

## **CRITICAL ELEMENTS CORPORATION**

(the “Corporation”)

### **INFORMATION CIRCULAR**

(Containing information as at March 16, 2017, unless indicated otherwise)

#### **SOLICITATION OF PROXIES**

**The management of the Corporation solicits proxies to be used at the annual meeting of shareholders (the “Meeting”) to be held at the time and place and for the purposes set forth in the attached Notice of Meeting and at any adjournment thereof. The cost of this solicitation will be borne by the Corporation. Accordingly, the management of the Corporation has drafted this information circular (the “Circular”) that it is sending to all the security holders entitled to receive a Notice of Meeting.**

Proxies will primarily be solicited by mail, but may also be solicited by e-mail, by telephone or in person. Proxies may be solicited by employees, officers, directors or agents of the Company. The Company does not intend to remunerate anyone for soliciting proxies, and will assume all related expenses. The Company has not retained the services of a third party for proxy solicitation. However, should it decide to do so, the fees paid to the person doing the solicitation are expected to be reasonable.

If you cannot attend the Meeting in person, complete and return the enclosed form of proxy following the instructions therein.

#### **QUORUM FOR THE TRANSACTION OF BUSINESS**

The Corporation’s By-Laws provide that the quorum at a meeting of the shareholders of the Corporation shall be constituted by the attendance of shareholders, present in person or represented by proxy, holding at least 10% of the votes attached to the outstanding voting shares.

#### **APPOINTMENT OF PROXYHOLDER AND RIGHT OF REVOCATION OF PROXIES**

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

A shareholder may revoke a proxy at any time by sending an instrument in writing executed by him or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized in writing, at the same address where the form of proxy was sent and within the delays mentioned therein, or two business days preceding the date the Meeting resumes if it is adjourned, or remit to the chairman of such Meeting on the day of the Meeting or any adjournment thereof if applicable.

#### **EXERCISE OF DISCRETION BY PROXIES**

The management undertakes to respect the holder’s instructions.

**In the absence of any indication by the mandator, the agent will exercise the right to vote IN FAVOUR of each question defined on the form of proxy, in the Notice of Meeting or in the Circular.**

**Unless otherwise specified herein, all resolutions will be adopted by a simple majority of the votes represented at the Meeting.**

Management does not know and cannot foresee at the present time any amendments or new points to be

brought before the Meeting. If such amendments or new points were to be brought before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in the way they consider advisable.

## **AUTHORIZED CAPITAL STOCK, VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital stock of the Corporation consists of an unlimited number of common shares without par value. Each common share entitles its holder to one vote. On the date hereof, there were 146,999,136 common shares of the Corporation issued and outstanding.

The board of directors of the Corporation (the “**Board**”) fixed the close of business on March 16, 2017, as the record date (the “**Record Date**”) for determining which shareholders shall be entitled to receive notice of the Meeting and to vote in person or by proxy at the Meeting or any adjournment thereof. Pursuant to the *Canada Business Corporations Act*, the Corporation is required to prepare, no later than ten (10) days after the Record Date, an alphabetical list of the shareholders entitled to vote as of the record date that shows the number of shares held by each shareholder. A shareholder whose name appears on the list referred to above is entitled to vote the shares shown opposite his or her name at the meeting. The list of shareholders is available for inspection during usual business hours at the head office of the Corporation and at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no person beneficially owned, directly or indirectly, or exercised control or direction over, common shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Corporation as at the date hereof.

## **ADVICE TO NON REGISTERED SHAREHOLDERS**

The information set forth in this section should be reviewed carefully by the non-registered shareholders. Shareholders who do not hold their shares in their own name (“**Beneficial Shareholders**”) should note that only proxies deposited by shareholders whose names appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of shares will be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, those shares will, in all likelihood, not be registered in the shareholder's name. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Regulation 54-101 *respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**Regulation 54-101**”) of the Canadian Securities Administrators requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder.

The vast majority of brokers now delegate responsibility of obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**BFSI**”) in Canada. BFSI typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to BFSI, or otherwise communicate voting instructions to BFSI (by way of the Internet or

telephone, for example). BFSI then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a BFSI voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction forms must be returned to BFSI (or instructions respecting the voting of shares must otherwise be communicated to BFSI) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact your broker or other intermediary for assistance.

This Circular and accompanying materials are being sent to both registered shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“**Objecting Beneficial Owners**”, or “**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**Non-Objecting Beneficial Owners**”, or “**NOBOs**”). Subject to the provision of Regulation 54-101 issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for delivering these materials to you and executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Corporation’s OBOs can expect to be contacted by BFSI or their brokers or broker’s agents, as set out above. The Corporation has agreed to pay the intermediaries for delivering the proxy-related materials and related voting instruction form to the OBOs.

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

**All references to shareholders in this Circular, the enclosed form of proxy and the notice of meeting are to the registered shareholders unless specifically stated otherwise.**

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

The Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any of the following persons in any matter to be acted upon at the Meeting, other than the election of directors:

- (a) each person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation’s last financial year;
- (b) each proposed nominee for election as a director of the Corporation; and
- (c) each associate or affiliate of any of the foregoing.

#### **MATTERS FOR CONSIDERATION AT THE MEETING**

##### **PRESENTATION OF FINANCIAL STATEMENTS**

The Corporation’s annual financial statements for the financial year ended August 31, 2016 and the auditors’ report thereon will be presented at the Meeting but will not be subject to a vote.

## ELECTION OF DIRECTORS

The By-laws of the Corporation provide that the members of the Board are elected annually. Each director holds office until the next annual meeting of shareholders or until his successor is elected or appointed.

The mandates of Messrs. Jean-Sébastien Lavallée, Jean-François Meilleur, Richard Saint-Jean, Marc Simpson, Jean-Raymond Lavallée and Matthew Lauriston Starnes expire at the Meeting of April 20, 2017.

Management does not contemplate that any of the nominees will be unable to serve on the Board but, if this should occur for any reason prior to the Meeting, the person named in the enclosed form of proxy reserves the right to vote for another nominee at his discretion unless the shareholder has indicated in the form of proxy his wish to abstain from exercising the voting rights attached to his shares at the time of the election of the directors.

Set out below in tabular form, are the names of all individuals proposed to be nominated by the management of the Corporation as directors together with related information:

Name	Director since	Office held	Number of shares controlled	Present occupation
Jean-Sébastien Lavallée Quebec, Canada	October 29, 2009	Chief Executive Officer and Director	6,370,000	Chief Executive Officer of the Corporation, Vice-president of Consul-Teck Exploration Inc. and Chief Executive Officer of Canada Strategic Metals
Jean-François Meilleur <sup>(1)</sup> Quebec, Canada	March 9, 2012	Director	2,447,000	President of Paradox Public Relations
Richard Saint-Jean <sup>(1)(2)</sup> Quebec, Canada	March 21, 2013	Director	-	General Manager for BlackRock Metals Inc.
Marc Simpson <sup>(1)(2)</sup> British Columbia, Canada	March 21, 2013	Director	20,000	President and Chief Executive Officer of Urcan Resources
Jean-Raymond Lavallée Quebec, Canada	March 21, 2013	Director	5,615,000 <sup>(3)</sup>	President of Consul-Teck Exploration Inc.
Matthew Lauriston Starnes <sup>(2)</sup> Japon	August 7, 2015	Director	-	Peerpoint lawyer, Allen & Overy

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Of the 5,615,000 common shares held by Jean-Raymond Lavallée, 310,000 are held by a private company controlled by him.

Each nominee has supplied the information concerning the number of common shares over which he exercises control or direction.

All of the nominees whose names are hereinabove mentioned were elected directors of the Corporation at a shareholders' meeting for which a circular was issued.

### Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

- (a) is, as at the date of this Information Circular, or has been within ten (10) years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that:

- (i) was the subject of a cease trade, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which, in all cases, was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer of such company; or
- (ii) was subject to an Order 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 of such company; or
- (b) is, as at the date of this Information Circular, or has been within the ten (10) years preceding the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten (10) years preceding 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 his assets.

To the knowledge of the Corporation, none of the nominees for election as director of the Corporation has been subject to:

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

**You can vote for the election of all the candidates described above, vote for the election of some of them and withhold from voting for others, or withhold from voting for all of them. Unless otherwise instructed, the persons named in the accompanying form of proxy will vote IN FAVOUR of the election of each of the candidates described above as director of the Corporation.**

## **COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS**

### **A - COMPENSATION OF EXECUTIVE OFFICERS**

#### **Compensation Discussion and Analysis**

##### ***Interpretation***

**“Named executive officer” (“NEO”) means:**

- (a) a Chief Executive Officer (“**CEO**”);
- (b) a Chief Financial Officer (“**CFO**”);
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and

- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

The NEOs who are the subject of this Compensation Discussion and Analysis are Jean-Sébastien Lavallée, President and Chief Executive Officer<sup>1</sup>, and Nathalie Laurin, Chief Financial Officer.

### **Overview and Compensation Committee**

At present, the Compensation Committee is composed of Marc Simpson, Richard Saint Jean and Matthew Lauriston Starnes. All members of the Compensation Committee are independent directors of the Corporation. Mr. Simpson is the Chairman of the Compensation Committee. All members of the Compensation Committee have a working knowledge of compensation issues.

The training and related experience of each Compensation Committee member that is relevant to the performance of their duties as a member of the Compensation Committee is described below.

**Matthew Lauriston Starnes** is a lawyer with over 17 years of experience. Mr. Starnes is currently a Peerpoint lawyer with Allen & Overy in Tokyo specializing in mining law. Prior to this he was legal counsel in Sumitomo Corporation's Mineral Resources Division in Tokyo, Japan. Among other things, he was responsible for legal aspects of Sumitomo's investment in the Sierra Gorda copper project in Chile was also part of the team for the Ambatovy project in Madagascar. Prior to joining Sumitomo, he also was the General Counsel and Deputy CEO for the Ambatovy project. Mr. Starnes has also practiced as a corporate lawyer with major law firms in Montreal.

**Richard Saint-Jean** is a metallurgist technician with over 28 years of mining experience. He is currently the General Director for BlackRock Metals Inc., a private iron ore, vanadium and titanium mining company. Previously, he was Mill Manager for the Troilus open pit gold/copper mine in Chibougamau, where he worked for over 14 years. He has supervised large groups of employees and managed multi-million dollar operating and investment budgets. He has been managing and developing work teams as a senior manager for some 20 years, and a good grasp of operations, having been involved in four concentrator start-ups and the creation of operating structures .

**Marc Simpson** is President and Chief Executive Officer of Uracon Resources. Mr. Simpson has worked in the mining and exploration industry for over 27 years. He has worked for Junior, Mid-tier and Senior mining companies on projects both in Canada and worldwide, including Bema Gold (sold to Kinross for CAD \$3.5 billion in 2007), B2Gold, and Echo Bay Mines. Mr. Simpson has been involved in exploration and mining projects from grass roots exploration through to mine development and production. Mr. Simpson obtained his B.Sc. in Geology from the University of Manitoba and is a member of Association of Professional Engineers and Geoscientists of British Columbia and Association of Professional Engineers and Geoscientists of the Province of Manitoba.

### **Compensation Program Objectives**

The Board of Directors, assisted by the Compensation Committee, reviews and takes decisions on issues related to compensation of executive officers and directors, while ensuring that policies are sufficiently competitive to attract and retain talented individuals, and that executive compensation is in line with industry standards. The Compensation Committee and Board of Directors recognize that the NEOs are essential to the Corporation's vision and mission and that compensation plays an important role in achieving the Corporation's short and long-term objectives, which ultimately supports its success.

Employment contracts were signed with several executives in July 2016 and amended in January 2017 to bring their compensation into line with comparable positions in companies with activities similar to those of the Corporation. Executive compensation is designed to reflect the Corporation's performance and objectives.

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<sup>1</sup> Jean-Sébastien Lavallée has acted solely as the CEO since the Corporation's new President, Steffen Haber, took office on January 1, 2017.

### ***Purpose of the Compensation Program***

The Compensation Committee has the specific responsibility of supporting the Board of Directors in: a) developing a compensation strategy and policy; b) reviewing and approving the compensation objectives and targets for the CEO, assessing the CEO's performance against the above objectives and targets and making recommendations to the Board of Directors regarding the CEO's compensation in light of its assessment; c) reviewing the compensation of executive officers other than the CEO and take certain decisions with respect to their compensation; d) make recommendations to the Board of Directors regarding how the directors are compensated; and e) review the disclosure on executive compensation.

The Compensation Committee has developed compensation policies that have been reviewed and approved by the Board of Directors. These policies are used by the Compensation Committee and the Board of Directors to guide compensation-related decisions, and reflect the Corporation's approach to executive compensation, which aims to:

- Offer compensation that is sufficiently competitive to attract, retain and motivate high-calibre executives with the skills required to implement the Corporation's strategy;
- Match compensation to the achievement of performance targets arising from the approved strategy;
- Encourage the achievement of goals and objectives in a way that fits with the Corporation's vision, mission and values; and
- Align the executive officers' interests with those of the Corporation's shareholders.

### ***Elements of the Compensation Program***

The executive compensation program consists of a combination of base salary, short- and long-term incentives and stock options.

#### **Base salary**

The NEO base salary is intended to attract and retain executives by providing a reasonable amount of non-contingent remuneration.

The base salary is aimed at compensating NEOs for their duties and responsibilities, and thus takes into account the NEO's position and responsibilities, experience, performance and expected contribution.

#### **Short- and Long-term Incentives**

In addition to their base salary, NEOs are eligible for an annual bonus based on the achievement of short- and long-term performance targets. The Compensation Committee is responsible for establishing annual targets for the CEO based on the Corporation's strategy and milestones. The performance targets for the other NEOs are based on those of the CEO, as well as the Corporation's strategy and milestone, and take into account the NEO's position and related responsibilities. The CEO reviews the targets with the Compensation Committee. Each NEO's target bonus is expressed as a percentage of the base salary.

#### **Stock options**

Stock options are generally awarded to NEOs on an annual basis. The granting of stock options upon hiring aligns NEOs' rewards with an increase in shareholder value over the long term.

### Indirect benefits and fringe benefits

NEOs are subject to provisions in the event of termination and change of control of their employment contracts. The Corporation does not offer a pension or benefits plan.

### Performance targets

The NEOs' main targets for 2016 were associated with building partnerships, arranging financing and maintaining the capital structure over the past few years.

### ***Determination of the Amount of Each Element of the Executive Compensation Program***

#### *Intervention of the Board of Directors*

Compensation of the NEOs of the Corporation other than the CEO is reviewed annually by the CEO, who makes recommendations to the Compensation committee. The Board reviews the recommendations of the CEO and approves the compensation of the NEOs based on the recommendations of the CEO. The CEO's compensation is reviewed annually by the Board.

#### *Base Salary*

The base salary review of each NEO takes into consideration the constraints under which the Corporation operates by virtue of the fact that it is a junior mining exploration company without a history of earnings. Base salary is evaluated against a formal comparison group as mentioned in the section on Compensation Program Objectives. The Board relies on the general experience of its members in setting base salary amounts.

#### *Stock Options*

The Corporation has established a formal plan (the "**Plan**") under which stock options are granted to directors, officers, employees and consultants as an incentive to serve the Corporation in attaining its goal of improved shareholder value. The Board determines which NEOs (and other persons) are entitled to participate in the Plan, determines the number of options granted to such individuals, determine the date on which each option is granted and the corresponding exercise price. For further information regarding the Plan refer to "Securities Authorized for Issuance under Equity Compensation Plans".

The Board makes these determinations subject to the provisions of the existing Plan and, where applicable, the policies of the TSX Venture Exchange (the "**Exchange**").

### ***External Compensation Consultants***

During the fiscal years ended August 31, 2016 and 2015, the Corporation did not retain the services of an executive compensation consultant to help develop a group of comparable companies or to study the new target compensation. To ensure appropriate competitive decisions, the Compensation Committee identified a group of comparables for benchmarking purposes. For the purpose of determining compensation, the comparables were selected based on the following general criteria:

- i. Businesses of an equivalent size (or slightly larger)
- ii. In the exploration and development phase, focused on precious metals (mainly lithium)
- iii. With properties mainly in the Americas
- iv. With a market capitalization of \$50 million to \$500 million
- v. With an experienced management team

Based on these criteria, the following nine companies were selected:

Arianne Phosphate Inc. Arizona Mining Inc. Bacanora Minerals Ltd. Integra Gold Corp. Lithium America Corp.	Nemaska Lithium Inc. (lithium) Osisko Mining (previously Oban Mining Corp.) Orbite Technologies Royal Nickel Corporation
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### **Compensation Risk Management**

The Board has not proceeded to an evaluation of the implications of the risks associated with the Corporation's compensation policies and practices. The Corporation has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's securities granted as compensation or held, directly or indirectly, by directors or officers. The Corporation is not, however, aware of any directors or officers having entered into this type of transaction.

### **Link to Overall Compensation Objectives**

Each element of the executive compensation program has been designed to meet one or more objectives of the overall program.

The fixed base salary and long- and short-term incentives of each NEO, combined with the granting of stock options, has been designed to provide overall compensation that the Board believes to be competitive.

### **Summary Compensation Table**

The following table presents information concerning all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, to NEOs by the Corporation and its subsidiaries for services in all capacities to the Corporation during the three most recently completed financial year:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Jean-Sébastien Lavallée <sup>2</sup> President and CEO	2016	-	-	-	-	-	-	332,005 <sup>(2)</sup>	332,005
	2015	-	-	62,140 <sup>(1)</sup>	-	-	-	290,345 <sup>(2)</sup>	352,485
	2014	-	-	-	-	-	-	378,419 <sup>(2)</sup>	378,419
Nathalie Laurin CFO	2016	-	-	-	-	-	-	50,704 <sup>(3)</sup>	50,704
	2015	-	-	-	-	-	-	47,927 <sup>(3)</sup>	47,927
	2014	-	-	-	-	-	-	30,719 <sup>(3)</sup>	30,719

(1) Fair value at the time of grant calculated using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 69.60%, risk-free interest rate of 1.09%, and an expected life of 5 years.

(2) This total amount of \$332,005 (\$290,345 in 2015 and \$378,419 in 2014) paid to Consul-Teck Exploration minière inc., a private company of which the chief executive officer is a shareholder, and which is controlled by a director of the Company represents \$105,475 (\$129,673 in 2015 and \$213,121 in 2014) in professional fees, \$70,406 (\$63,633 in 2015 and \$48,840 in 2014) for exploration and evaluation expenditures, no equipment in 2016 and 2015 (\$1,801 in 2014) in equipment and \$156,424 (\$97,039 in 2015 and \$114,657 in 2014) in administrative expenses.

(3) This amount represents, \$33,899 (\$31,022 in 2015 and \$26,862 in 2014) for professional fees.

<sup>2</sup> Jean-Sébastien Lavallée has acted solely as the CEO since the Corporation's new President, Steffen Haber, took office on January 1, 2017.

## Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the NEOs of the Corporation:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Jean-Sébastien Lavallée	600,000	0.18	January 16, 2020	234,000	-	-	-
Nathalie Laurin	200,000	0.15	August 5, 2018	84,000	-	-	-

(1) Based on closing price of the common shares of the Corporation on August 31, 2016 (\$0.57).

## Incentive Plan Awards – Value Vested or Earned During the Most Recently Completed Financial Year

The following table presents information concerning value vested with respect to option-based awards and share-based awards for each NEO during the most recently completed financial year:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jean-Sébastien Lavallée	-	-	-
Nathalie Laurin	-	-	-

## Pension Plan Benefits

The Corporation does not have a Defined Benefits Pension Plan or a Defined Contribution Pension Plan.

## Termination and Change of Control Benefits

The following describes the provisions in effect at January 2017 with respect to the compensation payable to each executive officer in the event of termination of employment. The Corporation may terminate the employment contract of an employee, including an employee who is an NEO, for a serious reason under Section 2094 of the Civil Code of Quebec at any time, without notice or compensation. If the Corporation terminates the contract without a serious reason within the meaning of Section 2094 of the Civil Code of Quebec, the Corporation shall give the employee, including an employee who is an NEO, notice of termination or compensation in lieu of such notice, the whole in accordance with the following terms and conditions:

Years of service to the Corporation	Lump sum
1 to 3 years	6 months of salary
More than 3 and up to 5 years	18 months of salary
More than 5 years	24 months of salary

In the event that an employment contract is terminated within a period of 60 days before or 180 after a change of control, or the Corporation amends an employment contract in such a way that an employee, including an employee that is an NEO, is unable to fulfill the duties and responsibilities assigned to him or her during that period, the employee shall be entitled to a lump sum on termination of the contract, as follows:

The employee's full salary at the date of termination, including expenses, unused annual vacation and any other amounts owed to the employee; and

- The following lump sum:

<b>Years of service to the Corporation</b>	<b>Lump sum</b>
1 to 3 years	6 months of salary
More than 3 and up to 5 years	18 months of salary
More than 5 years	24 months of salary

- Options that have vested as at the date of termination of the contract shall remain exercisable until the expiration date or as per the terms of the stock option plan in effect at that date.
- A payment equal to the greater of 100% of the employee's base salary and twice the average of the two highest bonuses paid to the employee over the three most recent years under the Corporation's bonus plan.

## B – DIRECTORS' COMPENSATION

### ***Directors' Compensation Table***

The following table sets forth information with respect to all amounts of compensation provided to the directors of the Corporation for the most recently completed financial year.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Jean-François Meilleur	-	-	-	-	-	84,000 <sup>(1)</sup>	-
Richard Saint-Jean	-	-	-	-	-	-	-
Marc Simpson	-	-	-	-	-	-	-
Jean-Raymond Lavallée	-	-	-	-	-	332,005 <sup>(2)</sup>	-
Matthew Lauriston Starnes	-	-	-	-	-	-	-

(1) This amount represents the investor relations fees paid to Paradox Investor Relations, a company of which Jean-François Meilleur is the president and co-owner.

(2) This amount is the same as the one discussed and disclosed in Note 9 on page 2.

### Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the directors of the Corporation:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards that have not vested (\$)
Jean-François Meilleur	350,000	0.15	January 19, 2017	147,000	-	-	-
	500,000	0.15	August 5, 2018	210,000	-	-	-
Richard Saint-Jean	200,000	0.15	August 5, 2018	84,000	-	-	-
Marc Simpson	200,000	0.15	August 5, 2018	84,000	-	-	-
Jean-Raymond Lavallée	400,000	0.18	January 18, 2020	156,000	-	-	-
	250,000	0.30	March 18, 2016	67,000	-	-	-
Matthew Lauriston Starnes	200,000	0.275	August 7, 2019	59,000	-	-	-

(1) Based on the closing price of the common shares of the Corporation on August 31, 2016 (\$0.57).

### Incentive Plan Awards – Value Vested or Earned During the Most Recently Completed Financial Year

The following table presents information concerning value vested with respect to option-based awards and share-based awards for the directors of the Corporation during the most recently completed financial year:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jean-François Meilleur	-	-	-
Richard Saint-Jean	-	-	-
Marc Simpson	-	-	-
Jean-Raymond Lavallée	-	-	-
Matthew Lauriston Starnes	-	-	-

## AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at August 31, 2016, the end of the Corporation's financial year, with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,000,000	\$0.19	5,976,437
Equity compensation plans not approved by security holders	-	-	-

## TERMS AND CONDITIONS OF THE STOCK OPTION PLAN

Pursuant to the Plan, the Board may, from time to time and at its discretion, grant to directors, officers, employees or consultants of the Corporation (the "Grantee") options to acquire common shares of the Corporation for a maximum of 14,424,591 common shares of the Corporation.

Pursuant to the Plan, the number of common shares reserved for issuance to a Grantee shall not exceed, in any twelve (12) months, 5% of the issued and outstanding common shares at the time of grant. In the case of a consultant, that number will not exceed, in any 12-month period, 2% of the issued and outstanding common shares. As for persons involved in investor relations activities, the number of common shares reserved for issuance shall not exceed, individually or collectively, in any 12-month period, 2% of the issued and outstanding common shares.

The Plan provides that the terms of the option and the option price shall be fixed by the directors. The exercise price shall not be less than the closing price of the common shares of the Corporation on the Exchange on the trading day immediately preceding the date of grant. In the event that there were no transactions, the exercise price shall be determined by the average between the closing "bid" and the closing "ask" price on the trading day immediately preceding the date of grant. Stock options granted under the Plan expire, if not previously exercised, by the tenth (10) anniversary of their grant date, and the exercise price must be paid in full upon exercise of the option. Options granted under the Plan are non-assignable.

Options granted to a director or officer expires as follows:

Term of office with to the Company	Revised Expiry Date
From 0 to 3 months	Effective date of termination
More than 3 months to 1 year	1 month following effective date of termination
More than 1 year to 3 years	3 months following effective date of termination
More than 3 years	12 months following effective date of termination

In the case of a consultant, the expiry date shall be the earliest of:

- The expiry date of the option;
- 30 days following the effective date of termination if the Consultant has been providing services to the Company for less than 2 years;
- 90 days following the effective date of termination if the Consultant has been providing services to the Company for 2 years or more.

Options granted to individuals providing investor relations services expire on the earlier of 30 days after the date on which the grantee ceases to be eligible under the plan and the option expiry date.

## CORPORATE GOVERNANCE PRACTICES

*National Policy 58-201 Corporate Governance Guidelines* and *Regulation 58-101 Disclosure of Corporate Governance Practices* set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Corporation's required annual disclosure of its corporate governance practices.

### Board of directors

#### Independent directors

The independent directors of the Corporation are Richard Saint-Jean, Marc Simpson and Matthew Lauriston Starnes.

#### 1. Non Independent directors

Jean-Sébastien Lavallée is a non-independent director of the Corporation in light of his position as President and CEO<sup>3</sup> and his involvement in the day-to-day operations of the Corporation. Jean-François Meilleur is a non-independent director of the Corporation in light of his position as Vice-President of the Corporation.

Jean-Raymond Lavallée should also be considered a non-independent director of the Corporation as Jean-Sébastien Lavallée, a member of his immediate family, is a member of senior management of the Corporation.

### Directorships

The following directors are currently directors of other issuers that are reporting issuers (or the equivalent) in a jurisdiction of Canada or a foreign jurisdiction:

Director's name	Issuer
Jean-Sébastien Lavallée	Canada Strategic Metals Inc.
Marc Simpson	Ravencrest Resources

### Orientation and Continuing Education

The Corporation does not currently have a formal orientation program for new directors. The Board has not at this time taken any measures to provide continuing education for the directors. However, the directors of the Corporation are encouraged to attend, at the Corporation's expense, any seminar given by the Exchange or the Canadian Securities Administrators relating to the management of a public company or relating to their responsibilities as a director of a public company. Furthermore, the directors are given access to the Corporation's legal advisors for any questions they may have relating to such responsibilities.

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<sup>3</sup> Jean-Sébastien Lavallée has acted solely as the CEO since the Corporation's new President, Steffen Haber, took office on January 1, 2017.

## **Ethical Business Conduct**

In light of the Corporation's stage of development and its limited number of employees, the Board has not taken formal steps to encourage and promote a culture of ethical business conduct.

## **Nomination of Directors**

The Board does not have a nominating committee. The current size and composition of the Board allows the entire Board to take the responsibility for finding and nominating new directors, taking into consideration the competencies, skills, experiences, and ability to devote the required time.

## **Other Board Committees**

There are currently no committees other than the Audit Committee and Compensation Committee.

## **Assessments**

To date, no formal evaluation process has been put in place to evaluate the effectiveness of the directors, the descriptions of the positions held or the competence and qualifications that each director is required to bring to the Board. This task is the responsibility of the Board who punctually reviews its operation as well as its directors' role, and its members are encouraged to give feedback regarding the effectiveness of the Board as a whole, its practices and individual directors will, when necessary, make recommendations to the Board.

## **AUDIT COMMITTEE**

### **Charter and Composition of the Audit Committee**

The text of the Audit Committee's charter is attached hereto as Schedule "A".

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

The members of the audit committee of the Corporation are Jean-François Meilleur, Richard Saint-Jean and Marc Simpson. All such members are financially literate and independent members of the Audit Committee, with the exception of Jean-François Meilleur who is a non-independent member of the Audit Committee, as such terms are defined in *Multilateral Instrument 52-110 Audit Committees* ("MI 52-110").

### **Education and Relevant Experience**

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

**Jean-François Meilleur** is presently President and co-owner of Paradox Public Relations. His many accomplishments include playing a key role in raising funds for many projects. Mr. Meilleur holds a Bachelor's Degree from the HEC business school (Hautes Études Commerciales) in Montreal, with a specialization in marketing and finance. Mr. Meilleur previously worked as a trader at Swiftrade, and has extensive knowledge of the financial markets.

**Richard Saint-Jean** is a metallurgist technician with over 28 years of mining experience. He is currently the General Director for BlackRock Metals Inc., a private iron ore, vanadium and titanium mining company. Previously, he was Mill Manager for the Troilus open pit gold/copper mine in Chibougamau, where he worked for over 14 years. He has supervised large groups of employees and managed multi-million dollar operating and investment budgets. He has been managing and developing work teams as a senior manager for some 20 years, and a good grasp of operations, having been involved in four concentrator start-ups and the creation of operating structures

**Marc Simpson** is President and Chief Executive Officer of Uracon Resources. Mr. Simpson has worked in the mining and exploration industry for over 27 years. He has worked for Junior, Mid-tier and Senior mining companies on projects both in Canada and worldwide, including Bema Gold (sold to Kinross for CDN\$3.5 billion in 2007), B2Gold, and Echo Bay Mines.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's financial year ended August 31, 2016, was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's financial year ended August 31, 2016 has the Corporation relied on the exemption provided under section 2.4 of MI 52-110 (*De minimis Non-audit Services*) or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110 (*Exemptions*).

However, the Corporation is not required to comply with Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of MI 52-110 given that it is a venture issuer as defined in MI 52-110.

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

The audit committee of the Corporation has adopted specific policies and procedures for the engagement of non-audit services as described in the audit committee's charter attached hereto as Schedule "A".

### **External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) fiscal years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees <sup>(1)</sup></b>	<b>Audit-Related Fees</b>	<b>Tax Fees <sup>(2)</sup></b>	<b>All Other Fees</b>
August 31, 2016	\$35,470	-	\$3,500	-
August 31, 2015	\$34,000	-	\$8,500	-

(1) These fees relate to services consisting of audit of the financial statements financiers and services in connection with a private placement.

(2) These fees relate to income taxes report and representation before Revenue Quebec.

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

During the fiscal year ended August 31, 2016, and as at the date of this Circular, none of the directors, executive officers, employees (or previous directors, executive officers, or employees of the Corporation), each proposed nominee for election as a director of the Corporation (or any associate of a director, executive officer or proposed nominee) was or is indebted to the Corporation with respect to the purchase of securities of the Corporation and for any other reason pursuant to a loan.

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

The management of the Corporation is not aware of any material interest, direct or indirect, that any director, proposed director, officer, shareholder of the Corporation holding, directly or indirectly, as beneficial owner, more than 10% of the outstanding common shares of the Corporation or any associate or affiliate of any such persons would have in any material transaction concluded since the beginning of the last financial year of the Corporation or in any proposed transaction which had or could have a material effect on the Corporation.

## MANAGEMENT CONTRACTS

The management functions of the Corporation are substantially performed by directors or senior officers of the Corporation and not to any substantial degree by any other person with whom the Corporation has contracted.

### APPOINTMENT OF AUDITORS AND AUTHORIZATION GIVEN TO THE BOARD OF DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS

KPMG LLP Chartered Accountants of Montreal, are the auditors of the Corporation since February 14, 2013. The Board proposes the reappointment of KPMG LLP, Chartered Accountants, as auditors of the Corporation for the financial year ending August 31, 2017. Furthermore, for practical reasons, it is timely at the Meeting to authorize the Board to fix the remuneration of the auditors.

**The persons designated in the accompanying form of proxy will vote IN FAVOUR of the appointment of KPMG LLP as auditors and that the Board be authorized to fix the auditors remuneration, unless the shareholder specifies in his form of proxy his wish to withhold from voting.**

## OTHER MATTERS

Management knows of no other matter to come before the Meeting. However, if any other matters which are known to the management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such matters in accordance with their best judgement.

## ADDITIONAL INFORMATION

Additional financial information is provided in the comparative financial statements of the Corporation, in the Management's discussion and analysis of the financial condition and in the Management's report in the statement of operations for the financial year ended August 31, 2016. Copies of this circular and the documents mentioned hereinabove are available on the Corporation's website ([www.cec corp.ca](http://www.cec corp.ca)) as well as on SEDAR ([www.sedar.com](http://www.sedar.com)).

Additional copies are also available by contacting the Corporation at its administrative office:

1080, Côte du Beaver Hall, Suite 2101  
Montréal, Québec, H2Z 1S6  
Telephone: 514-904-1496 / Facsimile: 514-904-1597  
Email: [nlaurin@cec corp.ca](mailto:nlaurin@cec corp.ca)

The Corporation may request the payment of reasonable fees if the requesting party is not a shareholder of the Corporation.

## APPROVAL OF INFORMATION CIRCULAR

The contents and the sending of the Circular have been approved by the directors of the Corporation.

Montreal, March 16, 2017

**By order of the Board of directors**

(s) Jean-Sébastien Lavallée  
**Jean-Sébastien Lavallée,**  
**Chief Executive Officer**

**SCHEDULE A**  
**CRITICAL ELEMENTS CORPORATION**  
**AUDIT COMMITTEE CHARTER**

The following charter is adopted in compliance with *Multilateral Instrument 52-110 Audit Committees* (“**MI 52-110**”).

**1. MANDATE AND OBJECTIVES**

The mandate of the audit committee of the Corporation (the “**Committee**”) is to assist the board of directors of the Corporation (the “**Board**”) in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation’s systems of internal controls regarding finance and accounting and the Corporation’s auditing, accounting and financial reporting processes.

The objectives of the Committee are to:

- (i) serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control system and review the Corporation’s financial statements;
- (ii) ensure the independence of the Corporation’s external auditors; and
- (iii) provide better communication among the Corporation’s auditors, the management and the Board.

**2. COMPOSITION**

The Committee shall be comprised of at least three (3) directors as determined by the Board. The majority of the members of the Committee shall be independent, within the meaning of MI 52-110.

At least one (1) member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices.

For the purposes of this Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation’s financial statements.

The members of the Committee shall be elected by the Board at its first meeting following each annual shareholder’s meeting. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by a majority vote of all the Committee members.

**3. MEETINGS AND PROCEDURES**

The Committee shall meet at least four (4) times a year or more frequently if required.

At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chairman shall not be entitled to a second vote.

A quorum for meetings of the Committee shall be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board.

**4. DUTIES AND RESPONSIBILITIES**

The following are the general duties and responsibilities of the Committee:

## **Financial Statements and Disclosure Matters**

- a) review the Corporation's financial statements, MD&A and any press releases regarding annual and interim earnings, before the Corporation publicly discloses such information, and any reports or other financial information which are submitted to any governmental body or to the public;
- b) must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection a) above, and must periodically assess the adequacy of those procedures.

## **External Auditors**

- a) recommend to the Board the selection and, where applicable, the replacement of the external auditors to be nominated annually as well the compensation of such external auditors;
- b) oversee the work and review annually the performance and independence of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation;
- c) on an annual basis, review and discuss with the external auditors all significant relationships they may have with the Corporation that may impact their objectivity and independence;
- d) consult with the external auditors about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements;
- e) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- f) review the audit plan for the year-end financial statements and intended template for such statements;
- g) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, as well as any non-audit services provided by the external auditors to the Corporation or its subsidiary entities. The pre-approval requirement is satisfied with respect to the provision of non-audit services if:
  - i) the aggregate amount of all such non-audit services provided to the Corporation constitutes no more than 5% of the total amount of fees paid by the Corporation and its subsidiary entities to its external auditors during the fiscal year in which the non-audit services are provided;
  - ii) such services were not recognized by the Corporation or its subsidiary entities as non-audited services at the time of the engagement; and
  - iii) such services are promptly brought to the attention of the Committee by the Corporation and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members of the Committee the aforementioned authority to pre-approve non-audited services, provided the pre-approval of the non-audit services is presented to the Committee at its first scheduled meeting following such approval.

## **Financial Reporting Processes**

- a) in consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external;
- b) consider the external auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
- c) consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management;
- d) review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;
- e) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- f) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters.