be great. The Corporation's compensation policies are designed to recognize this. The foregoing objective also recognizes the fundamental value added by a motivated and committed management team in accomplishing the Corporation's current principal corporate objectives, being the successful development of its Eco Ridge Project, and also the development of rare earth processing facilities and energy projects in Elliot Lake.

The compensation provided by the Corporation to its executive officers, including the CEO, is primarily composed of base salary, long term incentive compensation in the form of stock options and in certain circumstances, bonus compensation is also a potential component of management compensation in order to permit the recognition of outstanding individual efforts, performance, achievements and/or accomplishments by members of the Corporation's management team. Any specific bonus amounts are awarded on the recommendation of the Corporation's compensation committee (the "**Compensation Committee**") and ultimately at the discretion of the board of directors of the Corporation (the "**Board**"), with bonus amounts for members of the Corporation's management team other than the CEO being based primarily on the recommendations of the CEO.

### ***Overview of the Compensation Philosophy***

The following principles guide the Corporation's overall compensation philosophy:

- (a) compensation is determined on an individual basis by the need to attract and retain talented, high-achievers;
- (b) calculating total compensation is set with reference to the market for similar jobs in similar locations;
- (c) an appropriate portion of total compensation is variable and linked to achievements, both individual and corporate;
- (d) internal equity is maintained such that individuals in similar jobs and locations are treated fairly; and
- (e) the Corporation supports reasonable expenses in order that employees continuously maintain and enhance their skills.

The Board is given discretion to determine and adjust, year to year, the relative weighting of each form of compensation discussed above in a manner which best measures the success of the Corporation and its executive officers.

## ***The Compensation Review Process***

### **Role of the Compensation Committee**

To determine compensation payable, the Compensation Committee considers, among other things, the provisions of any relevant employment or consulting contracts, anecdotal evidence of compensation paid for directors and executive officers of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and executive officers while taking into account the financial and other resources of the Corporation, as well as the contractual obligations of the Corporation. During the Corporation's most recently completed financial year-end, the Compensation Committee was comprised of John Wilkinson (Chairman), Peter Dimmell and Richard Cooper.

Although the Compensation Committee may take into account executive compensation paid by companies comparable with the Corporation, no specific benchmarking policy is in place for determining compensation or any element of compensation.

In performing its duties, the Compensation Committee has the authority to engage such advisors, including executive compensation consultants, as it considers necessary. The Corporation does not currently have any contractual arrangement with any executive compensation consultant who has a role in determining or recommending the amount or form of senior officer or director compensation.

The Compensation Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each member of management. It then submits to the Board recommendations with respect to the basic salary, bonus and participation in share compensation arrangements for each member of management. After discussing and considering various factors with both management and peers in the industry, and receiving recommendations from the President of the Corporation for salaries, incentive option grants and bonuses for members of management (other than the President), the Compensation Committee makes its recommendations to the Board for approval. In conducting its review of management's recommendations, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines set forth above.

### **Role of the Executive Officers**

Management provides an annual summary to the Compensation Committee and Board of Directors providing recommendations in respect of compensation for employees, consultants and executive officers (other than the President) and the Board. This summary includes information relating to the existing compensation packages, stock price and market capitalization, funds raised, status of the financial and other resources of the Corporation, individual and corporate performance and successes and milestones achieved of the individual and the Corporation. The Compensation Committee will then conduct its review and make its recommendations to the Board for approval.

### ***Elements of Executive Compensation***

The Corporation's executive compensation program is based on the objectives of: (a) recruiting and retaining the executives critical to the success of the Corporation; (b) providing fair and competitive compensation; (c) balancing the interests of management and shareholders of the Corporation; and (d) rewarding performance, on the basis of both individual and corporate performance.

For the financial year ended September 30, 2016, the Corporation's executive compensation program consisted of the following elements:

- (a) a base salary, incentive cash bonuses and other compensation (together, a "**Short-Term Incentive**"); and
- (b) a long-term equity compensation consisting of stock options granted under the Corporation's stock incentive plan (each, a "**Long-Term Incentive**").

The specific rationale and design of each of these elements are outlined in detail below.

<b>Element of Compensation</b>	<b>Summary and Purpose of Element</b>
<b><u>Short-Term Incentive Plan</u></b>	
Base Salary	Salaries form an essential element of the Corporation's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed under contract and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits. The Compensation Committee and the Board review NEO salaries at least annually. Typically, the Board, upon recommendation of the Compensation Committee, make annual salary adjustments in January of each year for the Corporation's 12 month fiscal period from October 1 <sup>st</sup> to September 30 <sup>th</sup> .
Annual Performance-Based Cash Incentives	Any bonus paid to the executive officers is entirely within the discretion of the Board, following consideration by the Compensation Committee. In making bonus determinations, the Board reviews corporate and individual performance. Annual performance-based cash bonuses are a variable component of compensation designed to reward the Corporation's executive officers for maximizing annual operating performance.
<b><u>Long-Term Incentive Plan</u></b>	
Stock Options	The granting of stock options is a variable component of compensation intended to reward the Corporation's executive officers for success in enhancing the long-term value of the Corporation's assets and increases in stock value.

### ***Base Salary***

In determining the base salary of an executive officer, the Board's practice in recent years has been to consider the recommendations made by the Compensation Committee and management and the previous year's remuneration paid to executives. The Board considers anecdotal evidence of compensation paid for directors and executive officers of companies of similar business, size and stage of development to assist with determining appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and executive officers while taking into account the financial and other resources of the Corporation. In determining the base salary to be paid to a particular executive officer, the Board also considers the particular responsibilities related to the position, the experience level of the executive officer, and his or her past performance at the Corporation, together with

other various criteria considered by the Compensation Committee in making its recommendation to the Board.

### ***Annual Performance-Based Cash Incentives***

Executive officers are eligible for annual cash bonuses, after taking into account and giving varying degrees of weight, depending on the relevance of these factors to the particular executive officer, to the following indicators of the performance of the Corporation and individual:

- (a) overall compensation package, including base salary and options, provided for under existing employment or consulting contracts;
- (b) successes and milestones of the Corporation and individual;
- (c) relative and Corporation specific stock performance and market capitalization;
- (d) performance against budget;
- (e) expense control;
- (f) performance factors; and
- (g) other exceptional or unexpected factors (e.g. commodity prices and other market conditions).

In taking into account the financial performance aspect, it is recognized that executive officers cannot control certain factors, such as overall market conditions and commodity prices. When applying the financial performance criteria, the Board considers factors over which the executive officers can exercise control, such as meeting budget targets established by the Board at the beginning of each year, controlling costs, taking successful advantage of business opportunities and enhancing the long term value of the Corporation's projects and competitive and business prospects of the Corporation.

### ***Bonuses***

Due to, among other things, the depressed state of the capital markets, the Corporation has not been able to raise sufficient working capital to meet all of its current obligations, and as a result, certain executive officers have agreed to temporarily defer payment by the Corporation of cash compensation while continuing to provide the services and fulfill their duties and obligations. In order to retain and motivate such executive officers notwithstanding such deferral, such executive officers are eligible to receive from the Corporation a retention bonus. In determining the amount and structure of a retention bonus, the Board considers the Corporation's financial capacity, and the incentives needed to retain and motivate executive officers who are key to the Corporation's success.

During the financial year ended September 30, 2016, the Corporation awarded a retention bonus to Alan L. Shefsky. See "*Director and Named Executive Officer Compensation*" and "*Employment, Consulting and Management Agreements - Alan Shefsky, President and CEO*".

### ***Other Compensation – Perquisites***

The following perquisites were provided to the Named Executive Officers during the financial year ended September 30, 2016.

Alan L. Shefsky, President, Chief Executive Officer and Director received \$811 in benefits representing automobile expenses incurred by the Corporation relating to the personal use of an automobile. The

Corporation also paid \$4,540 for a term life insurance policy on the life of Mr. Shefsky in the amount of \$2,000,000 for which Mr. Shefsky's children are the sole named beneficiaries.

### ***Stock Options***

Stock options are granted to the Named Executive Officers pursuant to and in accordance with the provisions of the Corporation's stock option plan (the "**Option Plan**"), the material features of which described below under the heading "*Stock Option Plan*". As described above under the heading "*Compensation Review Process*", the Compensation Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each member of management. Included in this review is the determination of whether to grant any stock options to directors and officers of the Corporation. As part of its review, the Compensation Committee will consider previous option grants and expired options and the number of options available for grant under the Corporation's Option Plan.

To determine the granting of stock options to its NEO's, the Compensation Committee reviews, among other things, the recommendation from management, as well as the other factors identified in the Compensation Committee review process, and makes a recommendation to the Board. The Board reviews each recommendation from the Compensation Committee and decides whether to accept, reject or alter such recommendation.

During the financial year ended September 30, 2016, the Board, on the recommendation of the Compensation Committee after considering market trends and the number of stock options currently held by each executive officer and the number of options available for issuance under the Corporation's Option Plan, granted an aggregate total of 4,576,000 options to Named Executive Officers of the Corporation. See "*Stock Options and Other Compensation Securities*" below.

### ***Stock Option Plan***

The Option Plan is the Corporation's only securities-based compensation plan.

The material features of the Option Plan are summarized below. Such summary is expressly qualified in its entirety by reference to the full text Option Plan, a copy of which will be supplied free of charge to shareholders upon written request made directly to the Corporation at its registered head office located at Suite 905, 2200 Yonge Street, Toronto, Ontario, M4S 2C6, Attention: President.

- Options may be granted under the Stock Option Plan only to directors, officers, employees and consultants of the Corporation and its subsidiaries (the "**Eligible Participants**").
- The Option Plan is a "rolling" plan, as the number of common shares that may be reserved for issuance pursuant to a grant of stock options is equal to 10% of the outstanding common shares as at the applicable grant date, as permitted by the policies of the TSX Venture Exchange ("**TSX-V**").
- The number of common shares reserved for issuance to any one person may not exceed five percent (5%) of the outstanding common shares of the Corporation. The Board, based upon recommendations of the Compensation Committee, determines the price per common share and the number of common shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSX-V. The exercise price per common share set by the Board is subject to minimum pricing restrictions set by the TSX-V.

- Options may be exercisable for up to ten (10) years from the date of grant, but the Board has the discretion to grant options that are exercisable for a shorter period.
- Options granted under the Option Plan do not require vesting provisions, although the Board may attach a vesting schedule to individual grants as it deems appropriate.
- Options under the Option Plan are non-assignable.
- If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant, the option shall be limited to the number of common shares purchasable by him immediately prior to the time of his cessation of office or employment and he shall have no right to purchase any other common shares. Options must be exercised within ninety (90) days of termination of employment or cessation of position with the Corporation, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option must be exercised within one year of termination or cessation, subject to earlier expiry pursuant to the specified expiry date.
- If any option expires or otherwise terminates after having been granted without having been exercised in full, the number of shares in respect of such expired or terminated option, as the case may be, will again be available for reservation pursuant to a subsequent grant of options under the Option Plan.

### ***Overview of How the Compensation Program Fits with Compensation Goals***

#### 1. Attract, Hold and Inspire Key Talent

The compensation package meets the goal of attracting, holding and motivating key talent in a highly competitive mineral exploration environment by providing a competitive cash compensation program, consisting of base salary and bonus opportunity, and an opportunity to participate in the Corporation's growth through stock options.

#### 2. Alignment of Interest of Management with Interest of the Corporation's shareholders

The compensation package meets the goal of aligning the interest of management with the interest of the Corporation's shareholders through the following elements:

- (a) Through the grant of stock options, if the price of the Corporation shares increases over time, both executives and shareholders will benefit.
- (b) By occasionally providing a vesting period on stock awards, management has an interest in increasing the price of the Corporation's shares over time, rather than focusing on short-term increases.

### ***Compensation Risk***

The Corporation has not adopted a formal policy on compensation risk management nor has it engaged an independent compensation consultant. The Corporation recognizes that there may be risks in its current processes but given the size and number of executives dedicated on a full-time basis, the Corporation does not believe the risks to be significant.

The Corporation has a Compensation Committee, consisting of three independent members of the Board, to assist the Board in discharging its duties relating to compensation of the Corporation's directors and senior officers. The Board believes that the executive compensation program of the Corporation should not raise its overall risk profile. Accordingly, the Corporation's executive compensation programs include safeguards designed to mitigate compensation risks. The following measures impose appropriate limits to avoid excessive or inappropriate risk taking or payments:

- discretionary bonus payments are recommended to the Board by the Compensation Committee based on annual performance reviews;
- the Compensation Committee consists of a minimum of three members, all being independent;
- stock option vesting discourages excessive risk taking to achieve short-term goals; and
- implementation of trading black-outs limit the ability of directors and senior officers to trade in securities of the Corporation.

Inappropriate and excessive risks by executives are also mitigated by regular meetings of the Board, at which, activity by the executives must be approved by the Board if such activity is outside previously Board-approved actions and/or as set out in a Board-approved budget. Due to the fact that the Corporation is still an exploration and development stage company, and given the current composition of the Corporation's executive management team, the Board and the Compensation Committee are able to closely monitor and consider any risks which may be associated with the Corporation's compensation practices. Risks, if any, may be identified and mitigated through regular Board meetings during which financial and other information of the Corporation are reviewed, including executive compensation.

The Corporation does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including 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 equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director. However, management is not aware of any Named Executive Officer or director purchasing such an instrument.

### **Director and Named Executive Officer Compensation**

The following table (presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*) sets forth all annual and long term compensation for services paid to or earned by each NEO and director for the two most recently completed financial years ended September 30, 2016 and 2015.

**Table of Compensation excluding Compensation Securities**

Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
<b>Alan L. Shefsky</b> <sup>(1)</sup> President, CEO, and Director	2016	276,000 <sup>(2)</sup>	212,500 <sup>(2)</sup>	nil	5,351	nil	493,851 <sup>(2)</sup>
	2015	273,000 <sup>(3)</sup>	150,000	nil	5,324	nil	428,324 <sup>(3)</sup>
<b>Paul Andersen</b> Chief Financial Officer	2016	30,000	nil	nil	N/A	45,000 <sup>(4)</sup>	75,000
	2015	30,000	nil	nil	N/A	47,000 <sup>(4)</sup>	77,000
<b>Peter Dimmell</b> Director	2016	nil	nil	9,500 <sup>(5)</sup>	N/A	nil	9,500 <sup>(5)</sup>
	2015	nil	nil	8,900	N/A	nil	8,900
<b>Steven Rukavina</b> <sup>(6)</sup> Secretary and Director	2016	nil	nil	nil	N/A	89,830 <sup>(7)</sup>	89,830 <sup>(7)</sup>
	2015	nil	nil	nil	N/A	52,450 <sup>(7)</sup>	52,450 <sup>(7)</sup>
<b>Richard Cooper</b> Director	2016	nil	nil	9,800 <sup>(8)</sup>	N/A	nil	9,800 <sup>(8)</sup>
	2015	nil	nil	9,500	N/A	nil	9,500
<b>Martin S. Cooper</b> Vice President, Indigenous Relations, Treasurer and Director	2016	87,000 <sup>(9)</sup>	nil	nil	N/A	nil	87,000 <sup>(9)</sup>
	2015	80,500 <sup>(9)</sup>	nil	nil	N/A	nil	80,500 <sup>(9)</sup>
<b>John Wilkinson</b> Director	2016	72,700 <sup>(10)</sup>	nil	10,100 <sup>(10)</sup>	N/A	nil	82,800 <sup>(10)</sup>
	2015	80,000 <sup>(10)</sup>	nil	8,300 <sup>(10)</sup>	N/A	nil	88,300 <sup>(10)</sup>
<b>Steven Cohen</b> <sup>(11)</sup> Director	2016	nil	nil	nil	N/A	nil	nil
	2015	nil	nil	4,600	N/A	nil	4,600
<b>Janis Peleshok</b> <sup>(12)</sup> Director	2016	nil	nil	nil	N/A	nil	nil
	2015	nil	nil	5,550 <sup>(13)</sup>	N/A	nil	5,550 <sup>(13)</sup>
<b>Wayne Richardson</b> <sup>(14)</sup> Director	2016	nil	nil	nil	N/A	nil	nil

Notes:

1. During the fiscal years ended September 30, 2016 and 2015, Mr. Shefsky served as President, Chief Executive Officer, and a director of the Corporation. All compensation earned by Mr. Shefsky was earned in his capacity as President and Chief Executive Officer.
2. During the financial year ended September 30, 2016, Mr. Shefsky deferred payment of \$276,000 in salary and \$150,392 in bonus payments. As at September 30, 2016, total unpaid compensation owing to Mr. Shefsky was \$681,175 (2015 - \$404,783).
3. During the financial year ended September 30, 2015, Mr. Shefsky deferred payment of \$254,783 in salary and \$150,000 in bonus payments.
4. Accounting fees invoiced by Forbes Andersen LLP, an accounting firm in which Mr. Andersen is a partner. During the financial year ended September 30, 2016, payment of \$45,000 in accounting fees was deferred. During the financial year ended September 30, 2015, payment of \$47,000 was deferred. As at September 30, 2016, total unpaid accounting fees owing to Forbes Andersen LLP were \$150,155 (2015 - \$109,530).
5. During the financial year ended September 30, 2016, Mr. Dimmell deferred payment of \$9,500 in director fees. As at September 30, 2016, total unpaid compensation owing to Mr. Dimmell was \$9,500 (2015 - \$8,900).
6. During the fiscal years ended September 30, 2016 and 2015, Mr. Rukavina served as Secretary and a director of the Corporation. Mr. Rukavina earned no direct cash compensation in such capacities. Total compensation reflects fees for legal services invoiced by WeirFoulds LLP to the Corporation, a firm of which Mr. Rukavina is a partner.

7. Legal fees invoiced by WeirFoulds LLP, a law firm in which Mr. Rukavina, the Secretary and a director and an officer of the Corporation, is a partner. During the financial year ended September 30, 2016, payment of \$89,830 in legal fees was deferred. During the financial year ended September 30, 2015, payment of \$52,450 in legal fees was deferred. As at September 30, 2016, total unpaid legal fees and disbursements owing to WeirFoulds LLP were \$120,184 (2015 - \$126,616).
8. During the financial year ended September 30, 2016, Mr. R. Cooper deferred payment of \$7,350 in director fees. As at September 30, 2016, total unpaid compensation owing to Mr. R. Cooper was \$7,350 (2015 - \$9,500).
9. During the financial year ended September 30, 2016, Mr. M. Cooper deferred payment of \$87,000 in salary. During the financial year ended September 30, 2015, Mr. M. Cooper deferred payment of \$60,500 in salary. As at September 30, 2016, total unpaid compensation owing to Mr. M. Cooper was \$97,500 (2015 - \$60,500).
10. During the financial year ended September 30, 2016, Mr. Wilkinson deferred payment of \$52,700 in consulting fees and \$7,350 in director fees. During the financial year ended September 30, 2015, Mr. Wilkinson deferred payment of \$50,000 in consulting fees and \$4,300 in director fees. As at September 30, 2016, total unpaid compensation owing to Mr. Wilkinson was \$65,004 (2015 - \$57,660).
11. Mr. Cohen did not stand for re-election at the annual meeting of shareholders held on March 5, 2015.
12. Ms. Peleshok resigned from the Board on June 8, 2015.
13. During the financial year ended September 30, 2015, Ms. Peleshok deferred payment of \$1,550 in director fees. As at September 30, 2016, total unpaid compensation owing to Ms. Peleshok was \$1,550 (2015 - \$1,550).
14. Mr. Richardson joined the Board on January 15, 2016.

### Stock Options and Other Compensation Securities

The following table sets forth all compensation securities granted or issued to each NEO and directors by the Corporation in the financial year ended September 30, 2016, for services provided or to be provided, directly or indirectly, to the Corporation:

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Alan L. Shefsky <sup>(2)</sup> President, CEO and Director	Stock	2,162,000 (1.0%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	2,025,000 (1.0%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019
Paul Andersen <sup>(4)</sup> Chief Financial Officer	Stock	202,000 (0.1%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	187,500 (0.1%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019
Peter Dimmell <sup>(5)</sup> Director	Stock	101,000 (<0.1%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	93,750 (<0.1%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019
Steven Rukavina <sup>(6)</sup> Secretary and Director	Stock	202,000 (0.1%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	187,500 (0.1%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019
Richard Cooper <sup>(7)</sup> Director	Stock	101,000 (<0.1%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	93,750 (<0.1%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019
Martin S. Cooper <sup>(8)</sup> Vice President, Indigenous Relations, Treasurer and Director	Stock	202,000 (0.1%)	Mar. 11, 2016 <sup>(3)</sup>	0.05	0.05	0.03	Dec. 31, 2020
	Options	187,500 (0.1%)	Oct. 7, 2015 <sup>(3)</sup>	0.05	0.03	0.03	Dec 31, 2019

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
<b>John Wilkinson</b> <sup>(9)</sup> Director	Stock Options	405,000 (0.2%) 375,000 (0.2%)	Mar. 11, 2016 <sup>(3)</sup> Oct. 7, 2015 <sup>(3)</sup>	0.05 0.05	0.05 0.03	0.03 0.03	Dec. 31, 2020 Dec 31, 2019
<b>Wayne Richardson</b> Director	N/A	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

- Based on 209,996,930 common shares outstanding as at the date of this Circular.
- Mr. Shefsky holds options to purchase an aggregate total of 9,562,000 common shares of the Corporation; 2,000,000 of which are exercisable at \$0.10 per share expiring December 31, 2018, 5,400,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 2,162,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- 100% of such options vested immediately on the grant date.
- Mr. Andersen holds options to purchase an aggregate total of 952,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring December 31, 2018; 500,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 202,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- Mr. Dimmell holds options to purchase an aggregate total of 601,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring December 31, 2018; 250,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 101,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- Mr. Rukavina holds options to purchase an aggregate total of 952,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring December 31, 2018; 500,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 202,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- Mr. R. Cooper holds options to purchase an aggregate total of 601,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring December 31, 2018, 250,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 101,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- Mr. M. Cooper holds options to purchase an aggregate total of 952,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring December 31, 2018; 500,000 of which are exercisable at \$0.05 per share expiring December 31, 2019, and 202,000 of which are exercisable at \$0.05 per share expiring December 31, 2020.
- Mr. Wilkinson holds options to purchase an aggregate total of 1,655,000 common shares of the Corporation, 250,000 of which are exercisable at \$0.10 per share expiring on December 31, 2018, and 1,000,000 of which are exercisable at \$0.05 per share expiring on December 31, 2019, and 405,000 of which are exercisable at \$0.05 per share expiring on December 31, 2020.

### **Employment, Consulting and Management Agreements**

#### *Alan Shefsky, President and CEO*

The Corporation and its President and Chief Executive Officer, Alan L. Shefsky entered into an executive employment contract effective January 1, 2003, as amended on October 1, 2007, May 31, 2012, March 5, 2015, and March 10, 2016 (collectively, the “**Shefsky Employment Agreement**”). The term of the Shefsky Employment Agreement runs until September 30, 2019, with an annual base salary of \$265,000 in year-one. The base annual salary of each ensuing year shall be increased effective October 1<sup>st</sup> of such

year by the annual increase during the prior calendar year in the Consumers Price Index for the City of Toronto as reported by Statistics Canada, provided that the annual base salary in each year after the first year shall be no less than the annual base salary provided for in the first year.

Due to, among other things, the depressed state of the capital markets for junior resource companies which has prevailed for a number of years, the Corporation has not been able to raise sufficient working capital to meet all of its current obligations. Accordingly, the Corporation and Mr. Shefsky have entered into agreements amending the Shefsky Employment Agreement dated March 5, 2015 (the “**2015 Amendment Agreement**”) and March 10, 2016 (the “**2016 Amendment Agreement**”). The 2015 Amendment Agreement and 2016 Amendment Agreement respectively provide for the continued performance during the previous years by Mr. Shefsky of his duties and obligations under the Shefsky Employment Agreement, and deferral of the Corporation’s obligation to pay Mr. Shefsky’s base salary and other cash compensation thereunder in the previous years until the Corporation raises sufficient cash to fund same, in exchange for certain retention bonuses.

Pursuant to the 2015 Amendment Agreement, the Corporation awarded and paid to Mr. Shefsky a \$150,000 retention bonus, which was earned and became payable on the date of the 2015 Amendment Agreement, and granted to Mr. Shefsky the right to earn further bonuses (each a “**Special Bonus**”) of (a) \$275,000 on the date upon which the common shares of the Corporation first trade at or above a trading price (the “**Trading Price**”) of 10 cents per common share and a further bonus equal to \$137,500 on the date(s) upon which the common shares of the Corporation first trade at or above each of the following Trading Prices: (i) 15 cents per common share; (ii) 20 cents per common share; (iii) 25 cents per common share; (iv) 30 cents per common share; (v) 35 cents per common share; (vi) 40 cents per common share; (vii) 45 cents per common share; (viii) 50 cents per common share; (ix) 55 cents per common share; and (x) 60 cents per common share. For greater certainty, each Special Bonus can only be achieved once. “**Trading Price**” means the 30 calendar day volume weighted average trading price per share of the Corporation’s common shares as reported by the TSX-V. The Special Bonuses shall be earned and payable upon achievement of the Trading Prices set forth above, but shall only be paid by the Corporation once there is sufficient working capital available, as more particularly described in the Shefsky Employment Agreement, as amended.

Pursuant to the 2016 Amendment Agreement, the Corporation awarded to Mr. Shefsky a \$250,000 retention bonus, \$125,000 of which was earned by and payable to Mr. Shefsky as of the effective date of the 2016 Amendment Agreement, and the remaining \$125,000 of which was earned by and payable to Mr. Shefsky on December 31, 2016. Pursuant to the Corporation’s accounting policies, \$212,500 of such retention bonus is deemed to be earned during the financial year ended September 30, 2016, of which \$62,108 was paid, and \$150,392 remained unpaid as at the end of such financial year. The balance of \$37,500 of such retention bonus is deemed to be earned in the subsequent financial year.

As at September 30, 2016, total unpaid compensation owing to Mr. Shefsky was \$681,175, including \$530,783 in deferred base salary and other compensation, and \$150,392 in earned but unpaid retention bonuses.

The Corporation may terminate the Shefsky Employment Agreement without cause at-will with written notice to Mr. Shefsky. If Mr. Shefsky elects to terminate the agreement or is terminated with cause, then Mr. Shefsky agrees that he shall not be entitled to any severance compensation or any other compensation or payment other than accrued amounts due and owing up to the effective date of termination, including any earned but unpaid Special Bonuses as at the date of termination.

If so terminated without cause then the Corporation will pay to Mr. Shefsky severance compensation equal to twenty-four (24) months of his base salary within sixty (60) days of termination, plus any earned

but unpaid Special Bonuses, together with any additional Special Bonus that, but for such termination, would have been earned by Mr. Shefsky during the one (1) year period following the date of such termination. If the agreement is so terminated due to the death or incapacity of Mr. Shefsky then the Corporation shall pay Mr. Shefsky or his estate all amounts due and owing up to the effective date of termination, including any earned but unpaid Special Bonuses as at the date of termination.

If there is a change of control and Mr. Shefsky voluntarily resigns within 1 (one) year of such change of control, then the Corporation will be responsible for all accrued amounts due and owing to Mr. Shefsky up to the effective date of resignation and severance compensation equal to twelve (12) months of his base salary. In the event of a change of control and if the Corporation, within two (2) years of the effective date of such change of control, terminates Mr. Shefsky without cause then the Corporation will be responsible for all accrued amounts due and owing to Mr. Shefsky up to the effective date of termination and severance compensation equal to twenty-four (24) months of his base salary. The Executive shall also receive any earned Special Bonus that remains unpaid as at the date of such termination.

The Shefsky Employment Agreement has a non-competition provision whereby Mr. Shefsky agrees not to compete with the Corporation for a period of twelve (12) months after termination of his employment (reduced in some cases to three (3) months) within a 20-km radius of any mineral claim or right in which the Corporation has an interest.

Paul Andersen, Chief Financial Officer

The Corporation and its Chief Financial Officer, Paul Andersen (the "**CFO**"), entered into an executive employment contract (the "**CFO Employment Agreement**") effective December 7, 2011 (the "**Effective Date**") to serve the Corporation, on a part-time basis, in the capacity of Chief Financial Officer and Vice President, Finance.

The initial term of the CFO Employment Agreement shall be effective as of the Effective Date and shall continue in effect until December 31, 2012 (the "**Initial Term**") unless terminated or extended earlier pursuant to and in accordance with the terms of the agreement. At the end of the Initial Term (and each subsequent twelve (12) month extension period thereafter, if applicable), the CFO Employment Agreement shall automatically be renewed for an additional consecutive twelve (12) month period unless either party advises the other, in writing, at least sixty (60) days before the end of the current period, that it does not wish to renew the agreement.

The Corporation shall pay the CFO as remuneration for services provided for therein an annual gross salary in the amount of \$30,000 per annum payable in equal monthly instalments of \$2,500 per month in arrears. The Corporation will annually review the said annual gross salary and will make any adjustments it determines are reasonable in the sole, absolute and unfettered discretion of the Board, or applicable committee of the Board.

The CFO is entitled to participate in any incentive programs of the Corporation, including, without limiting the generality of the foregoing, current or future stock option plans, in accordance with and on terms and conditions determined by the Board, or applicable committee of the Board, in their sole, absolute and unfettered discretion.

The Corporation may terminate the CFO Employment Agreement without cause at will with written notice to the CFO. If so terminated without cause then the Corporation will pay to the CFO severance compensation equal to: (i) all accrued amounts due and owing up to the effective date of the termination, including a cash equivalent of any benefits, vacation time and reimbursable expenses then accrued; (ii) three (3) months' salary, plus an additional one (1) month's salary for every full year of service to the

Corporation; and (iii) the amount of benefits reasonably calculated to otherwise be payable to the CFO for a severance period of three (3) months after the effective date of termination. If the CFO is terminated with cause, then the CFO agrees that he shall not be entitled to any severance compensation or any other compensation or payment other than accrued amounts due and owing up to the effective date of termination. If the CFO voluntarily resigns, then the Corporation will only be responsible to pay the CFO the accrued amounts due and owing to the CFO up to the effective date of resignation, unless he gives notice to resign within six (6) months of a change of control, in which case his severance compensation would be equal to: (i) all accrued amounts due and owing up to the effective date of the resignation, including a cash equivalent of any benefits, vacation time and reimbursable expenses then accrued; and (ii) three (3) months' salary, plus an additional one (1) month's salary for every full year of service to the Corporation.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) of the Canadian Securities Administrators sets out a series of guidelines for effective corporate governance (the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance. Although there is no requirement for the Corporation to comply with the Guidelines, the Corporation considers the Guidelines to be an important guide for providing effective corporate governance and intends to continue its efforts to implement many of the Guidelines over the current fiscal period.

Set out below is a description of the Corporation's approach to corporate governance in relation to the Guidelines.

### *Corporate Governance Disclosure*

The information required to be disclosed by National Policy 58-101 *Disclosure of Corporate Governance Practices* is attached to this Circular as **Schedule "A"**.

### *Meeting of the Board and Committees*

Most matters requiring approval of the Board of the Corporation were approved by written resolutions signed by all members of the Board, with detailed information being circulated to all members of the Board beforehand. Any member of the Board may request a formal meeting of the Board in the event that such director considers the subject matter of a particular resolution requires full Board of Directors discussion. While it is standard practice for the Corporation's Board of Directors to pass written resolutions in lieu of holding formal meetings in person from time to time, the Board held fourteen (14) formal meetings in person or via conference call during fiscal 2016.

The Corporation has established a Compensation Committee, Audit Committee and Corporate Governance and Nominating Committee in compliance with the Guidelines. The Corporation has also established a Technical Committee and a Health, Safety and Environmental Compliance Committee.

### The Compensation Committee

The Compensation Committee assists the Board in fulfilling its obligations relating to human resource and compensation matters of the Corporation and its subsidiaries and to establish a plan for the continuity and development of senior management. During the Corporation's most recently completed financial year-end, the members of the Compensation Committee were Messrs. Wilkinson (Chairman), Dimmell and R. Cooper, all being independent directors as defined in the Guidelines. The Compensation Committee held three (3) formal meetings during fiscal 2016.

Further information regarding the Compensation Committee's responsibilities, powers and operation of the Compensation Committee are set out above under the section entitled "*Compensation Discussion and Analysis*".

The Corporation believes that each of the Compensation Committee members possess the skills and experiences that enable the member to make decisions on the suitability of the compensation policies and practices of the Corporation as set out below.

#### **PETER M. DIMMELL P. GEO.**

Peter M. Dimmell is a professional geologist (P.Ge.), registered in Newfoundland and Ontario, with a Bachelor of Science degree (Major in Geology) from the University of New Brunswick. He has practised his trade as an exploration geologist since 1969 with major mining companies, as well as an independent consultant, gaining experience throughout Canada and overseas. He is a director of VVC Exploration Corp., a junior exploration company listed on the TSX Venture Exchange ("**TSX-V**"). He is a Fellow of Geoscientists Canada (FGC) and a member (P.Ge.) and a past councillor of the Professional Engineers and Geoscientists of Newfoundland and Labrador, a member (P.Ge.) of the Association of Professional Geoscientists of Ontario (APGO), a life member and a past President of the Prospectors and Developers Association of Canada, a past Chairman of Mining Industry NL and a member and past councillor of the Geological Association of Canada. Mr. Dimmell currently resides in St. John's, Newfoundland.

#### **JOHN WILKINSON**

John Wilkinson is the Senior Vice President, Sustainability of GreenField Specialty Alcohols Inc. He was first elected to the Ontario Legislature in 2003 as the MPP for Perth-Middlesex. In 2007, he was re-elected as the MPP for Perth-Wellington. He was the first Certified Financial Planner elected to the Ontario Legislature and founded Wilkinson & Keller Financial Planning Ltd. in Stratford, Ontario. During his second term, Mr. Wilkinson was called to Cabinet and served as Minister of Research & Innovation, then as Minister of Revenue and finally as Minister of the Environment.

Currently, Mr. Wilkinson serves on the Board of GreenField Specialty Alcohols Inc., a private company and chairs its Audit Committee, is the Board Chair of the Stratford Perth County Community Foundation, a registered charity, serves on the Board of the Ontario Arts Foundation, a registered charity and serves on the Advisory Board of the Waterloo Institute of Sustainable Energy, an Institute of the University of Waterloo.

#### **RICHARD COOPER**

Richard Cooper is president of T.R.L. Investments Limited, a private investment company engaged in asset management. Mr. R. Cooper also serves as the Executive Vice-President of Alterra Group of Companies, a private developer and builder of residential, industrial and commercial real estate. Mr. R. Cooper received a Masters of Business Administration from the University of Western Ontario, a B.A.Sc. from the University of Toronto, is a professional engineer in the Province of Ontario and has received an ICD.D designation from the Joseph L. Rotman School of Management.

### The Audit Committee

The Audit Committee assists the Board in its oversight of: (i) the integrity of the financial reporting of the Corporation; (ii) the independence and performance of the Corporation's external auditors; and (iii) the Corporation's compliance with legal and regulatory requirements. During the Corporation's most recently completed financial year-end, the members of the Audit Committee were Messrs. R. Cooper (Chairman), Wilkinson and Dimmell, all being independent directors as defined in the Guidelines. The Audit Committee held four (4) formal meetings during fiscal 2016. The charter of the Audit Committee and other information required to be disclosed by Form 52-110F2 is attached to this Circular as **Schedule "B"**.

### The Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee assists the Board by: (i) developing, reviewing and planning the Corporation's approach to corporate governance issues, including developing a set of corporate governance principles and guidelines specifically applicable to the Corporation; (ii) identifying and recommending to the Board potential new nominees to the Board; (iii) monitoring management's succession plan for the CEO and other senior management; and (iv) overseeing enforcement of and compliance with the Corporation's proposed Code of Business Conduct. During the Corporation's most recently completed financial year-end, the members of the Corporate Governance and Nominating Committee were Messrs. R. Cooper (Chairman), Wilkinson and Rukavina, Messrs. Wilkinson and R. Cooper being independent directors as defined in the Guidelines. The Corporate Governance and Nominating Committee held one (1) formal meeting during fiscal 2016.

### The Technical Committee

The Technical Committee has been established to assist the Board by: (i) providing scientific and technical advice to the Board and management; (ii) evaluating, assessing and reviewing the Corporation's engineering and geological reports and data or any documentation pertaining to the acquisition, exploration, development or disposal of mineral properties; (iii) assist in developing, reviewing and planning the Corporation's technical strategy, related performance targets and its operational results and projects; (iv) keeping the Board informed of developments, progress and challenges facing the Corporation in terms of its technical operations; and (v) overseeing the Corporation's technical regulatory and compliance issues. The members of the Technical Committee are Peter Dimmell (Chairman) and Roger Payne, Executive Vice President of the Corporation, Mr. Dimmell being an independent director as defined in the Guidelines. The Technical Committee held one (1) formal meeting during fiscal 2016.

### The Health, Safety and Environmental Compliance Committee

The Health, Safety and Environmental Compliance Committee has been established to assist the Board in overseeing the Corporation's health, safety and environmental regulatory and compliance issues. The members of the Health, Safety and Environmental Compliance Committee are Messrs. Dimmell (Chairman), M. Cooper and Roger Payne, Executive Vice President of the Corporation, Mr. Dimmell being an independent director as defined in the Guidelines. The Health, Safety and Environmental Compliance Committee held one (1) formal meeting during fiscal 2016.

The Corporation has the following corporate governance policies and procedures in place: (i) Whistleblower Policy; (ii) Code of Conduct Policy; (iii) Insider Trading and Blackout Policy; (iv) Compensation Committee Charter; (v) Charter of the Board; (vi) Corporate Governance and Nominating Committee Charter; (vii) Corporate Disclosure Policy and Practices; and (viii) Audit Committee Charter.

**Compensation of Directors**

Compensation of the Corporation's directors has previously been disclosed above.

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

The following table sets out information as of the date of this Circular with respect to compensation plans under which equity securities of the Corporation are authorized for issuance.

<b>Equity Compensation Plan Information</b>			
<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (#)</b>	<b>Weighted-average exercise price of outstanding options (\$)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (#)</b>
Equity compensation plans approved by securityholders <sup>(1)</sup>	17,150,000	0.06	3,849,693 <sup>(2)</sup>
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	17,150,000	0.06	3,849,693 <sup>(2)</sup>

Notes:

1. The only equity compensation plan currently in place is the Option Plan. The Option Plan provides for a rolling maximum limit of 10% of the outstanding common shares on the date of any grant of options thereunder.
2. Based on a total of 209,996,930 common shares issued and outstanding as at the date of this Circular.

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

No executive officer, director, or employee of the Corporation, past or present, nor any proposed nominee for election as a director of the Corporation, nor any associate of any of the foregoing persons, at any time during the fiscal year ended September 30, 2016, and as at the date of this Circular, is or was indebted to the Corporation in connection with the purchase of securities or otherwise, nor is any such individual indebted to another entity with such debt being the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed below and elsewhere in this Circular, no director, proposed director, executive officer, or person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the common shares of the Corporation, nor any associate or affiliate of any such person or company, has or has had since the commencement of the financial year ended September 30, 2016, any material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

On March 10, 2016, Mr. Alan Shefsky, President, CEO, and a director of the Corporation, entered into the 2016 Amendment Agreement to the Shefsky Employment Agreement. See “*Employment, Consulting, and Management Agreements – Alan Shefsky, President and CEO*”.

In fiscal period ended September 30, 2016, consulting fees of \$159,700 in the aggregate were earned by certain directors or holding companies of said directors for services provided to the Corporation other than in their capacities as directors.

In the fiscal period ended September 30, 2016, fees of \$45,000 were earned by Forbes Andersen LLP, 340 Richmond Street West, Toronto, Ontario, M5V 1X2. Paul Andersen, an officer of the Corporation, is a partner of Forbes Andersen LLP. As at September 30, 2016, accounts payable and accrued liabilities included \$150,155 in fees and disbursements owing to this accounting firm.

In the fiscal period ended September 30, 2016, legal fees and share issuance costs of \$89,830 were invoiced by WeirFoulds LLP, 66 Wellington Street West, Suite 4100, TD Bank Tower, Toronto, Ontario, M5K 1B7. Steven Rukavina, a director and an officer of the Corporation, is a partner of WeirFoulds LLP. On February 26, 2016, the Corporation completed a shares-for-debt settlement, pursuant to which the Corporation settled \$96,296.55 in debt owed WeirFoulds LLP through the issuance of 1,925,931 common shares at a deemed issue price of \$0.05 per common share. As at September 30, 2016, accounts payable and accrued liabilities included \$120,184 in legal fees and disbursements owing to this law firm.

#### **INTERESTS 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, nor any proposed nominee for election as a director of the Corporation, nor any associate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors, and the approval of the Option Plan and the proposed amendment thereto, which if approved, which could have the effect of extending the period during which stock options granted to the directors and officers of the Corporation may be exercised upon their ceasing to be Eligible Participants pursuant to the Option Plan.

#### **MANAGEMENT CONTRACTS**

No management functions of the Corporation are to any substantial degree performed by any other person or company other than by the directors or executive officers of the Corporation.

#### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

Accompanying these materials is the 2016 Annual Report of the Corporation, including a copy of the audited consolidated financial statements of the Corporation for the fiscal period ended September 30, 2016, together with the auditors' report thereon. The directors will lay before the Meeting the said audited financial statements and auditors' report thereon, receipt of which by the Meeting will not constitute approval or disapproval of any matters referred to therein.

#### **PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING**

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying notice of meeting and described below.

Unless otherwise noted, approval of matters to be placed before the Meeting is by an "ordinary resolution" which is a resolution passed by a simple majority (50% plus 1) of the votes cast by shareholders of the Corporation present at the Meeting and entitled to vote in person or by proxy.

## 1. Election of Directors

The number of directors to be elected at the Meeting is seven (7). **Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the election of the nominees whose names are set forth below.** Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them.

Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion unless the person granting such proxy has specified therein that the common shares represented thereby are to be withheld from voting in respect of the election of directors. Each director elected will hold office until the close of the first annual meeting of shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table and the notes thereto set out certain information about each nominee for election as director at the meeting:

<b>Name, Current Position(s) with the Corporation and Municipality of Residence</b>	<b>Present Principal Occupation(s) If Different from Office Held<sup>(1)</sup></b>	<b>Director Since</b>	<b>Shares of the Corporation Beneficially Owned, Controlled or Directed<sup>(1)</sup></b>
<b>Alan L. Shefsky</b> Chief Executive Officer, President and Director <i>Ontario, Canada</i>	Chief Executive Officer & President, Pele Mountain Resources Inc.	April, 1996	9,878,500 <sup>(2)(3)</sup>
<b>Peter Dimmell</b> <sup>(2)(3)(5)(6)</sup> Director <i>Newfoundland, Canada</i>	Geological Consultant, Krinor Resources Inc.	April, 1996	364,571
<b>Martin S. Cooper</b> <sup>(6)</sup> Vice-President, Indigenous Relations, Treasurer and Director <i>Ontario, Canada</i>	Senior Archaeologist, Archaeological Services Inc.	April, 1996	1,062,000
<b>Steven Rukavina</b> <sup>(4)</sup> Secretary and Director <i>Ontario, Canada</i>	Lawyer, WeirFoulds LLP	May, 2002	1,645,500
<b>Richard Cooper</b> <sup>(2)(3)(4)</sup> Director <i>Ontario, Canada</i>	President, T.R.L. Investments Limited; Executive Vice-President, Alterra Group of Companies	April, 2006	7,477,934
<b>John Wilkinson</b> <sup>(2)(3)(4)</sup> Director <i>Ontario, Canada</i>	Senior Vice President, GreenField Specialty Alcohols Inc.	November, 2013	915,698
<b>Wayne Richardson</b> Director and Chairman of the Board <i>Ontario, Canada</i>	President & Chief Executive Officer, Enirgi Group Corporation	January, 2016	Nil

Notes:

1. The information as to principal occupation and shares beneficially owned, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
2. Members of the Audit Committee of the Corporation are Messrs. R. Cooper (Chairman), Dimmell and M. Cooper.
3. Members of the Compensation Committee of the Corporation are Messrs. R. Cooper (Chairman), Dimmell and M. Cooper.
4. Members of the Corporate Governance and Nominating Committee of the Corporation are Messrs. R. Cooper (Chairman), Dimmell and Rukavina.
5. Members of the Technical Committee of the Corporation are Peter Dimmell (Chairman) and Roger Payne, a non-director member.
6. Members of the Health, Safety and Environmental Compliance Committee of the Corporation are Messrs. Dimmell (Chairman), M. Cooper and Roger Payne, a non-director member.

Other than as disclosed below, none of the proposed directors are, as at the date hereof, or has been, within ten (10) years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that: (i) while that person was acting in that capacity was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; (ii) was subject to a cease trade order or similar order or any order that denied the relevant company access to an exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days that was issued after the proposed director 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 (iii) 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 the 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.

Mr. Dimmell was a director of VVC Exploration Corporation when it was subject to a management cease trade issued by the Ontario Securities Commission on June 15, 2007 and the Autorité des Marchés Financiers on June 19, 2007 for failure to file and deliver to shareholders its annual financial statements by the required filing date under applicable Canadian securities laws for the fiscal year ended December 31, 2006. The management cease trade order was allowed to lapse/expire by the Ontario Securities Commission on December 27, 2007 and by the Autorité des Marchés Financiers on January 8, 2008.

Mr. Richard Cooper was a director of Artisan Energy Corporation, during the 12 month period prior to June 22, 2016, on which date, Artisan Energy Corporation appointed Farbor Inc. as Trustee in Bankruptcy. Mr. Cooper was not a director at the time of the appointment.

None of the proposed directors has, within the ten (10) years prior to the date hereof, 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 assets.

None of the proposed directors is, as at the date hereof, or 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 be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## 2. Appointment of Auditors

Shareholders of the Corporation will be asked at the Meeting to reappoint Collins Barrow LLP, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7 as the Corporation's auditors to hold office until the close of the next annual meeting of shareholders of the Corporation, and to authorize the directors of the Corporation to fix the auditors' remuneration. Collins Barrow LLP (formerly DMCT LLP) were first appointed the auditors of the Corporation in April, 1996. **Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the said reappointment of Collins Barrow LLP as the auditors of the Corporation and FOR authorizing the directors to fix the remuneration of the auditors.**

## 3. Amendment of Option Plan

The Corporation has adopted the Option Plan for executive officers, directors, employees and consultants (“**Eligible Participants**”) of the Corporation. The Option Plan was last approved at the annual and special meeting of shareholders of the Corporation on March 10, 2016. For a summary of the Option Plan, please see “*Executive Compensation – Stock Option Plan*”.

The Option Plan provides that if prior to the exercise of an option, the holder ceases to be an Eligible Participant, such options must be exercised within 90 days of the date upon which such person ceased to be an Eligible Participant. The Corporation proposes to amend the Option Plan to provide that the options held by a person who ceases to become an Eligible Participant must be exercised by the earlier of: (i) the expiry date of such options and (ii) such date determined by the Board, up to one year from the date such optionee ceased to be an Eligible Participant. This amendment is proposed to grant the Board additional flexibility in recognizing and rewarding the contributions of its Eligible Participants, and to align the Option Plan with amendments to TSX-V policies introduced on May 8, 2013. The full text of the Option Plan will be available for review at the Meeting and will be supplied free of charge to shareholders upon written request made directly to the Corporation at its registered head office located at Suite 905, 2200 Yonge Street, Toronto, Ontario, M4S 2C6, Attention: President.

Shareholders will be asked at the Meeting to consider and, if thought advisable, pass a resolution approving the amendment to the Option Plan, substantially in the following form:

### “BE IT RESOLVED THAT:

1. Subject to applicable regulatory approvals, the amendment to the Option Plan, substantially as described in the management information circular of Pele Mountain Resources Inc. dated January 27, 2017, be and is hereby approved; and
2. Any director or officer of the Corporation is hereby authorized and directed to execute and to deliver, under corporate seal or otherwise, all such documents and instruments and to do all such acts as in the opinion of such director or officer may be necessary or desirable to give effect to these resolutions.

To be approved, the ordinary resolution must be passed by a majority of the votes of shareholders of the Corporation cast thereon at the Meeting. **Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the resolution.**

#### 4. Approval of Stock Option Plan

The Option Plan provides that the Board of the Corporation may from time to time, in its discretion, grant to an Eligible Participant the option to purchase common shares. The Option Plan is a “rolling” plan, as the number of common shares that may be reserved for issuance pursuant to a grant of stock options is equal to 10% of the outstanding common shares as at the applicable grant date, as permitted by the policies of the TSX-V. As of the date of this Circular, the number of common shares remaining available for reservation pursuant to an issuance of options under the Option Plan is 3,849,693 (being 20,999,693 common shares available for reservation pursuant to grants of options, less 17,150,000 common shares reserved pursuant to outstanding options granted under the Option Plan).

The policies of the TSX-V require all listed companies with a “rolling” stock option plan (such as the Option Plan), under which the maximum number of shares that may be reserved for issuance pursuant to the exercise of stock options is determined as a percentage of an issuer’s issued and outstanding shares, to obtain approval of their stock option plan at their annual meeting of shareholders.

Shareholders will be asked at the Meeting to consider and, if thought advisable, pass a resolution ratifying and confirming the Option Plan, with or without amendment, substantially in the following form:

**“BE IT RESOLVED THAT:**

1. The Option Plan of the Corporation as described in this Circular, as amended, be and is hereby ratified and approved for the ensuing year, pursuant to which the board of directors of the Corporation may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Corporation and its subsidiaries to a maximum of ten percent (10%) of the issued and outstanding common shares at the time of grant; and
2. Any director or officer of the Corporation is hereby authorized and directed to execute and to deliver, under corporate seal or otherwise, all such documents and instruments and to do all such acts as in the opinion of such director or officer may be necessary or desirable to give effect to these resolutions.

To be approved, the ordinary resolution must be passed by a majority of the votes of shareholders of the Corporation cast thereon at the Meeting. **Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the resolution.**

#### 5. Consolidation of the Common Shares

At the Meeting, the Shareholders will be asked to consider and, if deemed advisable, pass a special resolution (the “**Share Consolidation Resolution**”) authorizing a share consolidation of the Corporation’s common shares on the basis of up to 10 pre-consolidation common shares for each one post-consolidation common share (the “**Share Consolidation**”).

##### ***Background To and Reasons for the Share Consolidation***

The Board believes that it is in the best interests of the Corporation to reduce the number of outstanding common shares by way of the Share Consolidation. The potential benefits of the Share Consolidation include:

1. *Greater investor interest:* the current share structure of the Corporation will make it more difficult for the Corporation to attract the additional equity financing required to maintain the

Corporation or to allow for the acquisition of new projects of merit. A share consolidation may have the effect of raising, on a proportionate basis, the price of the common shares, which could appeal to certain investors that find shares valued above certain prices to be more attractive from an investment perspective.

2. *Raise additional capital at a higher price per share:* the higher anticipated price of the post-consolidation common shares will allow the Corporation to raise additional capital through the sale of additional common shares at a higher price per common share than would be possible in the absence of the Share Consolidation.

The Share Consolidation is subject to the approval of the TSX-V and the Shareholders. If the requisite approvals are obtained, the Share Consolidation will take place at a time to be determined by the Board, which the Board currently anticipates will be as soon as practicable following the Meeting, subject to the *Business Corporations Act* (Ontario) (the “Act”). No further action on the part of Shareholders would be required in order for the Board to implement the Share Consolidation. Shareholders will be notified and registered shareholders will receive a letter of transmittal containing instructions for exchange of their share certificates. The special resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time if it determines, in its sole discretion, to do so. If the Board in its discretion does not implement the Share Consolidation prior to the next annual meeting of Shareholders, the authority granted by the special resolution to implement the Share Consolidation on these terms would lapse and be of no further force or effect.

Following a vote by the Board to implement the Share Consolidation, the Corporation will file articles of amendment with the Director under the Act to amend the Corporation’s articles of incorporation. The Share Consolidation will become effective on the date shown in the certificate of amendment issued by the Director under the Act or such other date indicated in the articles of amendment provided that, in any event, such date will be prior to the next annual meeting of Shareholders.

#### ***Certain Risks Associated With the Share Consolidation***

There can be no assurance that, if the Share Consolidation is implemented, the Corporation will be successful in attracting new capital financing or to allow acquisition of a new project of merit. The effect of the Share Consolidation upon the market price of the common shares cannot be predicted with any certainty, and the history of similar transactions for corporations similar to the Corporation is varied.

There can be no assurance that the total market capitalization of the common shares immediately following the Share Consolidation will be equal to or greater than the total market capitalization immediately before the Share Consolidation. In addition, there can be no assurance that the per-share market price of the common shares following the Share Consolidation will remain higher than the per-share market price immediately before the Share Consolidation or equal or exceed the direct arithmetical result of the Share Consolidation. In addition, a decline in the market price of the common shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of the Share Consolidation. Furthermore, the Share Consolidation may lead to an increase in the number of Shareholders who will hold “odd lots”; that is, a number of shares not evenly divisible into board lots (a board lot is either 100, 500 or 1,000 shares, depending on the price of the shares). As a general rule, the cost to Shareholders transferring an odd lot of common shares is somewhat higher than the cost of transferring a “board lot”. Nonetheless, despite the risks and the potential increased cost to Shareholders in transferring odd lots of post-consolidation common shares, the Board believes the Share Consolidation is in the best interest of all Shareholders.

***Effect on Non-Registered Shareholders***

Non-Registered Holders holding common shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the Share Consolidation than those that will be put in place by the Corporation for registered Shareholders. If you hold common shares with such a bank, broker or other nominee and have questions with respect to such matters, you are encouraged to contact your nominee.

***No Fractional Shares to be Issued***

No fractional common shares will be issued in connection with the Share Consolidation and, in the event that a Shareholder would otherwise be entitled to receive a fractional common share upon the Share Consolidation, such fraction will be rounded down to the nearest whole number.

***Effects of the Share Consolidation on the common shares***

If approved and implemented, the Share Consolidation will occur simultaneously for all of the common shares and the consolidation ratio will be the same for all of such common shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding common shares that will result from the Share Consolidation will cause no change in the capital attributable to the common shares and will not materially affect any Shareholder's percentage ownership in the Corporation, even though such ownership will be represented by a smaller number of common shares.

The Share Consolidation will not materially affect any Shareholder's proportionate voting rights. Each common share outstanding after the Share Consolidation will be entitled to one vote and will be fully paid and non-assessable.

The principal effects of the Share Consolidation will be that the number of common shares of the Corporation issued and outstanding will be reduced from 209,996,930 pre-Share Consolidation common shares to between approximately 20,999,693 post-Share Consolidation common shares (in the case of a consolidation on a 10:1 basis) and 104,998,465 post-Share Consolidation common shares (in the case of a consolidation on a 2:1 basis), depending on the consolidation ratio ultimately implemented by the directors in their discretion. By way of example only, assuming that the directors elect to implement a Share Consolidation, in the event of a 10:1 Share Consolidation, a shareholder now holding 1,000 pre-Share Consolidation common shares of the Corporation would hold 100 post-Share Consolidation common shares, and in the event of a 2:1 Share Consolidation, that same shareholder would hold 500 post-Share Consolidation common shares.

The implementation of the Share Consolidation would not affect the total shareholders' equity of the Corporation or any components of shareholders' equity as reflected on the Corporation's financial statements except: (i) to change the number of issued and outstanding common shares; and (ii) to change the stated capital of the common shares to reflect the Share Consolidation.

The exercise or conversion price and the number of common shares issuable under any outstanding convertible securities of the Corporation, including outstanding stock options, will be adjusted in accordance with their respective terms on the same basis as the Share Consolidation.

***No Dissent Rights***

Under the Act, Shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

### **Resolution**

Shareholders will be asked at the Meeting to consider and, if thought advisable, pass a special resolution in respect of the Share Consolidation, substantially in the following form:

**“BE IT RESOLVED, AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS OF PELE MOUNTAIN RESOURCES INC., THAT:**

1. the Corporation’s articles of incorporation be amended pursuant to Section 168(1)(h) of the *Business Corporations Act* (Ontario) (the “**Act**”) to effect a consolidation of all of the common shares of the Corporation (the “**common shares**”) on the basis of such consolidation ratio as the board of directors of the Corporation may resolve, subject to a maximum consolidation ratio of ten (10) pre-consolidation common shares for each one (1) post-consolidation common share, and a minimum consolidation ratio of two (2) pre-consolidation shares for each one (1) post-consolidation common share (the “**Share Consolidation**”);
2. no fractional post-consolidation common shares be issued and no cash paid in lieu of fractional post-consolidation common shares, such that any fractional interest in common shares resulting from the Share Consolidation will be rounded down to the nearest whole common share;
3. the effective date of such Share Consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the Act or such other date indicated in the articles of amendment provided that, in any event, such date shall be prior to the next annual meeting of shareholders;
4. any officer or director of the Corporation be and hereby is authorized and directed on behalf of the Corporation to execute or cause to be executed, and to deliver or cause to be delivered, all certificates, notices and other documents, including filing articles of amendment pursuant to the Act, and to do or cause to be done all such acts and things, as such officer or director may determine to be necessary, desirable, or useful for the purpose of giving effect to the foregoing resolutions, such determination to be conclusively evidenced by the execution and delivery of such documents, or the doing of any such act or thing; and
5. notwithstanding the passing of this special resolution by the shareholders of the Corporation (the “**Shareholders**”), the board of directors of the Corporation may, in its sole discretion, determine not to act upon this special resolution and not file articles of amendment giving effect to the Share Consolidation, without further approval of the Shareholders.”

Under the Act and the Corporation’s articles, the Share Consolidation Resolution must be approved by special resolution, being the affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast with respect to the Share Consolidation Resolution by shareholders present in person or represented by proxy at the Meeting.

The Board of directors unanimously recommends a vote for the Share Consolidation Resolution. **In the absence of instructions to the contrary, the common shares represented by proxies in favour of Management nominees will be voted FOR the Share Consolidation Resolution.**

### **6. Name Change**

The Corporation has proposed that the name of the Corporation be changed. Accordingly, Shareholders will be asked to consider, and if thought advisable, pass a special resolution to change the name of the

Corporation from “Pele Mountain Resources Inc.” to “Griffin Energy & Metals Ltd.”, or such other name as may be determined by the Board (the “**Name Change**”). The Board proposes the Name Change because the Corporation is considering initiatives beyond traditional mineral resource exploration and development projects, and in particular, in the areas of sustainable development of rare earth processing and energy projects, and it is believed that a name change to reflect this broader strategy is appropriate. Additionally, the Name Change is intended to facilitate the administration and implementation of the Share Consolidation assuming it is approved by the Shareholders.

Notwithstanding approval of the Name Change by Shareholders, the Board, in its discretion, may determine not to act upon the Name Change resolution and not file articles of amendment giving effect to the Name Change, without further approval of Shareholders.

Following a vote by the Board to implement the Name Change, the Corporation will file articles of amendment with the Director under the Act to amend the Corporation’s articles of incorporation. The Name Change will become effective on the date shown in the certificate of amendment issued by the Director under the Act or such other date indicated in the articles of amendment provided that, in any event, such date will be prior to the next annual meeting of Shareholders.

Shareholders will be asked at the Meeting to consider and, if thought advisable, pass a special resolution in respect of the Name Change, substantially in the following form:

**“BE IT RESOLVED, AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS OF PELE MOUNTAIN RESOURCES INC., THAT:**

1. The Corporation’s articles of incorporation be amended pursuant to Section 168(1)(a) of the Business Corporations Act (Ontario) (the “**Act**”) to change the name of the Corporation to “Griffin Energy & Metals Ltd.”, or such other name as the Corporation’s board of directors determines to be appropriate and which the Director under the *Business Corporations Act* (Ontario) may accept (the “**Name Change**”);
2. the effective date of such Name Change shall be the date shown in the certificate of amendment issued by the Director appointed under the Act or such other date indicated in the articles of amendment provided that, in any event, such date shall be prior to the next annual meeting of shareholders;
3. any officer or director of the Corporation be and hereby is authorized and directed on behalf of the Corporation to execute or cause to be executed, and to deliver or cause to be delivered, all certificates, notices and other documents, including filing articles of amendment pursuant to the Act, and to do or cause to be done all such acts and things, as such officer or director may determine to be necessary, desirable, or useful for the purpose of giving effect to the foregoing resolutions, such determination to be conclusively evidenced by the execution and delivery of such documents, or the doing of any such act or thing; and
4. notwithstanding the passing of this special resolution by the shareholders of the Corporation (the “**Shareholders**”), the board of directors of the Corporation may, in its sole discretion, determine not to act upon this special resolution and not file articles of amendment giving effect to the Name Change, without further approval of the Shareholders.”

Under the Act and the Corporation’s articles, the resolution approving the Name Change must be approved by special resolution, being the affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast with respect to such resolution by shareholders present in person or represented by proxy at the Meeting.

The Board unanimously recommends a vote for the Name Change Resolution. **In the absence of instructions to the contrary, the common shares represented by proxies in favour of Management nominees will be voted FOR the special resolution approving the Name Change.**

#### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

Management knows of no additional matters which are matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgement of the persons voting the proxy.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available via the System for Electronic Data Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com), and on the Corporation's website at [www.pelemountain.com](http://www.pelemountain.com). Financial information about the Corporation may be found in the Corporation's comparative annual financial statements and related MD&A for the financial year ended September 30, 2016, which is also available on SEDAR. Inquiries, including requests for copies of the corporation's comparative financial statements and management's discussion and analysis for the year ended September 30, 2016, may be directed to the Corporation at 2200 Yonge Street, Suite 905, Toronto, Ontario M4S 2C6, Attention: Chief Executive Officer, Telephone: (416) 368-7224.

#### **APPROVAL**

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

**DATED** at Toronto, Ontario as of the 27<sup>th</sup> day of January, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
PELE MOUNTAIN RESOURCES INC.**

*"Alan L. Shefsky"*

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ALAN L. SHEFSKY  
President and Chief Executive Officer

## SCHEDULE "A"

### FORM 58-101F2 CORPORATE GOVERNANCE DISCLOSURE

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Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Corporation is required and hereby discloses its corporate governance practices as follows:

#### ITEM 1 - Board of Directors

The Board of the Corporation facilitates its exercise of independent supervision over the Corporation's management through frequent discussions with management and regular meetings of the Board.

Richard Cooper, Peter M. Dimmell, John Wilkinson and Wayne Richardson are "independent" directors of the Corporation in that they are free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the directors' ability to act with the best interests of the Corporation, other than the interests and relationships arising from shareholdings.

Messrs. Alan L. Shefsky (Chief Executive Officer and President), Steven Rukavina (Secretary) and Martin S. Cooper (Vice-President, Indigenous Relations and Treasurer) are senior officers of the Corporation or have been in the past three years and are therefore not independent.

#### ITEM 2 - Directorships

The current directors of the Corporation are also currently directors of the following other reporting issuers:

Name of Director	Reporting Issuer and Exchange (if applicable)
Alan L. Shefsky	None
Peter M. Dimmell	VVC Exploration Corporation (TSX-V)
Martin S. Cooper	None
Steven Rukavina	None
Richard Cooper	None
John Wilkinson	None
Wayne Richardson	LeadFX Inc. (formerly Ivernia Inc.) (TSX)

#### ITEM 3 - Orientation and Continuing Education

While the Corporation does not have formal orientation and training programs, new directors are provided with access to publicly filed documents of the Corporation, technical reports, internal financial information, the Corporation's Corporate Governance Policies and management and technical experts and consultants.

#### ITEM 4 - Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate

legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction.

In addition, the Board have adopted the following Corporate Governance Policies with respect to maintaining the highest standards of integrity and ethical behaviour in the conduct of its business: (i) Whistleblower Policy; (ii) Code of Conduct Policy; (iii) Insider Trading and Blackout Policy; and (iv) Corporate Disclosure Policy and Practices.

#### **ITEM 5 - Nomination of Directors**

The Corporate Governance and Nominating Committee is responsible for identifying individuals believed to be qualified to become board members, consistent with criteria approved by the Board, and to recommend to the Board the nominees to stand for election at the Corporation's annual meeting of shareholders or, if applicable, at a special meeting of the shareholders. In case of vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Corporate Governance and Nominating Committee shall recommend to the Board an individual to fill each such vacancy either through appointment by the Board or through election by shareholders. In recommending candidates, the Corporate Governance and Nominating Committee shall take into consideration the criteria approved by the Board, including any set forth in the corporate policies of the Corporation, and such other factors as it deems appropriate. These factors shall include judgment, skill, integrity, independence, diversity, experience with business and organizations of comparable size, the interplay of a candidate's experience with the experience of other Board of Directors' members, willingness to commit the necessary time and energy to serve as director, and a genuine interest in the Corporation's business, and the extent to which a candidate would be a desirable addition to the Board or any committees of the Board. The Corporate Governance and Nominating Committee shall consider any candidates proposed by management.

#### **ITEM 6 - Compensation**

To determine compensation payable, the Compensation Committee, which consisted of Messrs. John Wilkinson (Chairman), Richard Cooper and Peter Dimmell during the most recently completed financial year-end, all being independent directors as defined in the Guidelines, review compensation paid for directors and CEOs of companies of similar business, size and stage of development and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation.

#### **ITEM 7 - Other Board Committees**

In addition to the Compensation Committee and Corporate Governance and Nominating Committee, the Board has an Audit Committee, Technical Committee and Health, Safety and Environmental Compliance Committee.

The Audit Committee assists the Board in its oversight of: (i) the integrity of the financing reporting of the Corporation; (ii) the independence and performance of the Corporation's external auditors; and (iii) the Corporation's compliance with legal and regulatory requirements. During the Corporation's most recently completed financial year-end, the members of the Audit Committee were Messrs. R. Cooper (Chairman), Wilkinson and Dimmell, all being independent directors as defined in the Guidelines.

The Corporate Governance and Nominating Committee has been established to assist the Board by: (i) developing, reviewing and planning the Corporation's approach to corporate governance issues, including developing a set of corporate governance principles and guidelines specifically applicable to the Corporation; (ii) identifying and recommending to the Board potential new nominees to the board; (iii) monitoring management's succession plan for the Chief Executive Officer and other senior management; and (iv) overseeing enforcement of and compliance with the Corporation's Code of Conduct Policy. During the Corporation's most recently completed financial year-end, the members of the Corporate Governance and Nominating Committee were Messrs. R. Cooper (Chairman), Wilkinson and Rukavina, Messrs. Cooper and Wilkinson being independent directors as defined in the Guidelines.

The Technical Committee has been established to assist the Board by (i) providing scientific and technical advice to the Board and management; (ii) evaluating, assessing and reviewing the Corporation's engineering and geological reports and data or any documentation pertaining to the acquisition, exploration, development or disposal of mineral properties; (iii) assist in developing, reviewing and planning the Corporation's technical strategy, related performance targets and its operational results and projects; (iv) keeping the Board informed of developments, progress and challenges facing the Corporation in terms of its technical operations; and (v) overseeing the Corporation's technical regulatory and compliance issues. The members of the Technical Committee are Peter Dimmell (Chairman) and Roger Payne, Executive Vice President of the Corporation, Mr. Dimmell being an independent director as defined in the Guidelines.

The Health, Safety and Environmental Compliance Committee has been established to assist the Board in overseeing the Corporation's health, safety and environmental regulatory and compliance issues. The members of the Health, Safety and Environmental Compliance Committee are Messrs. Dimmell (Chairman), M. Cooper and Roger Payne, Executive Vice President of the Corporation, Mr. Dimmell being an independent director as defined in the Guidelines.

#### **ITEM 8 - Assessments**

The Board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the Board and Committees.

**SCHEDULE "B"**  
**FORM 52-110F2**  
**AUDIT COMMITTEE DISCLOSURE**

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**1. The Audit Committee's Charter**

See Exhibit "1" attached hereto.

**2. Composition of the Audit Committee**

During the Corporation's most recently completed financial year-end, the members of the Audit Committee (the "**Committee**") were Peter Dimmell, Richard Cooper and John Wilkinson, all being independent members of the Committee and financially literate.

"**Independent**" and "**financially literate**" have the meaning used in *National Instrument 52-110* ("**NI 52-110**") of the Canadian Securities Administrators.

**3. Relevant Education and Experience**

Name	Independent of the Corporation	Financially Literate	Relevant Education and Experience
Peter Dimmell	Yes	Yes	B.Sc. degree and professional geologist (P.Geo.). Has practised his trade as an exploration geologist since 1969 with major mining companies, as well as acting as an independent consultant. Has acted as an officer, director, and audit committee-member of various TSX and TSX-V listed companies.
John Wilkinson	Yes	Yes	Mr. Wilkinson is the President and CEO of Wilkinson Insight Incorporated. He served as an MPP in the Ontario Legislature from 2003 to 2011. From 2007 to 2011, he served as an Ontario Cabinet Minister in various portfolios. Prior to entering politics, he founded Wilkinson & Keller Financial Planning Ltd. in Stratford, Ontario. In 2014, Mr. Wilkinson was named a Fellow of the Financial Planning Standards Council. Mr. Wilkinson serves on numerous corporate and charitable Boards including serving on the Audit Committee of GreenField Specialty Alcohols Inc.
Richard Cooper	Yes	Yes	Masters of Business Administration, a B.A.Sc. degree and professional engineer (P.Eng.). ICD.D designation from the Joseph L. Rotman School of Management. President of T.R.L. Investments Limited and Executive Vice President of Alterra Group of Companies. Acted as a director of various TSX and TSX-V listed companies.

#### 4. Audit Committee Oversight

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

#### 5. Reliance on Certain Exemptions

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

#### 6. Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.

#### 7. External Auditor Service Fees (By Category)

The aggregate fees charged to the Corporation by the external auditor (Collins Barrow LLP) for the years ended September 30, 2015 and September 30, 2016 are as follows:

	FYE 2015	FYE 2016
AUDIT FEES FOR THE YEAR ENDED	\$35,000	\$24,000
AUDIT RELATED FEES	\$0	\$1,900
TAX FEES	\$0	\$0
OTHER FEES	\$0	\$0
<b>TOTAL FEES</b>	<b>\$35,000</b>	<b>\$25,900</b>

The term "**Audit Fees**" means the aggregate fees billed by the Corporation's external auditor for services provided in auditing the Corporation's annual financial statements for the subject year.

The term "**Audit-Related Fees**" means the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements for the subject year and are not reported under "Audit Fees". Audit-related fees in 2016 included services rendered in connection with fiscal 2016 interim filings.

The term "**Tax Fees**" means the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning for the subject year.

The term "**All Other Fees**" means the aggregate fees billed for products and services provided by the Corporation's external auditor for the subject year, other than the services reported under the categories of "Audit-Related Fees", "Tax Fees" and "All Other Fees".

**8. Exemption**

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**EXHIBIT "1" – AUDIT COMMITTEE CHARTER**

**PELE MOUNTAIN RESOURCES INC.  
AUDIT COMMITTEE CHARTER**

*This Charter was approved by the Board of Pele Mountain Resources Inc. (the "Company") on March 6, 2006 and amended effective as of September 24, 2007 and replaces all previous audit committee charters, terms of reference or other similar documents prescribing the procedures, powers and duties of the Audit Committee. The footnotes are included for members' reference only and set out the source and authority for certain responsibilities and other matters addressed in this Charter.*

**A. Nature and Scope of the Audit Committee**

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board (the "**Board**"), and is established to fulfill applicable public company obligations respecting audit committees.<sup>1</sup> The Board has delegated to the Committee certain of its responsibilities for oversight of the financial reporting process to ensure that the audit function is conducted independently of the Corporation's management ("**Management**").

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members: (i) to plan or conduct audits; (ii) to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee and its Chair are members of the Board of the Corporation, appointed to the Committee by the Board to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management will monitor and report on the adequacy and effectiveness of the system of internal controls. The external auditors are responsible for planning and carrying out an audit of the Corporation's annual financial statements in accordance with generally accepted auditing standards in order to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

Except as set out below, the Committee does not have decision-making authority but rather conveys its findings and recommendations to the Board for consideration and decision by the Board.

**B. Procedures, Powers and Duties**

The Committee shall have the following procedures, powers and duties:

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<sup>1</sup> National Instrument 52-110 ("**NI 52-110**"), s. 1.1 "audit committee" and s. 2.1; *Business Corporations Act* (Ontario) (the "**OBCA**"), s. 158.

## 1. General

- (a) *Composition* - The Committee shall be composed of at least three (3) members.<sup>2</sup> The majority of the members of the Committee shall be "independent" directors (as that term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws).<sup>3</sup> Committee members shall serve for a term of one (1) year unless they resign, and may be re-appointed to serve consecutive terms. A member of the Committee shall be the secretary of the Committee and shall act as secretary at any meeting of the Committee, and if the secretary is absent, the Chair of the meeting shall appoint a person, who need not be a director, to act as secretary of the meeting.

All members of the Committee must be "financially literate"<sup>4</sup> (as that term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws), subject to an available exemption in applicable securities laws.<sup>5</sup>

- (b) *Appointment and Replacement of Committee Members* - Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by appointing another director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.
- (c) *Committee Chair* - Unless a Chair of the Committee is designated by the full Board, the members of the Committee may designate the Chair by majority vote of the full Committee. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board. If the Chair is absent, the Committee members shall choose one (1) of their number to be Chair.
- (d) *Conflicts of Interest* - If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.
- (e) *Compensation of Committee Members* - The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine. No member of the Committee shall receive from the Corporation or any of its affiliates any compensation for acting as member of the

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<sup>2</sup> NI 52-110, s. 3.1(1).

<sup>3</sup> NI 52-110, s. 1.4.

<sup>4</sup> NI 52-110, s. 1.5 and s. 3.1(4).

<sup>5</sup> NI 52-110, s. 3.1(4), s. 3.5 and s. 3.8.

Committee other than the fees to which he or she is entitled as a director or a member of a committee of the board of the Corporation or any of its affiliates.

- (f) *Quorum and Meetings* - A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The Committee shall meet at least four (4) times per year, and may meet more often if required.
- (g) *Separate Executive Meetings* - The Committee shall meet periodically with the Chief Financial Officer and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these individuals or groups believes should be discussed privately, and such persons shall have unrestricted access to the Committee to bring forward matters requiring the Committee's attention. However, the Committee may also meet periodically without management present.
- (h) *Process* - The Committee shall establish its own procedures, including the timing and place of meetings and such other procedures as it considers necessary or advisable. The Chair shall approve the agenda for the meetings and ensure that properly prepared agenda materials are circulated to members with sufficient time for study prior to a meeting.
- (i) *Professional Assistance* - The Committee may require the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain at the Corporation's expense such special legal, accounting, financial or other consultants (and determine their compensation) as the Committee may determine to be necessary to carry out its duties.<sup>6</sup>
- (j) *Reliance* - Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside the Corporation from whom it receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (iii) representations made by Management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.
- (k) *Reporting to the Board* - The minutes of Committee meetings shall accurately record the significant discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board, and shall be distributed to Committee members, with copies to the Chief Executive Officer of the Corporation and to the external auditors.
- (l) Powers of the Committee -
  - (i) *Access* - The Committee is entitled to full access to all books, records, facilities, and personnel of the Corporation and its subsidiaries. The Committee may require such officers, directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee;
  - (ii) *Delegation* - The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated; and

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<sup>6</sup> NI 52-110, s. 4.1(a) and (b).

- (iii) *Adoption of Policies and Procedures* - The Committee may adopt policies and procedures for carrying out its responsibilities.

2. Responsibilities of the Committee - External Auditors

(a) Selection and Oversight of the External Auditors

- (i) The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and the Committee shall so instruct the external auditors.<sup>7</sup> The external auditors must report directly to the Committee and the Committee shall have authority to communicate directly with the external auditors.<sup>8</sup> The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's management proxy circular for shareholder approval and shall have authority to make recommendations regarding the interim filling of vacancies arising due to auditor resignation.<sup>9</sup>
- (ii) The Committee shall recommend the terms of engagement and the compensation to be paid by the Corporation to the external auditors with respect to the conduct of the annual audit.<sup>10</sup> The Committee shall adopt policies and procedures for the pre-approval by a Committee member of non-audit services to be rendered by the external auditors, which policies and procedures shall: (i) include reasonable detail with respect to the services covered; (ii) require that the Committee be informed of each non-audit service; and (iii) not include delegation of the Committee's responsibilities to Management.<sup>11</sup> Any preapproval of non-audit services by a Committee member must be disclosed to the full Committee at its next scheduled meeting.<sup>12</sup> All non-audit services to be provided to the Corporation or any of its affiliates by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures adopted by the Committee shall be subject to pre-approval by the Committee, and such authority to pre-approve non-audit services may be delegated to one (1) or more Committee members.<sup>13</sup>
- (iii) The Committee shall review, as it deems necessary, the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:
- (A) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;<sup>14</sup>

<sup>7</sup> NI 52-110, s. 2.2.

<sup>8</sup> NI 52-110, s. 4.1(c).

<sup>9</sup> OBCA, s. 150; NI 52-110, s. 2.3(2)(a).

<sup>10</sup> NI 52-110, s. 2.3(2).

<sup>11</sup> NI 52-110, s. 2.6.

<sup>12</sup> NI 52-110, s. 2.5(2).

<sup>13</sup> NI 52-110, s. 2.3(4) and s. 2.5(1).

<sup>14</sup> Independence Standards Board Independence Standard No. 1.

- (B) require that the external auditors, as the Committee deems necessary, submit a formal written statement delineating all relationships between the Corporation and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand;<sup>15</sup>
  - (C) obtain from the external auditors confirmation of compliance with standards promulgated by applicable auditing regulatory and professional bodies standards, including compliance with prohibitions on the provision of certain non-audit services by external auditors to the Corporation and its affiliates;<sup>16</sup> and
  - (D) review and approve the disclosure in the management information circular of the fees paid in the financial year to the external auditors by category.<sup>17</sup>
- (iv) The Committee shall review and approve policies of the Corporation restricting the hiring by the Corporation of employees or former employees of current and former external auditors.<sup>18</sup>
  - (v) The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:
    - (A) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one (1) or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;<sup>19</sup> and
    - (B) a report describing: (i) all critical accounting policies and practices to be used in the annual audit; (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and (iii) other material written communication between the external auditors and Management, such as any management letter or schedule of unadjusted differences.

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<sup>15</sup> CPA Handbook, s. 5751.12, .25-.29 and .32.

<sup>16</sup> The following non-audit services are prohibited under CPA's Auditor Independence Standards: (a) bookkeeping services and other services related to accounting records or financial statements; (b) financial information systems design and implementation; (c) appraisal or evaluation services, fairness opinions or contribution-in-kind reports; (d) actuarial services; (e) internal audit outsourcing services; (f) management functions; (g) human resources; (h) broker-dealer, investment advisor or investment banking services; and (i) legal services and expert services unrelated to the audit.

<sup>17</sup> Form 52-110F2 requires fees paid to the external auditors for the two (2) previous years be disclosed under the categories (i) audit fees, (ii) audit related fees, (iii) tax fees and (iv) all other fees.

<sup>18</sup> NI 52-110, s. 2.3(8) and Independence Standards Board Independence Standard No. 3.

<sup>19</sup> CPA Handbook, s. 5751.31.

- (vi) The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing an audit report, or other audit, review or attest services for the Corporation. The Committee shall be responsible for resolving disagreements between Management and the external auditors regarding financial reporting.<sup>20</sup>

### 3. Oversight and Monitoring of Audits

- (a) The Committee shall discuss with the external auditors any difficulties or disputes that arose with Management during the course of the audit and the adequacy of Management's responses in correcting audit-related deficiencies.<sup>21</sup>
- (b) The Committee shall review with Management the results of external audits and any internal audits which may be completed.

### 4. Oversight and Review of Accounting Principles and Practices<sup>22</sup>

- (a) The Committee shall, as it deems necessary, oversee, review and discuss with Management and the external auditors:
  - (i) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;
  - (ii) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by Management from an independent auditor with respect to the accounting treatment of a particular item;
  - (iii) disagreements between Management and the external auditors regarding financial reporting or the application of any accounting principles or practices and resolve such disputes;<sup>23</sup>
  - (iv) any material change to the Corporation's auditing and accounting principles and practices as recommended by Management or the external auditors or which may result from proposed changes to applicable generally accepted accounting principles;
  - (v) the effect of regulatory and accounting initiatives on the Corporation's financial statements and other financial disclosures;
  - (vi) any legal matter, claim or contingency that could have a significant impact on the financial statements (including tax assessments), the Corporation's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Corporation's financial statements;
  - (vii) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations; and

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<sup>20</sup> NI 52-110, s. 2.3(3).

<sup>21</sup> NI 52-110, s. 2.3(3); CPA Handbook, s. 5751.23.

<sup>22</sup> NI 52-110, s. 2.3(6); CPA Handbook, s. 5751.177, .20, .21 and .22.

<sup>23</sup> NI 52-110, s. 2.3(3).

- (viii) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.<sup>24</sup>
5. Oversight and Monitoring of Internal Controls
- (a) The Committee shall, as it deems necessary, exercise oversight of, review and discuss with Management and the external auditors:
- (i) the adequacy and effectiveness of the Corporation's internal accounting and financial controls and the recommendations of Management and the external auditors for the improvement of accounting practices and internal controls;<sup>25</sup>
- (ii) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and
- (iii) Management's compliance with the Corporation's processes, procedures and internal controls.
6. Communications with Others
- (a) The Committee shall establish and monitor procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters, and for the anonymous submission by employees of concerns regarding questionable accounting or auditing matters,<sup>26</sup> including the Corporation's Whistleblower Policy. The Committee shall periodically review these procedures and any significant complaints received with Management, and the external auditors.
7. Oversight and Monitoring of the Corporation's Financial Disclosures
- (a) The Committee shall:
- (i) prior to the release of any summary of interim financial results, including any associated press release or the filing of such report with the applicable regulators, review with Management and the external auditors the Corporation's interim consolidated financial statements and related MD&A and associated press release;<sup>27</sup>
- (ii) review with Management and the external auditors the Corporation's annual audited consolidated financial statements and related MD&A and associated press release, and report on the results of such review to the full Board prior to the approval and release to shareholders of such results by the Board;<sup>28</sup>
- (iii) review with Management and the external auditors the Corporation's annual report and any financial information of the Corporation not previously reviewed by the Committee and approved and released by the Board contained or incorporated by reference in any prospectus, management proxy circular, offering memoranda or government or regulatory filing of the Corporation, and shall report on the results of such review to the full Board prior to the approval and release of such results by the Board; and

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<sup>24</sup> CSA Notice 52-306.

<sup>25</sup> CPA Handbook, s. 5751.16.

<sup>26</sup> NI 52-110, s. 2.3(7).

<sup>27</sup> NI 51-102, s. 4.5(2), (3) and s. 5.5(2) and (3); NI 52-110, s. 2.3(5); OSC Rule 52-501.

<sup>28</sup> NI 51-102, ss. 4.5(1) and 5.5(1); NI 52-110, ss. 2.3(5) and 5.1; OSC Rule 52-501.

- (iv) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure documents that contain information extracted or derived from the Corporation's audited and unaudited financial statements, (other than the documents referred to above), and periodically assess the adequacy of those procedures and systems.<sup>29</sup>
  - (b) As part of the process by which the Committee shall satisfy itself as to the reliability of the public disclosure documents that contain audited and unaudited financial information, the Committee shall require each of the Chief Executive Officer and the Chief Financial Officer to provide a certificate certifying in respect of each annual and quarterly report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws.<sup>30</sup>
8. Oversight of Finance Matters
- Appointments of the key financial executives involved in the financial reporting process of the Corporation, including the Chief Financial Officer, shall require the prior review of the Committee.
9. Additional Responsibilities
- The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

**C. Performance Evaluation**

The Committee shall review and reassess the adequacy of this Charter annually or otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be periodically evaluated with reference to this Charter and otherwise as required under applicable securities laws or stock exchange rules.

The Committee shall ensure that this Charter, as approved by the Committee, is disclosed in accordance with all applicable securities laws or regulatory requirements in the Corporation's annual management proxy circular and AIF.<sup>31</sup>

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<sup>29</sup> NI 52-110, s. 2.3(6).  
<sup>30</sup> NI 52-109, Parts 2 and 3.  
<sup>31</sup> NI 51-110, s. s. 6.2; Form 52-110F2.