

CHINA EDUCATION RESOURCES INC.



NOTICE OF MEETING AND INFORMATION CIRCULAR

FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

**To Be Held
at 2:00 p.m. (Vancouver time)
Friday, December 5, 2014**

**Suite 300, 515 West Pender Street
Vancouver, British Columbia**

CHINA EDUCATION RESOURCES INC.

Suite 300, 515 West Pender Street, Vancouver, British Columbia, V6B 6H5

**NOTICE OF ANNUAL GENERAL AND
SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares of **CHINA EDUCATION RESOURCES INC.** (the “**Company**”) will be held in Suite 300, 515 West Pender Street, Vancouver, British Columbia, at 2:00 p.m., Vancouver time, on Friday, December 5, 2014, for the following purposes:

1. To receive the report of the directors of the Company.
2. To receive and consider the consolidated financial statements of the Company for its financial year ended December 31, 2013, together with the auditors’ report thereon.
3. To elect directors of the Company for the ensuing year.
4. To appoint the auditors of the Company for the ensuing year.
5. To authorize the directors to fix the auditors’ remuneration for the ensuing year.
6. To consider and, if thought advisable, to pass an ordinary resolution of the Company to re-approve the stock option plan of the Company, as more particularly described in the accompanying Information Circular.
7. To act on such other matters, including amendments to any of the foregoing, as may properly come before the Meeting or any adjournment thereof.

An information circular and a form of proxy accompany this notice of meeting. The information circular contains details of matters to be considered at the Meeting. A copy of the Company’s audited financial statements for the year ended December 31, 2013 and the corresponding management discussion and analysis were mailed to those Shareholders who requested a copy.

The board of directors of the Company has fixed November 4, 2014 as the record date for determining the Shareholders who are entitled to vote at the Meeting. Only Shareholders at the close of business on November 4, 2014 will be entitled to receive notice of and to vote at the Meeting.

Shareholders are requested to date, sign and return the accompanying form of proxy for use at the Meeting if they are not able to attend the Meeting personally. To be effective, forms of proxy must be received by the Company’s registrar and transfer agent, Computershare Investor Services Inc., no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting (namely, by 2:00 p.m., Vancouver time, on Wednesday December 3, 2014) or any adjournment thereof at which the proxy is to be used. Proxies delivered by regular

mail should be addressed to Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Proxies delivered by facsimile must be sent to Computershare Investor Services Inc., Attention: Proxy Department, at 416-263-9524 or toll free 1-866-249-7775.

DATED at Vancouver, British Columbia this 7th day of November, 2014

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*Chengfeng Zhou*”

CHENGFENG ZHOU
Chairman of the Board,
Chief Executive Officer and Director

CHINA EDUCATION RESOURCES INC.

Suite 300, 515 West Pender Street, Vancouver, British Columbia V6B 6H5

INFORMATION CIRCULAR

as of November 7, 2014 (except where otherwise noted)

This information circular (the “**Information Circular**”) is being sent to the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of China Education Resources Inc. (the “**Company**”) in connection with the solicitation of proxies by management of the Company for use at the annual general and special meeting (the “**Meeting**”) of the Shareholders to be held on Friday, December 5, 2014 at the time and place and for the purposes set forth in the accompanying notice of meeting, and at any adjournment thereof.

SOLICITATION OF PROXIES

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by directors, officers, and regular employees of the Company. All costs of this solicitation will be borne by the Company. These officers and employees will receive no compensation other than their regular salaries but will be reimbursed for their reasonable expenses, which are not expected to exceed \$1,000 in the aggregate.

APPOINTMENT AND REVOCATION OF PROXIES

The individuals named in the accompanying form of proxy are Chengfeng Zhou (the Chairman of the Board, Chief Executive Officer (“**CEO**”) and a director of the Company) and Danny Hon (the Chief Financial Officer (“**CFO**”) of the Company). **A Shareholder eligible to vote at the Meeting has the right to appoint a person (other than either of the persons designated in the accompanying form of proxy) to attend the Meeting and vote on the Shareholder’s behalf at the Meeting. This may be done by either inserting the name of that other person (who need not be a Shareholder) in the blank space provided in the accompanying form of proxy or by completing another suitable form of proxy.**

Shareholders are requested to date, sign and return the accompanying form of proxy for use at the Meeting if they are not able to attend the Meeting personally. To be effective, forms of proxy must be received by the Company’s registrar and transfer agent, Computershare Investor Services Inc., no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting (namely, by 2:00 p.m., Vancouver time, on December 3, 2014) or any adjournment thereof at which the proxy is to be used. Proxies delivered by regular mail should be addressed to Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Proxies delivered by facsimile must be sent to Computershare Investor Services Inc., Attention: Proxy Department, at 416-263-9524 or toll free 1-866-249-7775.

All non-registered Shareholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided to them by their broker or other intermediary.

A Shareholder who has given a proxy may revoke it by an instrument in writing, duly executed and delivered either to Computershare Investor Services Inc. or to the registered office of the Company, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, that precedes any reconvening thereof, or to the chair of the Meeting on the day of the Meeting or of any reconvening thereof, or in any other manner provided by law. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

NON-REGISTERED HOLDERS

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Company are “non-registered” Shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. More particularly, a person is not a registered Shareholder in respect of Common Shares which are held on behalf of that person (the “**Non-Registered Holder**”) but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and directors or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“**CDS**”)) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 *Communication With Beneficial Owners of a Reporting Issuer* of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, Information Circular and form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Non-Registered Holders fall into two categories: (a) non-objecting beneficial owners (or “**NOBOs**”) who do not object to their name and address being given to the Company; and (b) objecting beneficial owners (or “**OBOs**”) who do object to their name and address being given to the Company. The Company does not have access to the names of OBOs.

The Meeting Materials are being sent to both registered holders of Common Shares and Non-Registered Holders. If you are a NOBO, Computershare Investor Services Inc. has sent the enclosed materials directly to you and has obtained your name, address and information about your holdings of Common Shares in accordance with applicable securities regulatory requirements from the Intermediary holding Common Shares on your behalf. By choosing to send these materials directly to you, the Company (and not the Intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the enclosed voting instruction form provided by Computershare Investor Services Inc.

If you are an OBO and receive these materials through your broker or through another Intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or other Intermediary.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies (such as Broadridge Financial Solutions, Inc.) to forward the Meeting Materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will receive either a voting instruction form or, less frequently, a form of proxy. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

- (a) **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. 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 Non-Registered Holder’s behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms in some cases permit the completion of the voting instruction form by telephone or through the Internet. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder’s behalf), the Non-Registered Holder must strike out the names of the persons named in the form and insert the Non-Registered Holder’s (or such other person’s) name in the blank space provided and complete, sign and return the voting instruction form in accordance with the directions provided. A form of proxy giving the right to attend and vote will then be forwarded to the Non-Registered Holder.
- (b) **Form of Proxy.** Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. 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 Non-Registered Holder’s behalf), the Non-Registered Holder must complete the form of proxy and deposit it with Computershare Investor Services Inc. as provided 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 Non-Registered 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. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares which they beneficially own. **Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instruction form or proxy is to be delivered.**

The Company is not sending proxy-related materials to registered holders or beneficial owners using notice-and-access, nor is the Company sending proxy-related materials directly to non-objecting beneficial holders under National Instrument 54-101 – *Communication With Beneficial Owners of a Reporting Issuer*. Management of the Company does not intend to pay for intermediaries to forward to OBOs under National Instrument 54-101 – *Communication With Beneficial Owners of a Reporting Issuer* the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*, and that in the case of an OBO, the OBO will not receive the materials unless the OBO’s intermediary assumes the cost of delivery.

EXERCISE OF DISCRETION

The nominees named in the accompanying form of proxy will vote or withhold from voting the Common Shares represented thereby in accordance with the instructions of the Shareholder on any ballot that may be called for. If a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **In respect of a matter for which a choice is not specified in the proxy, or unless otherwise provided for in the proxy, the nominees named in the accompanying form of proxy will vote the Common Shares represented by the proxy in favour of such matter.** The proxy will confer discretionary authority on the nominees named therein with respect to any other matter, including amendments to any of the foregoing, as may properly come before the Meeting or any adjournment thereof.

As of the date of this Information Circular, management of the Company knows of no amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee intends to vote thereon in accordance with the nominee's best judgment.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value and 20,000,000 preferred shares of the Company without par value. As of November 7, 2014, there were issued and outstanding a total of 47,364,983 Common Shares, each of which is entitled to one vote at the Meeting, and there were no preferred shares of the Company outstanding. Only Shareholders of record at the close of business on November 4, 2014, who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described herein, will be entitled to vote or to have their Common Shares voted at the Meeting.

The presence in person or by proxy of any two persons, each being a Shareholder or a duly appointed proxyholder, holding not less than 5% of the issued Common Shares entitled to be voted at the Meeting, is necessary to convene the Meeting. Pursuant to the *Business Corporations Act* (British Columbia), each of the resolutions that will be placed before the Meeting will be ordinary resolutions requiring for their approval a simple majority of the votes cast in respect of the resolution.

To the knowledge of the directors and executive officers of the Company, as of November 7, 2014, the only persons or entities who beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares, are as follows:

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Outstanding Common Shares</u>
Chengfeng Zhou	6,499,426	13.72%

ELECTION OF DIRECTORS

At the Meeting, Shareholders will be asked to elect four directors to succeed the present directors whose term of office will expire at the conclusion of the Meeting. The persons named below will be presented for election at the Meeting as management's nominees. Each director elected will hold office until the next annual general meeting of the Company or until their successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Company or with the provisions of the *Business Corporations Act* (British Columbia). The following information concerning the nominees, including the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, has been furnished by the individual nominees.

<u>Name, Province or State of Residence and Office Held</u>	<u>Principal Occupation or Employment</u>	<u>Date of Appointment as Director</u>	<u>Number of Common Shares</u>
Yan Tian ⁽¹⁾⁽²⁾ Nanjing, China Director	Managing Director of Alexion Bio-Technologies (Nanjing) LLC	May 28, 2014	Nil
Danny Hon British Columbia, Canada Chief Financial Officer and Director	Partner, Hon & Wong, Certified General Accountants	September 8, 2011	Nil
Wang Li ⁽¹⁾ China Director	Executive Director, Stock Exchange Executive Council (China) (investment banking firm)	March 11, 2002	Nil
Chengfeng Zhou ⁽¹⁾⁽²⁾ British Columbia, Canada Chairman of the Board, CEO and Director	Chairman of the Board and CEO	March 31, 2000	6,499,426

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation and Governance Committee.

Corporate Cease Trade Orders or Bankruptcies

No proposed director of the Company:

- (a) is, as of the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, CEO or CFO of any company (including the Company) that,
 - (i) was subject to an order that was issued while the proposed director was acting in the capacity of director, CEO or CFO; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO; or
- (b) is, at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or an executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or

compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (c) has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable securityholder in deciding to vote for a proposed director.

APPOINTMENT AND REMUNERATION OF AUDITORS

At the Meeting, MNP LLP, located at 2300, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1J1 will be recommended by management of the Company and the board of directors (the “**Board**”) for appointment as auditors of the Company at remuneration to be fixed by the directors. MNP LLP, was first appointed as auditors of the Company on January 28, 2009.

Management recommends that the Shareholders vote in favour of the appointment of MNP LLP, as the Company’s auditors for the ensuing year and grant the Board the authority to determine the remuneration to be paid to the auditor. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of MNP LLP, to act as the Company’s auditors until the close of its next annual meeting and also intend to vote FOR the proposed resolution to authorize the Board to fix the remuneration to be paid to the auditor.**

RE-APPROVAL OF 10% ROLLING STOCK OPTION PLAN

The Shareholders approved the February 21, 2003 incentive stock option plan of the Company (as amended) (the “**Amended 2003 Option Plan**”) at the annual general meeting held on June 24, 2004. Pursuant to the policies of the TSX Venture Exchange (the “**Exchange**”), Shareholders are required to approve, on a yearly basis, stock option plans which are considered to be “rolling” plans. At the Meeting, the Shareholders will be asked to re-adopt and re-approve the Amended 2003 Option Plan.

Under the terms of the Amended 2003 Option Plan, the maximum number of Common Shares reserved for issuance under stock options is 10% of the number of Common Shares issued and outstanding as of the date of grant (on a non-diluted basis). As of November 7, 2014, the Company had 1,924,000 stock options outstanding.

A copy of the Amended 2003 Option Plan may be obtained upon request from the Company at Suite 300, 515 West Georgia Street, Vancouver, British Columbia, V6B 6H5, Attention: Corporate Secretary.

The Amended 2003 Option Plan

The Amended 2003 Option Plan complies with the requirements of the Exchange's Policy 4.4 *Incentive Stock Options* as it relates to Tier 1 issuers. The following is a summary of the principal terms of the Amended 2003 Option Plan.

The Amended 2003 Option Plan provides that stock options may be granted to directors, officers, employees and consultants of the Company and its associated, affiliated, controlled and subsidiary companies, as such terms are defined in the *Securities Act* (British Columbia). The Amended 2003 Option Plan is administered by the Board.

The Amended 2003 Option Plan provides for the issuance of stock options to acquire up to that number of the Company's Common Shares (the "**Plan Ceiling**") which would equal 10% of the Company's issued and outstanding Common Shares as at the date of grant (on a non-diluted basis). This is a "rolling" Plan Ceiling as the number of Common Shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding Common Shares increases. If a stock option expires or otherwise terminates for any reason, the number of Common Shares in respect of that expired or terminated stock option shall again be available for the purposes of the Amended 2003 Option Plan.

The aggregate number of Common Shares reserved for issuance to any person under the Amended 2003 Option Plan may not exceed 5% of the number of outstanding Common Shares on a non-diluted basis.

The Amended 2003 Option Plan may be amended or terminated by the Board at any time. Any amendment of the Amended 2003 Option Plan which would materially increase the benefits under the Amended 2003 Option Plan, materially increased the number of Common Shares which may be issued under the Amended 2003 Option Plan or materially modify the requirements as to the eligibility for participation in the Amended 2003 Option Plan, will be effective only upon approval of the Shareholders.

The Amended 2003 Option Plan provides that other terms and conditions, including vesting provisions, may be attached to a particular stock option, at the discretion of the Board. All stock option grants are to be evidenced by the execution of an option agreement.

The Amended 2003 Option Plan provides that the directors of the Company may from time to time grant options subject to such terms, conditions, limitations, prohibitions and restrictions as: (i) are contained in the Amended 2003 Option Plan, (ii) the Board stipulates at the time of grant, and (iii) may be imposed by regulatory authorities. The number of stock options granted under the Amended 2003 Option Plan within a one-year period:

- (a) to any one optionee, may not exceed 5% of the outstanding Common Shares;
- (b) to any one consultant to the Company, may not exceed 2% of the outstanding Common Shares; and
- (c) to any one employee of the Company providing investor relations activities (as defined by the policies of the Exchange) may not exceed 2% of the outstanding Common Shares.

Stock options granted under the Amended 2003 Option Plan will be for a term not to exceed five years from the date of their grant. Notwithstanding the term of any stock option, the stock

option granted will terminate 30 days, or such longer period up to 90 days, as determined by the Board, after the optionee ceased to be a director, employee or consultant of the Company. If a stock option was issued to any corporation controlled by any employee, director or consultant of the Company (the “**Controlling Person**”), such stock option will terminate upon the earlier of (i) 30 days, or such longer period up to 90 days, as determined by the Board, after the Controlling Person ceased to be an employee, director or consultant of the Company; (ii) the day the Controlling Person ceased to control the corporation (except in the event of death in which case the date will be 90 days after the death of the Controlling Person); and (iii) the date of termination of the stock option.

The price at which an option holder may purchase a Common Share upon the exercise of a stock option will be as set forth in the option agreement executed in respect of such stock option and in any event will not be less than the market price of the Company’s Common Shares as of the date of the grant of the stock option (the “**Grant Date**”). The market price of the Company’s Common Shares for a particular Grant Date is the closing trading price of the Company’s Common Shares on the last trading day immediately preceding the Grant Date, or otherwise in accordance with the terms of the Amended 2003 Option Plan.

A stock option will be non-assignable except that it will be exercisable by the personal representatives of the option holder in the event of the option holder’s death or incapacity.

Management of the Company will ask the Shareholders to approve the following resolution at the Meeting:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION that subject to regulatory approval:

(a) the Company’s February 21, 2003 incentive stock option plan (as amended) (the “Amended 2003 Option Plan”) be and is hereby re-adopted and re-approved;

(b) the Company be authorized to grant stock options pursuant and subject to the terms and conditions of the Amended 2003 Option Plan, entitling the option holders to purchase up to that number of Common Shares in the capital of the Company that would equal 10% of the issued and outstanding Common Shares in the capital of the Company as at the time of the grant; and

(c) the directors and officers of the Company be authorized and directed to perform all such acts and deeds and things and execute, under the seal of the Company or otherwise, all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions.”

STATEMENT OF EXECUTIVE COMPENSATION

Executive Officers of the Company

For purposes of this Information Circular, “**Named Executive Officer**” or “**NEO**” of the Company means an individual who, at any time during the year, was:

- (a) the Company’s CEO;
- (b) the Company’s CFO;

- (c) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000, as determined in accordance with Form 51-102 F6 – *Statement of Executive Compensation* for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, during the last completed financial year of the Company, there were two NEOs, namely, Chengfeng Zhou, CEO and Danny Hon, CFO.

Summary Compensation Table

Name and principal position (a)	Year (b)	Salary (\$) (c)	Share-based awards ⁽³⁾ (\$) (d)	Option-based awards ⁽³⁾ (\$) (e)	Non-equity incentive plan compensation (\$) (f)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
Chengfeng Zhou, CEO	2013	1,942	Nil	Nil	Nil	Nil	Nil	205,781 ⁽¹⁾	207,723
	2012	13,277	Nil	Nil	Nil	Nil	Nil	169,200 ⁽¹⁾	182,477
	2011	174,913	Nil	Nil	Nil	Nil	Nil	Nil	174,913
Danny Hon, CFO	2013	Nil	7,559	Nil	Nil	Nil	Nil	57,222 ⁽²⁾	64,781
	2012	Nil	38,661	Nil	Nil	Nil	Nil	102,395 ⁽²⁾	141,056
	2011	Nil	Nil	Nil	Nil	Nil	Nil	96,050 ⁽²⁾	96,050

Notes:

- (1) All other compensation consisted of consulting fee to Chengfeng Zhou for his services in China.
- (2) Accounting fees paid to an accounting firm of which Danny Hon is a partner.
- (3) This is the grant date fair value of options to purchase Common Shares granted estimated with the *Black-Scholes* option pricing model.

Compensation Discussion and Analysis

This compensation discussion and analysis describes and explains the Company's policies and practices with respect to the 2011 compensation of its NEOs, being its CEO, Chengfeng Zhou and CFO, Danny Hon. No other individuals are considered "Named Executive Officers" as such term is defined in Form 51-102F6 - *Statement of Executive Compensation*.

Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. Compensation for this fiscal year and prior fiscal years have historically been based upon a negotiated salary, with stock options and bonuses potentially being issued and paid as

an incentive for performance. The Company's compensation program is administered by the Compensation and Governance Committee.

Compensation Committee

The Compensation and Governance Committee recognizes that the Company operates in a competitive environment and that its performance depends on the quality of its employees. The Compensation and Governance Committee regularly evaluates the compensation program of the Company to assess whether it continues to meet the needs of both the Company and its Shareholders. Its key priorities remain to attract, inspire and retain highly qualified executives.

The compensation program applies to NEOs, as well as the directors and other key employees of the Company. The purpose of the Compensation and Governance Committee is to:

- review the remuneration and benefits of directors;
- review the remuneration, benefits and performance of executive management;
- establish a plan of continuity for executives and other key employees; and
- ensure that the executive compensation plan of the Company remains broad and competitive.

The current members of the Compensation and Governance Committee are Yan Tian and Chengfeng Zhou. Mr. Tian is considered an independent member, and Mr. Zhou is not considered an independent member. See page 17 of this Information Circular for the biographies of the members of the Compensation and Governance Committee and their relevant experience with respect to compensation matters. The Compensation and Governance Committee meets at least once per year and at its meetings, considers the perspectives and advice of its members. A range of others are invited to attend the meetings, including the CFO and independent compensation consultants. The Compensation and Governance Committee met one time during the fiscal year ended December 31, 2013.

Compensation Program

As discussed in further detail below, the Company's compensation program is comprised of three main elements (1) salaries; (2) bonuses and (3) option based awards granted pursuant to the Company's stock option plan.

Salary

The Company's view is that a competitive salary is a necessary element for attracting and retaining qualified executive officers. The Company also believes that attractive salaries can motivate and reward executives for their overall performance. The amount payable to a NEO may be based on several factors, including experience, past performance, anticipated future contributions, comparison to salaries offered by other comparable companies. The Compensation and Governance Committee reviews salaries at least once per year to ensure they remain at appropriate levels.

Bonuses

Non-equity bonuses are intended to promote strong corporate management by providing annual financial incentives to meet or exceed short-term corporate target and goals. Bonuses are generally comprised of an annual cash bonus paid to a NEO and such bonus is a variable component of executive compensation based both on individual performance as well as corporate performance. Bonuses may be paid annually, but are not guaranteed.

Stock Options

The Company provides its executives with strong incentives for long-term performance in the form of stock options through its stock option plan, as further described elsewhere in this Circular. The Compensation and Governance Committee believes that options help the Company attract, motivate and retain key individuals. Initial grants of stock options to new executives facilitate the recruitment of new employees while ensuring the long-term interest of such executives.

Other Benefits

NEOs are eligible to participate in employee benefit programs and plans that are generally available to all full-time employees (subject to fulfilling certain eligibility requirements). These include extended health and dental plans. In designing these benefits, the Company seeks to provide an overall level and mix of benefits that is competitive to those offered by other comparable companies.

Option-based Awards

The Compensation and Governance Committee recognizes that the Company operates in a competitive environment and that its performance depends on the quality of its employees. The compensation committee has the responsibility to administer compensation policies related to executive management of the Company, including option-based awards.

Shareholders have approved a stock option plan pursuant to which the Board has granted stock options to executive officers. The stock option plan provides compensation to participants and an additional incentive to work toward long-term Company performance.

Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. The stock option plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the Exchange, and closely align the interests of the executive officers with the interests of the Shareholders.

Outstanding Share-based Awards and Option-based Awards

Name	Option-based Awards				Share-based Awards		Market or payout value of vested share-based awards not paid out or distributed (\$)
	Number of securities underlying unexercised options (#)	Option exercise price (CND\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Chengfeng Zhou, CEO	624,000 100,000	1.05 1.00	2/3/2015 2/3/2015	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Danny Hon, CFO	200,000	0.40	3/15/2017	Nil	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽¹⁾ (\$)
Chengfeng Zhou, CEO	Nil	Nil	Nil
Danny Hon, CFO	7,559	Nil	Nil

Notes:

(1) This is the grant date fair value of options to purchase Common Shares granted during the financial year ended December 31, 2012 estimated with the *Black-Scholes* option pricing model.

Pension Plan Benefits

The Company does not provide retirement benefits for directors or executive officers.

Termination and Change of Control Benefits

The Company and its subsidiaries are not parties to any contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities.

Director Compensation

During the financial year ended December 31, 2013, the directors (other than directors who are also NEOs) received the following compensation:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Wang Li	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Scott ⁽¹⁾	Nil	Nil	7,559	Nil	Nil	Nil	7,559
Yan Tian ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Mark Scott resigned as a director and has changed to serve as a consultant from March 28, 2014

(2) Yan Tian was appointed as a director from March 28, 2014

The Company has option-based awards to the directors. The stock options are granted to the directors on a similar basis as those for the NEOs. Please refer to the section “Option-based Awards” on page 13 of this Information Circular.

Share-based Awards, Option-based Awards and Non-equity Incentive Plan Compensation for Directors

Name	Option-based Awards				Share-based Awards		Market or payout value of vested share-based awards not paid out or distributed (\$)
	Number of securities underlying unexercised options (#)	Option exercise price (CND\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	
Wang Li	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Scott ⁽¹⁾	200,000	0.40	3/15/2017	Nil	Nil	Nil	Nil
Yan Tian ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Mark Scott resigned as a director and has changed to serve as a consultant from March 28, 2014

(2) Yan Tian was appointed as a director from March 28, 2014

CORPORATE GOVERNANCE

Effective June 20, 2005, the Canadian Securities Administrators adopted National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”) and National Policy 58-201 *Corporate Governance Guidelines* (“NI 58-201”). NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NI 58-201 provides guidance on corporate governance practices. A full description of each of the corporate governance practices of the Company with respect to NI 58-101 is set out in Schedule A of this Information Circular.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS

The Company is subject to National Instrument 52-110 *Audit Committees* (“**NI 52-110**”), which has been adopted in various Canadian provinces and territories and which prescribes certain requirements in relation to audit committees. NI 52-110 requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee (the “**Audit Committee**”) and its relationship with its independent auditors, which is set forth below.

The Audit Committee’s Charter

The Audit Committee is governed by an audit committee charter, the text of which is set out in Schedule B of this Information Circular.

Composition of the Audit Committee

The Audit Committee is comprised of three directors, Wang Li, Mark Scott and Chengfeng Zhou. All of the members of the Audit Committee, other than Mr. Zhou, are considered to be independent pursuant to the meaning of “independent” provided in NI 52-110. Mr. Zhou is not considered independent as a result of his position as CEO of the Company. All three members are considered financially literate as provided for in NI 52-110.

Relevant Education and Experience

This section describes the education and experience of the Company’s Audit Committee members that is relevant to the performance of their responsibilities in that role, which includes:

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

Wang Li

Ms. Wang is the executive director of China’s Stock Exchange Executive Council (SEEC) and is the managing director of SEEC Holdings Limited (SEEC Holdings). SEEC is a Beijing-based investment banking firm, which provides a full range of investment banking services typically offered by similar North American firms. The SEEC also publishes a biweekly financial magazine in China. Ms. Wang has held her positions with SEEC for more than ten years. Prior to joining SEEC, Ms. Wang was the Executive Vice President of CITIC Bank (the sixth largest bank in China).

Yan Tian

Mr. Tian has more than 30 years experience in banking and investment area. Mr. Tian is currently the Managing Director of Alexion Bio-Technologies (Nanjing) LLC. Mr. Tian held Economist title at Bank of China and worked 13 years for Bank of China. Mr. Tian was the Chief Representative of Beijing for Hong Leong Investment Ltd., a Singapore investment firm. He was also the senior investment manager of China Dynamic Investment Management (HK) Ltd. (a joint venture investment fund by Bank of China and H&Q Asia Pacific, a Silicon Valley private equity firm). Mr. Tian earned his Master of Business Administration from The State University of New York at Buffalo in 1988.

Chengfeng Zhou

Since 1997, Mr. Chengfeng Zhou has served as Chairman and CEO of China Education Resources Inc. In addition, he served as president and director for the private investment holding company, Double Ocean Investments Inc. in Vancouver, British Columbia from 1994 through 2004. Mr. Zhou was also a director for Allied Pacific Properties and Hotels Ltd. Prior to joining China Education Resources Inc., he acted as an advisor to a number of companies in Ontario, British Columbia and China. Committed to the fields of financial, technology and global education, Mr. Zhou was a lecturer at Beijing United University for seven years. In 1983 he obtained his Bachelor of Philosophy degree from the People's University of China in Beijing, and from 1990 to 1991 he studied business in the Faculty of Business Administration of Memorial University of Newfoundland.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year ended December 31, 2013, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year ended December 31, 2013, the Company has not relied on the exemptions contained in Section 2.4 "*De Minimis Non-Audit Services*" or Section 8 "*Exemptions*" of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable the Audit Committee, on a case-by-case basis.

External Auditor Service Fees

The following table sets forth the fees billed by the Company's auditors MNP LLP for services rendered for the 2013 and 2012 financial years respectively.

	<u>2013</u>	<u>2012</u>
Audit Fees⁽¹⁾	CND\$127,900	CND\$115,260
Audit-Related Fees⁽²⁾	\$Nil	\$Nil
Tax Fees⁽³⁾	\$Nil	\$Nil
All Other Fees⁽⁴⁾	\$Nil	\$Nil

Notes:

- (1) "Audit Fees" comprise the aggregate audit fees billed.
- (2) "Audit Related Fees" comprise the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not reported under the heading "Audit Fees".
- (3) "Tax Fees" comprise the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" comprise the aggregate fees billed for products and services other than as set out under the heading "Audit Fees", "Audit Related Fees" and "Tax Fees".

Exemptions

The Company is relying on the exemption provided by Section 6.1 of NI 52-110 which provides that the Company, 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.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details of all equity compensation plans of the Company as of December 31, 2013. The equity compensation plans of the Company include the Amended 2003 Stock Option Plan. For more information, see "Re-Approval of 10% Rolling Stock Option Plan."

Table of Equity Compensation Plan Information as of December 31, 2013

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under the Equity Compensation Plans
Equity Compensation Plans Approved by Securityholders	1,924,000 Common Shares	CND\$0.65	2,812,498 Common Shares
Equity Compensation Plans Not Approved By Securityholders	N/A	N/A	N/A
Total	1,924,000 Common Shares	CND\$0.65	2,812,498 Common Shares

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers and employees and former directors, executive officers, and employees is indebted to either the Company or any of its subsidiaries nor are any of these individuals indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

None of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, nor any associate or affiliate of any of the foregoing, has at any

time since the beginning of the Company's last completed financial year has been indebted to the Company or any of its subsidiaries nor have any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, except as described herein, no director or executive officer of the Company, no person who beneficially owns, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Company (each of the foregoing being an "**Informed Person**"), no director or executive officer of an entity that is itself an Informed Person or a subsidiary of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction since the beginning of the Company's last completed financial year or in any proposed transaction which, in either case, has materially affected or would materially affect the Company or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

To the knowledge of management of the Company, other than as described herein, no director or executive officer of the Company at any time since the beginning of the last completed financial year of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

MANAGEMENT CONTRACTS

The business of the Company and its subsidiary is managed by their directors and officers and the Company and its subsidiary have no management agreements with persons who are not officers or directors of the Company or its subsidiary.

OTHER BUSINESS

Management of the Company knows of no other matter to come before the Meeting other than as set forth above and in the accompanying Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the person voting by proxy.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com. Financial information regarding the Company is provided in the Company's comparative consolidated financial statements for the financial year ended December 31, 2013 and the auditors' report thereon together with the corresponding management discussion and analysis. Copies of

the comparative consolidated financial statements and the corresponding management discussion and analysis, as well as additional copies of this Information Circular, may be obtained upon request from the Company at Suite 300, 515 West Pender Street, Vancouver, British Columbia, V6B 6H5, Attention: Corporate Secretary.

APPROVAL OF DIRECTORS

The contents and the sending of the accompanying Notice of Meeting and this Information Circular have been approved by the Board.

DATED at Vancouver, British Columbia, this 7th day of November, 2014.

BY ORDER OF THE BOARD

(Signed) “*Chengfeng Zhou*”

CHENGFENG ZHOU
Chairman of the Board,
CEO and Director

SCHEDULE A

CHINA EDUCATION RESOURCES INC. (the “Company”)

CORPORATE GOVERNANCE COMPLIANCE TABLE

The following table sets out the corporate governance practices of the Company with respect to NI 58-101. The Company constantly monitors evolving best practices for corporate governance.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
1.	Board of Directors (a) Disclose the identity of the directors who are independent.	The Board is currently comprised of four directors, two of whom are independent and two are not independent. The Board considers that Wang Li and Mark Scott are independent directors.
	(b) Disclose the identity of the directors who are not independent, and describe the basis for that determination.	The Board considers that Chengfeng Zhou and Danny Hon are not independent director because of their positions as Chief Executive Officer and Chief Financial Officer of the Company. The Board is responsible for determining whether or not each director is an independent director. To do this, the Board analyzes all the relationships of the directors with the Company and its subsidiaries. Those directors who do not meet the meaning of independence as provided in NI 58-101 were deemed to not be independent directors.
2.	Directorship If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	None of the directors currently serve on the Board of any other reporting issuer (or equivalent).
3.	Orientation and Continuing Education Describe what steps, if any, the Board takes to orient new board members and describe what measures, if any, the Board takes to provide continuing education for directors.	The Board has delegated responsibility for providing orientation for new directors and continuing education for directors to the Compensation and Governance Committee. New directors are briefed on the policies of the Board and other relevant corporate and business information.
4.	Ethical Business Conduct Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.	The Board has not yet adopted guidelines or attempted to quantify or stipulate steps to encourage and promote a culture of ethical business and conduct, but does promote ethical business and conduct through nomination of Board members it considers ethical and through avoiding and minimizing conflicts of interest.

	GOVERNANCE DISCLOSURE GUIDELINE UNDER NI 58-101	COMMENTS
5.	<p>Nomination of Directors</p> <p>Describe what steps, if any, are taken to identify new candidates for Board nomination, including:</p> <p>(a) who identifies new candidates, and</p> <p>(b) the process of identifying new candidates.</p>	<p>The Board has delegated responsibility for nominating new directors to the Board and for assessing directors on an ongoing basis to the Compensation and Governance Committee. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, show support for the Company's mission and strategic objectives, and a willingness to serve.</p>
6.	<p>Compensation</p> <p>Describe what steps, if any are taken to determine compensation for the directors and CEO, including:</p> <p>(a) who determines compensation; and</p> <p>(b) the process of determining compensation.</p>	<p>The Board has delegated responsibility for the review of compensation of directors and the CEO to the Compensation and Governance Committee. The Board has determined that the directors and officers should be compensated in a form and amount which is appropriate for comparative organizations, having regard for such matters as time commitment, responsibility and trends in director and executive compensation.</p> <p>For more information regarding compensation paid to directors and executives, see "Statement of Executive Compensation" of this Information Circular.</p>
7.	<p>Other Board Committees</p> <p>If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>In addition to the audit committee, the Board has a Compensation and Governance Committee. The members of the Compensation and Governance Committee are Mark Scott and Chengfeng Zhou. One of the members of this committee is an independent directors and one of the members of this committee is not independent director. The Compensation and Governance Committee is responsible for reviewing and making recommendations to the Board concerning compensation of the directors and officers of the Company; assessing the effectiveness of the Board; nominating new directors to the Board and providing orientation and education to directors of the Company.</p>
8.	<p>Assessments</p> <p>Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Board has delegated responsibility for monitoring and assessing the effectiveness of the Board and the performance of individual directors and its committees to the Compensation and Governance Committee, including reviewing the Board's decision-making processes and quality and adequacy of information provided by management.</p>

SCHEDULE B

CHINA EDUCATION RESOURCES INC. (the “Company”)

AUDIT COMMITTEE CHARTER

The audit committee is a committee of the board of directors to which the board delegates its responsibilities for the oversight of the accounting and financial reporting process and financial statement audits.

The audit committee will:

- (a) review and report to the board of directors of the Company on the following before they are published:
 - (i) the financial statements and MD&A (management discussion and analysis) (as defined in National Instrument 51-102) of the Company;
 - (ii) the auditor’s report, if any, prepared in relation to those financial statements,
- (b) review the Company’s annual and interim earnings press releases before the Company publicly discloses this information,
- (c) satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures,
- (d) recommend to the board of directors:
 - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company; and
 - (ii) the compensation of the external auditor,
- (e) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting,
- (f) monitor, evaluate and report to the board of directors on the integrity of the financial reporting process and the system of internal controls that management and the board of directors have established,
- (g) monitor the management of the principal risks that could impact the financial reporting of the Company,
- (h) establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

- (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters,
- (i) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor,
- (j) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company, and
- (k) with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with Multilateral Instrument 52-109.

Composition of the Committee

The committee will be composed of 3 directors from the Company's board of directors, a majority of whom will be independent. Independence of the board members will be as defined by applicable legislation and as a minimum each committee member will have no direct or indirect relationship with the company which, in the view of the board of directors, could reasonably interfere with the exercise of a member's independent judgment. All members of the committee will be financially literate as defined by applicable legislation. If, upon appointment, a member of the committee is not financially literate as required, the person will be provided a three month period in which to achieve the required level of literacy.

Authority

The committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the committee will set the compensation for such advisors. The committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the committee.

Reporting

The reporting obligations of the committee will include:

1. reporting to the board of directors on the proceedings of each committee meeting and on the committee's recommendations at the next regularly scheduled directors meeting; and
2. reviewing, and reporting to the board of directors on its concurrence with, the disclosure required by Form 52-110F1 in any annual information form prepared by the Company.