

WESTERN LITHIUM USA CORPORATION

Notice of Annual General and Special Meeting of Shareholders and Management Proxy Circular

February 17, 2015

WESTERN LITHIUM USA CORPORATION

1100 – 355 Burrard Street
Vancouver, British Columbia
V6C 2G8

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting of the shareholders (the “Meeting”) of Western Lithium USA Corporation (the “Company”) will be held on Monday, March 30, 2015 at 10:00 a.m. local time, at 1100 – 355 Burrard Street, Vancouver, British Columbia for the following purposes:

1. to receive the audited consolidated financial statements for the year ended September 30, 2014, together with the auditor’s report thereon;
2. to set the number of directors at seven (7) for the ensuing year;
3. to elect seven (7) directors for the ensuing year;
4. to appoint Crowe MacKay LLP, Chartered Accountants, as auditor of the Company for the ensuing year and authorize the directors to determine the remuneration to be paid to the auditor;
5. to consider, and if thought advisable, to pass an ordinary resolution authorizing the Company to amend and restate the Company’s Employees’ and Directors’ Stock Option Plan (the “Stock Option Plan”) to increase the maximum number of common shares which may be allocated for issuance under the Stock Option Plan from 20,426,652 common shares to 23,863,543 common shares;
6. to consider, and if thought advisable, to pass a special resolution authorizing an alteration to the Company’s articles to, among other things, provide the directors of the Company with the authority to alter the authorized share structure of the Company;
7. to consider, and if thought advisable, to pass a special resolution authorizing an alteration to the Company’s articles to, among other things, provide the directors of the Company with the authority to alter the articles of the Company, if the *Business Corporations Act* (British Columbia) does not specify the type of resolution and the articles do not specify another type of resolution; and
8. to transact such other business as may properly be put before the Meeting.

The Board of Directors has fixed Tuesday, February 17, 2015 as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the Meeting and at any adjournment thereof.

A management proxy circular and form of proxy (the “Meeting Materials”) accompany this notice of meeting and forms part of this notice.

This year, as described in the notice and access notification mailed to shareholders of the Company, the Company has decided to deliver the Meeting Materials to shareholders by posting the Meeting Materials on its website (www.westernlithium.com). The use of this alternative means of delivery is more environmentally friendly as it will help to reduce paper use and it will also reduce the Company’s printing and mailing costs. The Meeting Materials will be available on the Company’s website as of Tuesday,

February 24, 2015, and will remain on the website for one full year thereafter. The Meeting Materials will also be available on SEDAR at www.sedar.com as of Tuesday, February 24, 2015.

Shareholders who wish to receive paper copies of the Meeting Materials may request copies from the Company by calling toll-free in North America at 1-844-221-7982, or by email at info@westernlithium.com. Meeting Materials will be posted to such shareholders at no cost to them within three (3) business days of the request, if such request is made before the Meeting.

A shareholder who is unable to attend the Meeting in person and who wishes to ensure that such shareholder's shares will be voted at the Meeting is requested to complete, date and execute the enclosed form of proxy and deliver it to Computershare Investor Services Inc. in accordance with the instructions set out in the form of proxy and in the management proxy circular. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. PST on Thursday, March 26, 2015 or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the meeting at which the proxy is to be used, then the shareholder will not be entitled to vote at the meeting by proxy.

DATED at Vancouver, British Columbia, the 17th day of February, 2015.

ON BEHALF OF THE BOARD

"Jay Chmelauskas"

Jay Chmelauskas
President, CEO and Director

WESTERN LITHIUM USA CORPORATION

1100 – 355 Burrard Street
Vancouver, British Columbia
V6C 2G8

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

This management proxy circular (the “Circular”) is provided to the holders (“shareholders”) of common shares (“Common Shares”) of Western Lithium USA Corporation (the “Company”) by management of the Company in connection with the solicitation of proxies to be voted at the annual meeting of the shareholders to be held on Monday, March 30, 2015 (the “Meeting”), at the time and place set out in the accompanying notice of meeting (the “Notice of Meeting”). The solicitation of proxies is being made by the Company for the purposes set forth in the Notice of Meeting.

The solicitation of proxies by management will be primarily through delivery of this Circular, but proxies may also be solicited by telephone by directors, officers and regular employees of the Company. The total cost of the solicitation of proxies will be borne by the Company.

The board of directors of the Company (the “Board of Directors” or the “Board”) has fixed the close of business on Wednesday, February 17, 2015 as the record date, being the date for the determination of shareholders entitled to notice of, and to vote at, the Meeting (the “Record Date”).

Unless otherwise stated, the information contained in this Circular is as of February 17, 2015. All dollar amounts are expressed in Canadian dollars (“CDN\$” or “\$”), or United States dollars (“US\$”), as indicated.

APPOINTMENT OF PROXYHOLDERS

A shareholder entitled to vote at the Meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be shareholders, to attend and act at the Meeting for the shareholder and on the shareholder’s behalf.

The individual named in the enclosed form of proxy (the “Form of Proxy”) is a director and officer of the Company. **A shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the enclosed Form of Proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the enclosed Form of Proxy or by completing another proper Form of Proxy.**

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

An appointment of a proxyholder or alternate proxyholders will not be valid unless a Form of Proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is delivered to Computershare Investor Services Inc. (“Computershare”) by mail or by hand to 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, by 10:00

a.m. PST on Thursday, March 26, 2015 or not less than 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting at which the proxy is to be used.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke the proxy by:

- (a) signing a proxy with a later date and delivering it at the time and to the place noted above;
- (b) signing and dating a written notice of revocation and delivering it at the time and to the place noted above; or
- (c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

EXERCISE OF DISCRETION

The person named in the enclosed Form of Proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing him. **If there is no direction by the shareholder in respect of a particular matter, such shares will be voted in favour of such matter. The enclosed Form of Proxy confers discretionary authority upon the person named therein with respect to amendments or variations to matters identified or referred to in the Notice of Meeting and this Circular and with respect to any other matters which may properly come before the Meeting.** As of the date of this Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting. However, if any such or other matters which are not now known to management should properly come before the Meeting, the shares will be voted on such matters in accordance with the best judgment of the person named in the Form of Proxy.

VOTES NECESSARY TO PASS RESOLUTIONS

The Company's articles (the "Articles") provide that the quorum for the transaction of business at the Meeting is at least two shareholders entitled to vote at the Meeting, whether appearing in person or by proxy, who hold Common Shares carrying, in the aggregate, not less than five percent (5%) of the issued shares entitled to vote at the Meeting.

Pursuant to the *Business Corporations Act* (British Columbia) (the "BCBCA") and the Articles, a simple majority of the votes cast by shareholders at the Meeting is required to pass an ordinary resolution and a majority of two-thirds of the votes cast by the shareholders at the Meeting is required to pass a special resolution.

At the Meeting, shareholders will be asked to consider and, if thought advisable, to: (i) pass an ordinary resolution to set the number of directors of the Board of Directors at seven (7); (ii) elect directors to the Board of Directors; (iii) appoint auditors for the ensuing year and authorize the directors to set their remuneration; (iv) pass an ordinary resolution authorizing the Company to amend and restate the Company's Employees' and Directors' Stock Option Plan (the "Stock Option Plan") to increase the maximum number of Common Shares which may be allocated for issuance under the Stock Option Plan from 20,426,652 Common Shares to 23,863,543 Common Shares; (v) pass a special resolution

authorizing an alteration to the Company's Articles to, among other things, provide the directors of the Company with the authority to alter the authorized share structure of the Company; and (vi) pass a special resolution authorizing an alteration to the Company's Articles to, among other things, provide the directors of the Company with the authority to alter the Articles of the Company, if the BCBCA does not specify the type of resolution and the Articles do not specify another type of resolution.

VOTING BY NON-REGISTERED HOLDERS

Only registered shareholders ("Registered Holders") or the persons they appoint as their proxyholder are permitted to vote at the Meeting. Certain shareholders are "non-registered" shareholders ("Non-Registered Holders") because the 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 shares. Shares beneficially owned by a Non-Registered Holder are registered either:

- (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIAs, RESPs, TFSAs and similar plans); or
- (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

This year, the Company has decided to use notice and access to deliver the Notice of Meeting, this Circular and the Form of Proxy (collectively, the "Meeting Materials") to shareholders by posting the Meeting Materials on its website (www.westernlithium.com). The Meeting Materials will be available on the Company's website as of Tuesday, February 24, 2015, and will remain on the website for one full year thereafter. The Meeting Materials will also be available on SEDAR at www.sedar.com as of Tuesday, February 24, 2015. See "Notice and Access" below.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Company are referred to as "NOBOs". Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Company are referred to as "OBOs". In accordance with applicable securities laws, the Company has elected to send the notice and access notification directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the notice and access notification to each OBO, unless the OBO has waived the right to receive them.

The Meeting Materials are being made available to both Registered Holders and Non-Registered Holders. If you are a Non-Registered Holder and the Company or its agent has sent the notice and access notification directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. In this event, by choosing to send the notice and access notification to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) making available the Meeting Materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Company does not intend to pay for the Intermediary to deliver the notice and access notification or Meeting Materials to OBOs and, as a result, OBOs will not be sent paper copies of such notice and access notification or Meeting Materials unless their Intermediary assumes the costs. Intermediaries may use service companies to forward the notice and access notification and/or Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive

Meeting Materials will either:

- (a) be given 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 shares beneficially owned by the Non-Registered Holder and must be completed, but not signed, by the Non-Registered Holder and deposited with Computershare; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the Management proxyholder named in the form and insert the Non-Registered Holder's name in the blank space provided. **Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Form of Proxy or Voting Instruction Form is to be delivered.**

A Non-Registered Holder may revoke a Form of Proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Holder's Common Shares are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

NOTICE AND ACCESS

In November 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. As a result, public companies are now permitted to advise their shareholders of the availability of all proxy-related materials on an easily accessible website, rather than mailing physical copies of the materials. The Company has decided to deliver the Meeting Materials to shareholders by posting the Meeting Materials on its website (www.westernlithium.com). The Meeting Materials will be available on the Company's website as of Tuesday, February 24, 2015, and will remain on the website for one full year thereafter. The Meeting Materials will also be available on SEDAR at www.sedar.com as of Tuesday, February 24, 2015.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company's authorized capital consists of an unlimited number of Common Shares without par value. As of February 17, 2015 the Company had issued 119,317,718 fully paid and non-assessable Common Shares, each carrying the right to one vote.

A holder of record of one or more Common Shares on the Record Date who either attends the Meeting personally or deposits a proxy in the manner and subject to the provisions described above will be entitled to vote or to have such share or shares voted at the Meeting except to the extent that:

- (a) the shareholder has transferred the ownership of any such share after the Record Date; and

- (b) the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred shares and makes a demand to Computershare no later than 10 days before the Meeting that the transferee's name be included in the list of shareholders in respect thereof.

To the knowledge of the directors and executive officers of the Company there are no persons who beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Common Shares.

As at February 17, 2015, the total number of Common Shares owned or controlled by management and the directors of the Company and their associates or affiliates was 4,310,199 Common Shares, representing 3.612% of the total issued and outstanding Common Shares.

NUMBER OF DIRECTORS

Management of the Company is seeking shareholder approval through an ordinary resolution to fix the number of directors of the Company at seven (7) for the ensuing year.

ELECTION OF DIRECTORS

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed. The management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, proxies given pursuant to the solicitation by the management of the Company will be voted for the nominees listed in this Circular.

The following table sets out the names, province or state and country of residence of the nominees for election as directors, the offices they hold within the Company, their principal occupations, business or employment within the five preceding years, the period or periods during which each director has served as a director, and the number of shares of the Company that each beneficially owns, directly or indirectly, or over which control or direction is exercised, as of the date of this Circular:

Name, province or state and country of residence and positions, current and former, if any, held in the Company	Principal occupation for last five years⁽¹⁾	Served as director since	Number of Common Shares beneficially owned, directly or indirectly, or controlled or directed ⁽¹⁾
John Macken ⁽²⁾⁽³⁾⁽⁴⁾ Florida, USA <i>Director and Co-Chairman</i>	Business consultant since April 2012; President of Ivanhoe Mines Ltd. (now Turquoise Hill Resources Ltd.) from December 2003 to April, 2012; Chief Executive Officer of Ivanhoe Mines Ltd., from March 2006 to October 2010.	January 29, 2008, Chairman since June 13, 2012 and Co-Chairman since July 16, 2014	1,283,333 ⁽⁵⁾
Jay Chmelauskas British Columbia, Canada <i>President, CEO and Director</i>	President of the Company since October 2008 and CEO of the Company since September 2012.	September 13, 2010	1,000,833 ⁽⁶⁾

Name, province or state and country of residence and positions, current and former, if any, held in the Company	Principal occupation for last five years ⁽¹⁾	Served as director since	Number of Common Shares beneficially owned, directly or indirectly, or controlled or directed ⁽¹⁾
R. Edward Flood Monaco <i>Director and Co-Chairman</i>	Business consultant since March 2013; CEO of Concordia Resource Corp. (now Kaizen Discovery Inc.) from December 2010 to March 2013; Chairman of Concordia Resource Corp. (now Kaizen Discovery Inc.) from March 2007 to March 2013; President of Concordia Resource Corp. (now Kaizen Discovery Inc.) from December 2010 to November 2011.	November 27, 2007 to June 13, 2012 and September 27, 2013 to present; Chairman from July 23, 2008 to June 13, 2012 Co-Chairman since July 16, 2014	1,096,800 ⁽⁷⁾
William R. Haldane⁽⁴⁾ New York, USA <i>Director</i>	President of Haldane Diogenes, Inc. (executive recruitment firm) from 1995 to present.	January 29, 2008	84,833 ⁽⁸⁾
B. Matthew Hornor⁽²⁾ British Columbia, Canada <i>Director</i>	CEO and Director of Kaizen Discovery Inc. since December 2013 and President since January 2014; Executive Vice President of Ivanhoe Mines Ltd. since May 2010.	April 1, 2014	Nil ⁽⁹⁾
Terry Krepiakovich⁽²⁾⁽³⁾ British Columbia, Canada <i>Director</i>	Independent Financial Advisor since July 2011; President of Meryllion Resources Corporation, from July 2013 to November 2013 and CEO, from October 2013 to November 2014; Interim CEO of Concordia Resource Corp. (now Kaizen Discovery Inc.) from March 2013 to December 2013; Chief Financial Officer of SouthGobi Resources Ltd. from July 2006 to July 2011.	March 31, 2011	Nil ⁽¹⁰⁾
William M. Sheriff⁽³⁾⁽⁴⁾ Idaho, USA <i>Director</i>	CEO and Chairman of Tillcap Ltd. (formerly Americas Bullion Royalty Corp., Golden Predator Corp.) since January 2009; Chairman of Silver Predator Corp. since May 2006; CEO of Silver Predator Corp., from May 2011 to February 2012; Chairman of enCore Energy (formerly Wolfpack Gold Corp., Tigris Uranium Corp.) since October 2009; Co-Chairman of Golden Predator Mining Corp. since January 2014; Chairman of Timberline Resources Corp. since August 2014.	January 29, 2008	20,000 ⁽¹¹⁾

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been provided by the nominees themselves.
- (2) Member of the Company's Audit Committee.
- (3) Member of the Company's Compensation and Benefits Committee.
- (4) Member of the Company's Nominating and Corporate Governance Committee.

- (5) Mr. Macken also holds 1,200,000 options to purchase an aggregate of 1,200,000 Common Shares.
- (6) Mr. Chmelauskas also holds 2,650,000 options to purchase an aggregate of 2,650,000 Common Shares.
- (7) Mr. Flood also holds 587,600 options to purchase an aggregate 587,600 Common Shares.
- (8) Mr. Haldane also holds 850,000 options to purchase an aggregate of 850,000 Common Shares.
- (9) Mr. Hornor also holds 200,000 options to purchase an aggregate of 200,000 Common Shares.
- (10) Mr. Krepiakovich also holds 900,000 options to purchase an aggregate of 900,000 Common Shares.
- (11) Mr. Sheriff also holds 850,000 options to purchase an aggregate of 850,000 Common Shares.

The Company does not have an executive committee of its Board.

Majority Voting Policy

The Company has adopted a majority voting policy for non-contested meetings (the “Majority Voting Policy”). Pursuant to the Majority Voting Policy each nominee must stand for election individually, and directors are not entitled to be elected pursuant to a slate. The Majority Voting Policy specifies that, if a nominee receives a majority of “withheld” votes, as opposed to a majority of votes in favour of his or her election, the individual is deemed to have tendered his or her resignation from the Board, notwithstanding that the individual may have been technically elected to the Board under the BCBCA. Upon tender of such resignation, the Board maintains a residual discretion to refuse the resignation, upon the recommendation of the Nominating and Corporate Governance Committee, within 90 days following the date of the election. A decision regarding such a process must be disclosed by press release.

Advance Notice for Additional Director Nominations

The Articles of the Company include “Advance Notice Provisions”, which impose procedural requirements for the election of directors. The Advance Notice Provisions state that, in addition to those individuals proposed for election by the board, a registered or beneficial shareholder can propose the nomination of additional individuals for election as directors if the requisite notice and information are provided and the nominee(s) sign applicable representation and agreement(s). In the case of this Meeting, a shareholder would need to undertake the following in order to properly nominate one or more individuals for election as director at the Meeting:

- (a) provide to the Company on or before February 28, 2015:
 - (i) a notice setting out, for each nominee,
 - A. the name, address and principal occupation;
 - B. the number of shares owned beneficially or of record or controlled;
 - C. a statement regarding independence pursuant to National Instrument 52-110 Audit Committees (“NI52-110”); and
 - D. any other information that would be required in a dissident proxy circular;
 - (ii) a notice setting out any information about the nominating shareholder equivalent to that in a dissident proxy circular, including the number of shares controlled or owned beneficially or of record; and
- (b) deliver to the Company a representation and agreement in a form reasonable required by the Company for each nominee on or before the Meeting.

Corporate Cease Trade Orders or Bankruptcies

No director, or proposed director, of the Company is, or within the ten years prior to the date of this Circular has been, a director or executive officer of any company, including the Company, that while that person was acting in that capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director ceased to be a director or executive officer of the company being the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

No director, or proposed director, of the Company is, or within the ten years prior to the date of this Circular has been, a director or executive officer of any company, including the Company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Individual Bankruptcies

No director, or proposed director, of the Company has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 that individual.

EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this Circular, a Named Executive Officer (“NEO”) of the Company means each of the following individuals:

- (a) the chief executive officer (“CEO”) of the Company;
- (b) the chief financial officer (“CFO”) of the Company;
- (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 September 30, 2014 whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 Statement of Executive Compensation, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at September 30, 2014.

During the year ended September 30, 2014, the Company had five (5) NEOs being: (i) Jay Chmelauskas, President and CEO; (ii) Eduard Epshtein, CFO; (iii) Silvio Bertolli, Senior Vice President of Project

Development; (iv) Dennis Bryan, Senior Vice President of Development; and (v) Frank B. Wright, Jr., President of the Company's wholly owned subsidiary Hectatone Inc. ("HEC").

Compensation Discussion and Analysis (CD&A)

The Board has established a Compensation and Benefits Committee (the "Compensation Committee") that is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Company's executive officers. The Compensation Committee ensures that total compensation paid to all active NEOs is fair and reasonable and is consistent with the Company's compensation philosophy.

The Compensation Committee is comprised of Terry Krepiakovich, John Macken and William M. Sheriff, all of whom are independent directors of the Company and have the skills and experience necessary to enable them to deal with compensation matters. The following table sets forth the skills and experience of each Compensation Committee member in executive compensation that is relevant to his or her responsibilities and the making of decisions on the suitability of the Company's compensation policies and practices.

Member	Relevant skill and experience
William M. Sherriff	Mr. William M. Sheriff is the Chair of the Compensation Committee and has over 30 years of experience in the mining sector, including as a director and senior executive of a number of publicly-listed international mining companies and accordingly has dealt frequently with executive compensation matters in such capacities.
Terry Krepiakovich	Mr. Krepiakovich has over 20 years experience as a director and senior executive of a number of publicly-listed international companies and accordingly has dealt frequently with executive compensation matters in such capacities.
John Macken	Mr. John Macken has over 25 years experience in the mining sector, including as a director and senior executive of a number of publicly-listed international mining companies and accordingly has dealt frequently with executive compensation matters in such capacities.

See further information regarding the skills and experience of each Compensation Committee member under "Election of Directors".

The CD&A that follows outlines the Company's executive compensation components and philosophies.

Executive Compensation Philosophy and Objectives

The Company's principal goal is to create value for its shareholders. The Company's compensation philosophy reflects this goal, and is based on the following fundamental principles:

1. *Compensation must align with the interests of the Company's shareholders* – the goal of the executive officers should be to maximize long-term shareholder value;
2. *Compensation must be performance sensitive* – compensation for executive officers should be linked to the Company's operating and market performance; and
3. *Compensation should be competitive to attract and retain talent* – the compensation provided to the Company's executive officers should be competitive with the market in order to retain

existing members of the management team who are performing according to their objectives and to attract new individuals of the highest calibre.

The Company is in the process of implementing a formal compensation program with set benchmarks; however, the Company does have an informal program designed to encourage, compensate and reward employees on the basis of individual and corporate performance, and to align the interests of executive officers with the interest of shareholders. This alignment of interests is achieved by making long-term equity-based incentives through the granting of stock options, a significant component of executive compensation (on the assumption that the performance of the Common Share price over the long-term is an important indicator of long-term performance).

The Company is dependent on individuals with specialized skills and knowledge related to the exploration for and development of mineral prospects, corporate finance and management. The mineral exploration and development industry is also extremely competitive and active for executive officers and other employees. Therefore, the Company seeks to attract, retain and motivate highly skilled and experienced executive officers by providing competitive compensation.

Prior to making its recommendations to the Board, the Compensation Committee reviews data related to the compensation programs of companies that are similar in size to the Company and operate within the mining exploration and development industry. The purpose of this process is to:

- (a) understand the competitiveness of current pay levels for each of the Company's executive positions relative to companies with similar revenues and business characteristics;
- (b) identify and understand any discrepancies that may exist between the Company's compensation levels and market compensation levels; and
- (c) establish a basis for developing salary adjustments and incentive awards for the Compensation Committee's recommendation to the Board.

Elements of Executive Compensation

The Company utilizes a combination of both fixed and variable compensation to motivate executives to achieve overall corporate goals. The Board of Directors, acting on the review and recommendation of the Compensation Committee, has implemented three levels of compensation to align the interests of the executive officers with those of the shareholders. First, executive officers are paid a monthly consulting fee or salary. Second, the Board of Directors awards executive officers long-term incentives in the form of stock options. Finally, the Board of Directors may award cash or share bonuses for performance that results in a significant increase in shareholder value.

Base salary comprises the portion of executive compensation that is fixed, whereas stock options and cash or share bonuses represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance expectations; (ii) market performance of the Common Shares; and, (iii) the Company's liquidity and ability to raise further capital in the prevailing economic environment.

No specific formulae have been developed to assign a specific weighting to each of these components. Instead, the Compensation Committee reviews each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the respective NEO's role and responsibilities within the Company. The focus is on remaining competitive in the market with respect to "total compensation" as opposed to within any one component of executive compensation.

For the financial year ended September 30, 2014, the three basic components of executive officer compensation were:

- (a) base salary;
- (b) option based awards (long-term compensation); and
- (c) cash bonus awards.

Compensation for the most recently completed financial year should not be considered an indicator of expected compensation levels in future periods. All compensation is subject to and dependant on the Company's financial resources and prospects.

Base Salary

The Compensation Committee and the Board approve the salary ranges for the active NEOs. Base salaries are set with the goal of being competitive with corporations of a comparable size and at the same stage of development, thereby enabling the Company to compete for and retain executive officers critical to the Company's long-term success. In determining the base salary of an executive officer, the Compensation Committee places equal weight on the following criteria:

- (a) the particular responsibilities related to the position;
- (b) salaries paid by comparable businesses;
- (c) the experience level of the executive officer; and
- (d) his or her overall performance or expected performance (in the case of a newly hired executive officer).

The Compensation Committee makes an assessment of these criteria, and using this information together with budgetary guidelines and other internally generated planning and forecasting tools, performs an annual assessment of the compensation of all executive officer and employee compensation levels.

Option based awards (Long-Term Compensation)

The Compensation Committee believes that it is important to award incentive stock options as part of an overall compensation package. Encouraging its executive officers and employees to become shareholders is, in the committee's view, an efficient way to align their interests with those of shareholders.

Equity participation is accomplished through the Company's amended and restated employees' and directors' stock option plan dated March 31, 2014 (the "Stock Option Plan"), which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer-term, to enable the Company to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance.

The Compensation Committee from time to time determines the stock option grants to be made pursuant to the Stock Option Plan. Previous grants of stock options are taken into account when considering new grants. Stock options granted to NEOs during the most recently completed financial year are disclosed below under the heading "*Executive Compensation – Summary Compensation Table*".

Bonus awards

The Compensation Committee approves the bonus awards for each of the active NEOs. Bonus awards are set with the goal of retaining executive officers critical to the Company's long-term success. In determining bonus awards for each NEO, the Compensation Committee considers:

- (a) the particular responsibilities related to the NEO's position;
- (b) his or her overall performance during the fiscal year; and
- (c) the Company's overall performance during the fiscal year.

Bonus awards are discretionary and may or may not be granted depending on relevant prevailing factors in any given year. In particular, the Compensation Committee makes an assessment of the above-noted criteria on an annual basis, and using this information together with budgetary guidelines and other internally generated planning and forecasting tools, determines the appropriate bonus award for each NEO.

Other Compensation Objectives

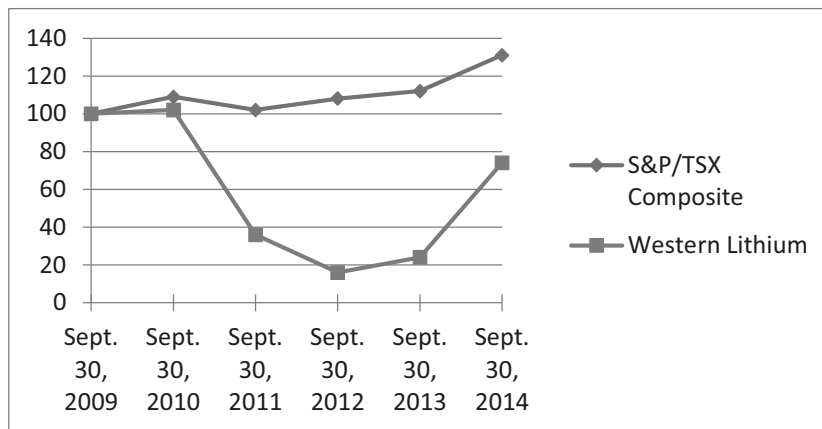
While it has not been a formal requirement of the Company, NEOs are encouraged to hold a share ownership position in the Company. The Company does not have a policy to recoup or claw back incentive compensation based on achieving performance targets that were later restated as the Company at this stage does not base incentive plan compensation on the achievement of objective metrics. While there is an expectation that NEOs and directors not engage in short-term or speculative transactions involving the Company's securities, including purchasing financial instruments that are designed to hedge or offset a decrease in the market price of such securities, the Company does not have a policy in place explicitly prohibiting such transactions.

Management of Risks

The Compensation Committee and the Board regularly assess the risks associated with the Company's policies and practices. The Compensation Committee maintains sufficient discretion and flexibility in implementing compensation decisions such that unintended consequences in remuneration can be minimized, while still being responsive to market influences in a competitive environment. Through the Compensation Committee Charter, the Compensation Committee has sole authority to retain consultants to assist it in the evaluation of compensation of senior management and directors.

Performance Graph

The graph and table on the following page compares the cumulative shareholder return on a \$100 investment in Common Shares to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from September 30, 2009 to September 30, 2014:



Note: The Common Shares were listed on the TSX Venture Exchange until February 1, 2011, after which time they were listed on the Toronto Stock Exchange.

As shown in the foregoing graph, during the fiscal year ended September 30, 2014, the Company's performance was better than the performance of the S&P/TSX Composite Index. The Company believes that the advancement of its organoclay business plan is the main reason for better share price performance during the past year.

The trend in overall compensation paid to the Company's executive officers over the past three years has not directly tracked the performance of the market price of the Common Shares, or the S&P/TSX Composite Index. Given the Company's stage of development share price is very volatile, and is currently not a significant factor in cash compensation consideration. The value of long-term incentive compensation in the form of stock options is influenced by the Company's share price performance.

Option Based Awards

The Stock Option Plan provides for the grant of incentive stock options to directors, executive officers and key employees and consultants of the Company and its subsidiaries. This equity incentive component is a key part of the executives' overall compensation package, reflecting the Company's belief that stock options offer an effective mechanism for incentivizing management and aligning the interests of executive officers with those of shareholders. Since incentive stock options are not granted at a discount to the prevailing market price of the Common Shares, the incentive stock options granted to the Company's executive officers accrete value only when the market price of such shares increases, thereby linking equity-based executive compensation to shareholder returns.

The Compensation Committee determines the ranges of stock option grants for each level of executive officer, the key employees to whom it recommends that grants be made, and the terms and conditions of the options forming part of such grants, and makes recommendations to the Board accordingly. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of the position and contribution to the Company. The existing number and terms of the outstanding options are taken into account when granting new options. The exercise price, which can be no less than the market price (as defined in the TSX Company Manual), the term, up to a maximum of 5 years, and vesting provisions, if any, will be determined by the Board of Directors, on the recommendation of the Compensation Committee.

The number of stock options which may be issued under the Stock Option Plan in the aggregate and in respect of any fiscal year is limited under the terms of the Stock Option Plan and cannot be increased without shareholder approval. Details of the Stock Option Plan are provided below under the heading

“Securities Authorized for Issuance under Equity Compensation Plans”. There was no re-pricing of stock options under the Stock Option Plan or otherwise during the most recently completed financial year.

Summary Compensation Table

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Company and its subsidiaries for the financial years ended September 30, 2014, 2013 and 2012 in respect of each NEO.

Name and Principal position	Year ⁽¹⁾	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽⁴⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) ⁽⁵⁾	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Jay Chmelauskas President and CEO	2014	\$300,000	N/A	\$269,556	N/A	N/A	N/A	Nil	\$569,556
	2013	\$300,000	N/A	\$35,931	N/A	N/A	N/A	\$60,000	\$395,931
	2012	\$300,000	N/A	\$131,326	N/A	N/A	N/A	\$50,000	\$481,326
Eduard Epshtein ⁽²⁾ CFO	2014	\$175,000	N/A	\$69,051	N/A	N/A	N/A	Nil	\$244,051
	2013	\$100,000 ⁽²⁾	N/A	\$19,002	N/A	N/A	N/A	\$30,000	\$149,002
	2012	\$100,000 ⁽²⁾	N/A	\$56,839	N/A	N/A	N/A	\$12,500	\$169,339
Silvio Bertolli ⁽³⁾ SVP, Project Development	2014	\$270,000	N/A	\$89,420	N/A	N/A	N/A	Nil	\$359,420
	2013	\$253,750	N/A	\$19,002	N/A	N/A	N/A	\$50,750	\$323,502
	2012	\$252,525	N/A	\$50,647	N/A	N/A	N/A	\$12,626	\$315,798
Dennis Bryan ⁽³⁾ SVP, Development	2014	\$243,000	N/A	\$52,232	N/A	N/A	N/A	Nil	\$295,232
	2013	\$228,375	N/A	\$12,361	N/A	N/A	N/A	\$47,388	\$288,124
	2012	\$227,273	N/A	\$43,562	N/A	N/A	N/A	\$11,364	\$282,199
Frank B. Wright, Jr. ⁽³⁾⁽⁶⁾ President of Hectatone Inc.	2014	\$37,212	N/A	\$32,734	N/A	N/A	N/A	Nil	\$70,946

Notes:

- (1) Financial year end September 30.
- (2) As a result of Mr. Epshtein's secondment to Concordia Resource Corp. (now Kaizen Discovery Inc.), the Company was only responsible for a portion of Mr. Epshtein's salary during the fiscal years ended September 30, 2014, 2013 and 2012 and those figures provided above reflect that portion of Mr. Epshtein's salary attributable to the Company in each respective year.
- (3) Messrs. Bryan, Bertolli and Wright's salaries are paid in US currency and were converted to Canadian currency using the average exchange rate for the financial year ended September 30, 2014 of US\$1.00 = CDN\$1.08 (2013 - CDN\$1.015 and 2012 – CDN\$0.99).
- (4) This column includes the grant date fair value of all options granted and vested during the year. All grant date fair values equal the accounting fair values determined for financial reporting purposes in accordance with International Financial Reporting Standards. The fair values were estimated using the Black-Scholes valuation model with the assumptions as described in the Note 9 to the Company's consolidated financial statements for the year ended September 30, 2014. The grant date fair value is not necessarily the value of the option to the individual over time, or the value that might ultimately be derived from the exercise of such options. The Black-Scholes option pricing model has been used to determine grant date fair value due to its wide acceptance across industry as an options valuation model, and because it is the same model the Company uses to value options for financial reporting purposes. The stock options granted to the Company's NEOs vest over a period of 18 months (25% on the grant date and 25% every 6 months thereafter) in accordance with the minimum vesting requirements of the Stock Option Plan.
- (5) Other compensation consists of bonuses paid to NEOs during the periods and in case of Mr. Bryan, employer's contribution to simple IRA plan.
- (6) Appointed President of HEC effective August 1, 2014 with an annual salary of US\$225,000.

Significant factors necessary to understand the information disclosed in the Summary Compensation Table above are as follows:

Fair Value of Stock Option Grants

The fair values of stock options granted are estimated on the dates of grants using the Black-Scholes option pricing model. Please refer to Note 9 of the Company's consolidated financial statements for the years ended September 30, 2014 for the assumptions used for valuing stock options.

Employment Agreements

The Company has entered into employment agreements with each of its NEOs. The agreements specify the terms and conditions of employment, the duties and responsibilities of the executive during this term, the compensation and benefits to be provided by the Company in exchange for the executive's services and the compensation and benefits to be provided by the Company in the event of a termination of employment.

Set forth below is a summary of the significant terms of the employment agreement or arrangement of each of the Company's NEOs.

Employment Agreement – President and CEO

Pursuant to a management agreement between the Company and Mr. Chmelauskas dated effective October 16, 2008 (the "Chmelauskas Agreement"), Mr. Chmelauskas is employed as President and Chief Executive Officer of the Company. Effective March 1, 2011 Mr. Chmelauskas's base annual salary was increased from \$250,000 to \$300,000. The Company reimburses Mr. Chmelauskas for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as President and CEO.

For information regarding the termination provisions of the Chmelauskas Agreement, please refer to the disclosure under the heading "*Termination and Change of Control Benefits*".

Employment Agreement – Chief Financial Officer

Pursuant to an employment agreement between the Company and Mr. Epshtein dated effective December 1, 2010, as amended by a letter agreement between the Company and Mr. Epshtein dated October 15, 2012, (collectively the "Epshtein Agreement"), Mr. Epshtein is employed as the CFO of the Company. Effective March 1, 2011 Mr. Epshtein's base annual salary was increased from \$180,000 to \$200,000 and effective September 1, 2014 it was increased from \$200,000 to \$225,000. The Company also reimburses Mr. Epshtein for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as CFO.

During the fiscal years ended September 30, 2014, 2013 and 2012, Mr. Epshtein was seconded to Concordia Resources Corp. (now Kaizen Discovery Inc.) for whom he also provided services as CFO. As a result, the Company only paid one half of Mr. Epshtein's base annual salary during 2013 and 2012. During fiscal 2014 the Company only paid one half of Mr. Epshtein's annual base salary from Oct 1, 2014 to December 4, 2014 at which time his secondment to Concordia Resource Corp. ended and the Company resumed the obligation for paying his entire base annual salary. For information regarding the termination provisions of the Epshtein Agreement, please refer to the disclosure under the heading "*Termination and Change of Control Benefits*".

Employment Agreement – Senior Vice President of Project Development

Pursuant to an employment agreement between the Company and Mr. Bertolli dated December 15, 2009, as amended by a letter agreement between the Company and Mr. Bertolli dated June 25, 2010 (collectively, the “Bertolli Agreement”), Mr. Bertolli is employed as Senior Vice President of Project Development of the Company. Effective March 1, 2011, Mr. Bertolli’s base annual salary was increased from US\$200,000 to US\$250,000. The Company reimburses Mr. Bertolli for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as Senior Vice President of Project Development of the Company and up to US\$1,000 per month for reimbursement of benefits.

For information regarding the termination provisions of the Bertolli Agreement, please refer to the disclosure under the heading “*Termination and Change of Control Benefits*”.

Employment Agreement – Senior Vice President of Development

Pursuant to a management agreement between the Company and Mr. Bryan dated effective October 16, 2008, as amended by a letter agreement between the Company and Mr. Bryan dated June 25, 2010 (collectively, the “Bryan Agreement”), Mr. Bryan is employed as Senior Vice President of Development of the Company. Mr. Bryan received salary increases of US\$25,000 effective October 1, 2010 and March 1, 2011 raising his base annual salary from US\$175,000 to US\$225,000. The Company reimburses Mr. Bryan for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as Senior Vice President of Development of the Company and up to US\$1,000 per month for reimbursement of benefits.

For information regarding the termination provisions of the Bryan Agreement, please refer to the disclosure under the heading “*Termination and Change of Control Benefits*”.

Employment Agreement – President, HEC

Pursuant to an employment agreement between the Hectatone Inc. (“HEC”) and Mr. Wright dated effective August 1, 2014 (the “Wright Agreement”), Mr. Wright is employed as President of Hectatone Inc. Mr. Wright receives a salary of US\$225,000, receives reimbursement for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties and receives up to US\$1,000 per month for reimbursement of benefits.

For information regarding the termination provisions of the Wright Agreement, please refer to the disclosure under the heading “*Termination and Change of Control Benefits*”.

INCENTIVE PLAN AWARDS

Outstanding Share Based Awards and Option Based Awards

The following table sets forth information concerning all awards outstanding under incentive plans of the Company at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the NEOs.

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 (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Jay Chmelauskas President and CEO	275,000	0.69	Aug. 15, 2019	33,000	N/A	N/A
	1,400,000	0.27	Oct. 21, 2018	756,000	N/A	N/A
	350,000	0.16	Aug. 30, 2017	227,500	N/A	N/A
	250,000	0.27	Jan. 3, 2017	135,000	N/A	N/A
	175,000	0.54	Sept. 16, 2016	47,250	N/A	N/A
	200,000	1.33	Jan. 26, 2016	-	N/A	N/A
Eduard Epshtein CFO	150,000	0.69	Aug. 15, 2019	18,000	N/A	N/A
	300,000	0.27	Oct. 21, 2018	162,000	N/A	N/A
	200,000	0.16	Aug. 30, 2017	130,000	N/A	N/A
	75,000	0.27	Jan. 3, 2017	40,500	N/A	N/A
	125,000	0.54	Sept. 16, 2016	33,750	N/A	N/A
	70,000	1.11	Dec. 16, 2015	-	N/A	N/A
Silvio Bertolli SVP, Project Development	30,000	0.88	July 14, 2015	-	N/A	N/A
	450,000	0.69	Aug. 15, 2019	54,000	N/A	N/A
	200,000	0.27	Oct. 21, 2018	108,000	N/A	N/A
	200,000	0.16	Aug. 30, 2017	130,000	N/A	N/A
	75,000	0.27	Jan. 3, 2017	40,500	N/A	N/A
	125,000	0.54	Sept. 16, 2016	33,750	N/A	N/A
Dennis Bryan SVP, Development	150,000	0.88	July 14, 2015	-	N/A	N/A
	150,000	0.69	Aug. 15, 2019	18,000	N/A	N/A
	200,000	0.27	Oct. 21, 2018	108,000	N/A	N/A
	100,000	0.16	Aug. 30, 2017	65,000	N/A	N/A
	75,000	0.27	Jan. 3, 2017	40,500	N/A	N/A
	125,000	0.54	Sept. 16, 2016	33,750	N/A	N/A
Frank B. Wright Jr. President, HEC	50,000	0.88	July 14, 2015	-	N/A	N/A
	225,000	0.69	Aug. 15, 2019	27,000	N/A	N/A

⁽¹⁾ The value of unexercised “in-the-money options” is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on September 30, 2014 of \$0.81 and the exercise price of the stock options.

Incentive Plan Awards – Value Vested or Earned During the Year

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to the NEOs.

The following table sets forth details of the value of all stock options that vested during the financial year ended September 30, 2014 for each of the NEOs:

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jay Chmelauskas President and CEO	272,266	N/A	N/A
Eduard Epshtein CFO	70,600	N/A	N/A
Silvio Bertolli SVP, Project Development	90,968	N/A	N/A
Dennis Bryan SVP, Development	53,006	N/A	N/A
Frank B. Wright, Jr. President, HEC	33,734	N/A	N/A

- (1) The “value vested during the year” with respect to the stock options is calculated using the accounting fair values determined for financial reporting purposes in accordance with International Financial Reporting Standards. The fair values were estimated using the Black-Scholes valuation model with the assumptions as described in the Note 9 to the Company’s consolidated financial statements for the year ended September 30, 2014.

Other Compensation and Pension Benefits

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

Termination and Change of Control Benefits

Neither the Company nor its subsidiaries have entered into any compensatory plan or arrangement in respect of compensation received or that may be received by any of the NEOs during the Company’s most recently completed or current financial year to compensate such executive officers in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in control that exceed the amounts generally payable under statutory or common law rules for notice of termination without cause or compensation in lieu thereof, other than as set out herein.

The Chmelauskas Agreement provides that: (i) Mr. Chmelauskas may terminate his employment upon sixty (60) days notice; (ii) the Company may terminate Mr. Chmelauskas’s employment for just cause; and (iii) the Company may terminate Mr. Chmelauskas’s employment without cause upon the payment to Mr. Chmelauskas of twelve (12) months’ salary in a lump sum. The Chmelauskas Agreement also provides that the Company shall provide Mr. Chmelauskas with a lump sum payment equal to eighteen (18) months’ salary upon a Change of Control (as defined below).

A “Change of Control” is defined as follows: (i) any person, entity or group of persons or entities acting jointly or in concert acquires control (including, without limitation, the right to vote or direct the voting) of 35% or more of the voting shares of the Company; or (ii) the Company (or one or more subsidiaries of the Company) sells or otherwise transfers property or assets (A) aggregating more than 50% of the consolidated assets of the Company and its subsidiaries as at the end of the most recently completed financial year of the Company, or (B) which during the most recently completed financial year of the Company generated, or during the then current financial year of the Company are expected to generate, more than 50% of the consolidated operating income or cash flow of the Company and its subsidiaries, to any other person or persons (other than one or more affiliates of the Company); and (iii) as a result of either (i) or (ii), above, the composition of the Board changes such that less than 50% of its members are continuing directors.

The Epshtein Agreement provides that: (i) the Company may terminate Mr. Epshtein's employment for just cause; and (ii) the Company may terminate Mr. Epshtein's employment without cause upon the payment to Mr. Epshtein of twelve (12) months' salary in a lump sum. The Epshtein Agreement also provides that the Company shall provide Mr. Epshtein with a lump sum payment equal to twelve (12) months' salary upon a Change of Control.

The Bertolli Agreement provides that: (i) Mr. Bertolli may terminate his employment upon sixty (60) days notice; (ii) the Company may terminate Mr. Bertolli's employment for just cause; and (iii) the Company may terminate Mr. Bertolli's employment without cause, including death or disability, upon the payment to Mr. Bertolli of twelve (12) months' salary in a lump sum. The Bertolli Agreement also provides that the Company shall provide Mr. Bertolli with a lump sum payment equal to twelve (12) months' salary upon a Change of Control.

The Bryan Agreement provides that: (i) Mr. Bryan may terminate his employment upon sixty (60) days notice; (ii) the Company may terminate Mr. Bryan's employment for just cause; and (iii) the Company may terminate Mr. Bryan's employment without cause upon the payment to Mr. Bryan of twelve (12) months' salary in a lump sum. The Bryan Agreement also provides that the Company shall provide Mr. Bryan with a lump sum payment equal to twelve (12) months' salary upon a Change of Control.

The Wright Agreement provides that: (i) Mr. Wright may terminate his employment with Hectatone Inc. ("HEC") upon sixty (60) days notice; (ii) HEC may terminate Mr. Wright's employment for just cause; and (iii) HEC may terminate Mr. Wright's employment without cause upon the payment to Mr. Wright of three (3) months' salary in a lump sum. The Wright Agreement also provides that HEC shall provide Mr. Wright with a lump sum payment equal to twelve (12) months' salary upon a change of control of HEC which is defined to mean that: (1) a person acquires (an "Acquirer"), excluding for this purpose the Company, its subsidiaries, affiliates, associates, successors and assigns (the "WLC Group"), shares of HEC entitling the holder to more than 50% of the voting rights of HEC, or there is a sale of all or substantially all of the assets of HEC that results in an Acquirer (excluding one or more members of the WLC Group) holding an interest in those assets with equivalent effect; and (2) the employee is terminated.

The following table discloses the estimated amounts payable to those NEOs under a termination without cause or upon the occurrence of a change of control. Amounts disclosed in the table below assume that the NEO's employment terminated and/or a change of control occurred on September 30, 2014:

Named Executive Officer	Termination by the Company	Payment due upon a Change of Control⁽¹⁾
Jay Chmelauskas President and CEO	\$300,000	\$450,000
Eduard Epshtein Chief Financial Officer	\$225,000	\$225,000
Silvio Bertolli SVP, Project Development	US\$250,000	US\$250,000
Dennis Bryan SVP, Development	US\$225,000	US\$225,000
Frank B., Wright, Jr. President, HEC	US\$56,250 ⁽²⁾	US\$225,000 ⁽³⁾

Notes:

- (1) The entitlement of the NEOs to payment upon a Change of Control is not necessarily in substitution for, and may be in addition to, amounts payable to such NEOs upon termination by the Company.
- (2) Termination by Hectatone Inc.
- (3) For the definition of Mr. Wright's "change of control" refer to Termination and Change of Control Benefits on page 19 of this Circular.

DIRECTOR COMPENSATION

Director Compensation

The following table describes all amounts of compensation provided to the directors of the Company, who are not also NEOs, for the year ended September 30, 2014.

Director Name ⁽¹⁾	Fees Earned (\$)	Share- based awards (\$)	Option-based awards (\$) ⁽³⁾⁽⁵⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
R. Edward Flood ⁽²⁾ Co-Chairman	25,000	N/A	66,840	N/A	N/A	N/A	91,840
William Haldane	25,000	N/A	60,642	N/A	N/A	N/A	85,642
B. Matthew Hornor ⁽³⁾	12,500	N/A	77,988	N/A	N/A	N/A	90,488
Terry Krepiakovich	25,833	N/A	54,444	N/A	N/A	N/A	80,277
John Macken ⁽⁴⁾ Co-Chairman	25,000	N/A	\$87,645	N/A	N/A	N/A	112,645
William M. Sheriff	25,000	N/A	\$60,642	N/A	N/A	N/A	85,642

Notes:

- (1) For Jay Chmelauskas refer to the Summary Compensation Table on page 14 of this Circular.
- (2) Mr. Flood resigned as Chairman and Director in June 2012. He was re-appointed as a director in September 2013 and appointed Co-Chairman in August 2014.
- (3) Mr. Hornor was appointed a director in April 2014.
- (4) Mr. Macken was appointed Chairman in June 2012 and Co-Chairman in August 2014.
- (5) This column includes the grant date fair value of all options granted and vested during the year. All grant date fair values equal the accounting fair values determined for financial reporting purposes in accordance with International Financial Reporting Standards. The fair values were estimated using the Black-Scholes valuation model with the assumptions as described in Note 9 to the Company's consolidated financial statements for the year ended September 30, 2014. The grant date fair value is not necessarily the value of the option to the individual over time, or the value that might ultimately be derived from the exercise of such options. The Black-Scholes option pricing model has been used to determine grant date fair value due to its wide acceptance across industry as an options valuation model, and because it is the same model the Company uses to value options for financial reporting purposes. The stock options granted to the Company's directors vest over a period of 18 months (25% on the grant date and 25% every 6 months thereafter) in accordance with the minimum vesting requirements of the Stock Option Plan.

Effective January 1, 2011 non-management directors became entitled to an annual fee of \$25,000 payable in quarterly instalments (the "Director's Fees"). Payments of the Directors' Fees were subsequently deferred by the Company effective July 1, 2012 until such time as the Company was in a financial position to pay such fees. In February 2013, the Company paid the accrued Directors' Fees, being \$12,500 per director, and re-introduced the payment of the Director's Fees effective January 1, 2013. In addition, all directors are eligible for and receive incentive stock options which may be granted from time to time, for performing their duties as directors. Directors may from time to time also receive cash compensation on an *ad hoc* basis for performing services outside the ordinary course of their duties as directors.

Effective September 1, 2014 the Chair of the Audit Committee became entitled to an annual fee of \$10,000 payable in quarterly instalments (the "Audit Committee Chair Fee").

Outstanding Share Based Awards and Option Based Awards

The following table sets forth information concerning all awards outstanding under the incentive plans of the Company at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the directors who are not also a NEO:

Name ⁽¹⁾	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 (\$) ⁽²⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
R. Edward Flood	200,000	1.33	January 26, 2016	-	N/A	N/A
	187,600	0.27	October 21, 2018	101,304	N/A	N/A
	200,000	0.69	August 15, 2019	24,000	N/A	N/A
William Haldane	200,000	1.33	January 26, 2016	-	N/A	N/A
	100,000	0.27	January 3, 2017	54,000	N/A	N/A
	150,000	0.16	August 30, 2017	97,500	N/A	N/A
	250,000	0.27	October 21, 2018	135,000	N/A	N/A
	150,000	0.69	August 15, 2019	18,000	N/A	N/A
B. Matthew Horner	200,000	0.80	April 1, 2019	-	N/A	N/A
Terry Krepiakovich	200,000	1.22	March 31, 2016	-	N/A	N/A
	100,000	0.27	January 3, 2017	54,000	N/A	N/A
	250,000	0.16	August 30, 2017	162,500	N/A	N/A
	250,000	0.27	October 21, 2018	135,000	N/A	N/A
	100,000	0.69	August 15, 2019	12,000	N/A	N/A
John Macken	200,000	1.33	January 26, 2016	-	N/A	N/A
	100,000	0.27	January 3, 2017	54,000	N/A	N/A
	300,000	0.16	August 30, 2017	195,000	N/A	N/A
	300,000	0.27	October 21, 2018	162,000	N/A	N/A
	300,000	0.69	August 15, 2019	36,000	N/A	N/A
William M. Sheriff	200,000	1.33	January 26, 2016	-	N/A	N/A
	100,000	0.27	January 3, 2017	54,000	N/A	N/A
	150,000	0.16	August 30, 2017	97,500	N/A	N/A
	250,000	0.27	October 21, 2018	135,000	N/A	N/A
	150,000	0.69	August 15, 2019	18,000	N/A	N/A

Notes:

(1) For Jay Chmelauskas refer to the Summary Compensation Table on page 14 of this Circular.

(2) The value of unexercised “in-the-money options” is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on September 30, 2014 at \$0.81 and the exercise price of the stock options.

Incentive Plan Awards-Value Vested or Earned During the Year

The following table sets out the value vested or earned under incentive plans during the year ended September 30, 2014 for each director:

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$) (\$)
R. Edward Flood	66,840	N/A	N/A
William Haldane	61,803	N/A	N/A
B. Matthew Hornor	77,988	N/A	N/A
Terry Krepiakovich	56,379	N/A	N/A
John Macken	89,968	N/A	N/A
William M. Sheriff	61,803	N/A	N/A

Notes:

- (1) The “value vested during the year” with respect to the stock options is calculated using the closing price of the Common Shares on the TSX on the vesting dates less the respective exercise price of the options.
- (2) For Jay Chmelauskas refer to the Summary Compensation Table on page 14 of this Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or former directors, executive officers, employees of the Company or its subsidiaries, the proposed nominees for election to the Board, or their respective associates or affiliates, are or have been indebted to the Company or its subsidiaries since the beginning of the last completed financial year of the Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Information Concerning the Stock Option Plan

On March 31, 2011 the Company adopted the Stock Option Plan, which replaced the Company’s previous stock option plan (the “Previous Plan”). The Stock Option Plan provides for the grant to eligible participants of incentive stock options exercisable to purchase Common Shares. The Stock Option Plan is the only equity compensation plan the Company has in place and is intended to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board, will be largely responsible for its future growth and success. All options granted by the Company after March 31, 2011 are governed by the terms of the Stock Option Plan. The shareholders have approved the Stock Option Plan and amendments thereto. The following information is as of February 17, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by the securityholders	13,912,600	\$0.51	5,694,152
Equity compensation plans not approved by the securityholders	N/A	N/A	N/A
Total	13,912,600	\$0.51	5,694,152

The eligible participants for the Stock Option Plan include directors of the Company or any affiliate, any full time and part time employees (including officers) of the Company, or any affiliate thereof that the Board determines to be employees eligible for participation in the Stock Option Plan. Persons or companies engaged by the Company or an affiliate to provide services for an initial, renewable or extended period of 12 months or more are eligible for participation in the Stock Option Plan as the Board determines.

The Stock Option Plan is administered by the Compensation Committee appointed by the Board.

Summary of Stock Option Plan

Option Grants

The Stock Option Plan authorizes the Board, on the recommendation of the Compensation Committee, to grant options to purchase Common Shares. The number of Common Shares, the exercise price per Common Share, the vesting period and any other terms and conditions of options granted pursuant to the Stock Option Plan, from time to time are determined by the Board, on the recommendation of the Compensation Committee, at the time of the grant, subject to the defined parameters of the Stock Option Plan. When the grant is authorized, the Board, on the recommendation of the Compensation Committee, shall specify the date of grant, which will not be earlier than the date upon which the Compensation Committee determines that a recommendation to the Board for the grant of an option is warranted.

Exercise Price

The exercise price of any option granted under the Stock Option Plan cannot be less than the volume weighted average price of the Common Shares on the TSX for the five days on which Common Shares were traded immediately preceding the date of grant (the “Fair Market Value”).

Exercise Period, Blackout Periods and Vesting

Options are exercisable for a period of five years from the date the option is granted or such greater or lesser period as determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of options is determined by the Board. Failing a specific vesting determination by the Board, options automatically become exercisable incrementally over a period of eighteen months from the date of grant, as to: (i) 25% of the total number of shares under option at any time during the first six months from the date of grant; and (ii) at any time during each additional six-month period an additional 25% of the total number of shares under option plus any shares not purchased in accordance with the preceding (i) and this (ii) until, after the 18th month of the option period, 100% of the option will be exercisable.

The right to exercise an option may be accelerated in the event a takeover bid in respect of the Common Shares is made.

Pursuant to the Stock Option Plan, when the expiry date of an option occurs during, or within ten (10) days following, a “blackout period”, the expiry date of such option is deemed to be the date that is ten (10) days following the expiry of such blackout period. Blackout periods are imposed by the Company to restrict trading of the Company’s securities by directors, officers, employees and certain others who hold options to purchase Common Shares, in accordance with the Company’s Corporate Disclosure, Confidentiality and Securities Trading Policy and similar policies in effect from time to time, in circumstances where material non-public information exists, including where financial statements are being prepared but results have not yet been publicly disclosed.

Cashless Exercise Rights

Cashless exercise rights may also be granted under the Stock Option Plan, at the discretion of the Board on the recommendation of the Compensation Committee, to an optionee in conjunction with, or at any time following the grant of, an option. Cashless exercise rights under the Stock Option Plan effectively allow an optionee to exercise an option on a “cashless” basis by electing to relinquish, in whole or in part, the right to exercise such option and receive, in lieu thereof, a number of fully paid Common Shares. The number of Common Shares issuable on the cashless exercise right is equal to the quotient obtained by dividing the difference between the aggregate Fair Market Value and the aggregate option price of all Common Shares subject to such option by the Fair Market Value of one (1) Common Share. If an optionee exercises his or her option(s) on a “cashless” basis, the deduction from the total number of shares which may be issued under the Stock Option Plan will reflect the applicable number of Common Shares that would otherwise have been issued upon the full exercise of such option(s).

Termination or Death

If an optionee dies while employed by the Company, any option held by him or her will be exercisable for a period of 12 months or prior to the expiration of the options (whichever is sooner) by the person to whom the rights of the optionee shall pass by will or applicable laws of descent and distribution. If an optionee is terminated for cause, no option will be exercisable unless the Board determines otherwise. If an optionee ceases to be employed or engaged by the Company for any reason other than cause, then the options will be exercisable for a period of 12 months or prior to the expiration of the options (whichever is sooner).

Participation Limits

The aggregate number of shares that may be issued and issuable under the Stock Option Plan (when combined with all of the Company’s other security based compensation arrangements, as applicable),

- (a) to insiders shall not exceed 10% of the Company's outstanding issue from time to time;
- (b) to insiders within any one-year period shall not exceed 10% of the Company's outstanding issue from time to time; and
- (c) to any one insider and his or her associates within any one-year period shall not exceed 5% of the Company's outstanding issue from time to time.

In no event will the number of shares that may be issued to any optionee pursuant to options under the Stock Option Plan (when combined with all of the Company’s other security based compensation arrangements, as applicable) exceed 5% of the Company's outstanding issue from time to time.

Transferability

Benefits, rights and options under the Stock Option Plan are non-transferable and, during the lifetime of a Stock Option Plan participant, may only be exercised by such participant.

Amendments to the Stock Option Plan

The Board of Directors may amend, suspend or terminate the Stock Option Plan or any option or other award granted under the Stock Option Plan without shareholder approval, including, without limiting the generality of the foregoing: (i) changes of a clerical or grammatical nature; (ii) changes regarding the persons eligible to participate in the Stock Option Plan; (iii) changes to the exercise price; (iv) vesting, term and termination provisions of options; (v) changes to the cashless exercise right provisions; (vi) changes to the authority and role of the Compensation Committee under the Stock Option Plan; (vii)

changes to the acceleration and vesting of options in the event of a takeover bid, and (viii) any other matter relating to the Stock Option Plan and the options and awards granted thereunder, provided however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Company's shares are listed;
- (b) no amendment to the Stock Option Plan or to an option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an option which is outstanding at the time of such amendment without the written consent of the holder of such option;
- (c) the expiry date of an option shall not be more than ten (10) years from the date of grant of such option, provided, however, that at any time the expiry date should be determined to occur either during a blackout period or within ten business days following the expiry of a blackout period, the expiry date of such option shall be deemed to be the date that is the tenth business day following the expiry of the blackout period;
- (d) the Board of Directors shall obtain shareholder approval of:
 - (i) any amendment to the aggregate number of shares issuable under the Stock Option Plan;
 - (ii) any amendment to the limitations on shares that may be reserved for issuance, or issued, to insiders;
 - (iii) any amendment that would reduce the exercise price of an outstanding option other than pursuant to a declaration of stock dividends of shares or consolidations, subdivisions or reclassification of shares, or otherwise, the number of Shares available under the Stock Option Plan; and
 - (iv) any amendment that would extend the expiry date of any option granted under the Stock Option Plan except in the event that such option expires during or within ten (10) business days following the expiry of a blackout period.

If the Stock Option Plan is terminated, the provisions of the Stock Option Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any option or any rights pursuant thereto remain outstanding.

Share Issuance Limits

The aggregate number of Common Shares that may be subject to issuance under the Stock Option Plan (inclusive of Common Shares subject to issuance under the Previous Plan) may not exceed 20,426,652.

Options Issued under the Previous Plan

The Previous Plan continues to govern any options that were granted by the Company prior to March 31, 2011 and remain outstanding with the exception that the "blackout period" provisions of the Stock Option Plan also apply to outstanding options granted under the Previous Plan.

Options granted under the Previous Plan remain subject to adjustment in connection with certain corporate events affecting the Common Shares. Participation in the Previous Plan was limited to directors, officers, employees and certain service providers, who were, in the opinion of the Company's Board, in a position to contribute to the Company's future growth and success.

No option granted under the Previous Plan or any right thereunder or in respect thereof is transferable or assignable otherwise than by will or pursuant to the laws of succession.

Subject to the specific terms and conditions of the Previous Plan and the rules of the TSX, the Board determined the date of grant, the number of optioned Common Shares, the exercise price per share, the vesting period (if any) and the exercise period. When options were granted, their exercise price was not permitted to be less than the Fair Market Value.

The Board may amend the Previous Plan, subject to approval of the TSX and shareholder approval, as required by the rules and policies of the TSX.

Unless earlier terminated upon an optionee's death or termination of employment or appointment, options issued under the Previous Plan are exercisable for a period to be determined by the Board, which period shall not exceed the maximum length of time as may be prescribed by the TSX. Subject to the provisions of the Previous Plan, the Board may, in its discretion, accelerate the vesting of any unvested options.

As of February 17, 2015, there were 2,215,000 options outstanding under the Previous Plan.

There are no entitlements to Common Shares under the Previous Plan which are subject to ratification by shareholders.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's last completed financial year, nor any proposed nominee for director of the Company, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set out herein, no person who has been a director or executive officer of the Company, nor any proposed nominee for director of the Company, nor any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding Common Shares, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the beginning of the Company's last completed financial year or proposed transaction which has materially affected or would materially affect the Company or its subsidiaries.

MANAGEMENT CONTRACTS

No management functions of the Company or its subsidiaries are to any substantial degree performed by a person or company other than the directors and officers of the Company or its subsidiaries.

APPOINTMENT OF AUDITOR

Auditor

Crowe MacKay LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as auditor of the Company with their remuneration to be fixed by the Board of Directors. Crowe MacKay LLP, Chartered Accountants, was first appointed as auditor of the Company in 2008.

The Company's Audit Committee consists of Terry Krepiakovich, B. Matthew Hornor and John Macken. NI 52-110, provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment. The Board of Directors has determined that all members of the Audit Committee are "independent" directors.

For more information about the Company's Audit Committee, please see the section entitled "Audit Committee Information" in the Company's Annual Information Form for the most recently completed financial year.

CORPORATE GOVERNANCE DISCLOSURE

Effective June 30, 2005, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") was adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. The corporate governance practices adopted by the Company are set out in the attached Schedule "A".

PARTICULARS OF MATTERS TO BE ACTED UPON

General Matters

It is not known whether any other matters will come before the Meeting other than those set forth in this Management Proxy Circular and in the Notice of Meeting, but if any other matters do arise, the person named in the Form of Proxy intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

Amended and Restated Stock Option Plan

Purpose

The Company is seeking authorization from its shareholders at the Meeting to amend and restate the Company's Stock Option Plan to increase the maximum number of Common Shares which may be allocated for issuance under the Plan from 20,426,652 Common Shares to 23,863,543 Common Shares, or approximately 20% of the Company's issued and outstanding Common Shares. The TSX has approved the proposed amendments to the Stock Option Plan, subject to approval by the shareholders at the Meeting.

Common Shares Issued and Unissued under the Stock Option Plan

As of February 17, 2015, 20,426,652 Common Shares authorized for issuance under the Stock Option Plan (including Common Shares authorized for issuance under the Previous Plan) were issued, reserved for issuance or available for future issuance as follows:

	Number of Common Shares under Stock Option Plan	% of Issued and Outstanding Common Shares⁽¹⁾
Common Shares reserved for future issuance pursuant to unexercised options	13,912,600	11.66%
Unissued Common Shares available for future issuance of incentive stock options	5,694,152	4.74%

	Number of Common Shares under Stock Option Plan	% of Issued and Outstanding Common Shares ⁽¹⁾
Options Exercised	1,044,900	0.88%
Maximum number of Common Shares available for issuance	20,426,652	17.12%

(1) Based on 119,317,718 outstanding Common Shares as at February 17, 2015.

There are no entitlements to Common Shares under the Stock Option Plan (or the Previous Plan) which are subject to ratification by shareholders.

Material Terms of the Plan

A summary of the material terms of the Stock Option Plan can be found above at “Securities Authorized for Issuance under Equity Compensation Plans – Information Concerning the Stock Option Plan”.

Recommendation

The Stock Option Plan currently provides that the aggregate number of Common Shares that may be issued or reserved for issuance may not exceed 20,426,652 Common Shares. There is currently a balance of 5,694,152 Common Shares available for future grants under the Stock Option Plan.

The Company believes that incentive stock options are a valuable mechanism for incentivizing the Company’s existing employees, attracting new employees and aligning their interests with those of shareholders. To provide the Company with the continued flexibility of granting incentive stock options under the Stock Option Plan, the Company is seeking approval, as part of the Stock Option Plan Amendment Resolution, to increase the maximum number of Common Shares issuable under the Stock Option Plan to 23,863,543 Common Shares. The Board of Directors recommends that you vote in favour of the Stock Option Plan Amendment Resolution.

Stock Option Plan Amendment Resolution

At the Meeting, shareholders will be asked to vote on the following resolution, with or without variation, approving the proposed amendment to the Stock Option Plan and conferring the authority upon the Board to amend the Stock Option Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Amended and Restated Stock Option Plan of the Company (the “Amended Plan”), as described in, and attached as Schedule “B” to, the Management Information Circular of the Company dated February 17, 2015 which increases the number of shares issuable under the Company’s Employees’ and Directors’ Stock Option Plan from 20,426,652 common shares to 23,863,543 common shares, being 20% of the Company’s current issued and outstanding share capital

be and is hereby approved; and

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

In order to pass, the Stock Option Plan Amendment Resolution requires the affirmative vote of a majority of the votes cast at the Meeting.

If the Stock Option Plan Amendment Resolution is not approved by the shareholders, the Stock Option Plan will continue in its current form, unamended.

Approval of Alteration to the Articles

Approval of Authorized Share Structure Alteration to the Articles

Purpose and Recommendation

The Articles currently specify that the following types of share structure alterations be approved by special resolution of the shareholders, and it is proposed that the Articles of the Company be altered to, among other things, also provide the Board with the authority to make such alterations by consent resolution of the board of directors:

- creating one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminating that class or series of shares;
- increasing, reducing or eliminating the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establishing a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- subdividing or consolidating all or any of its unissued, or fully paid issued, shares;
- if the Company is authorized to issue shares of a class of shares with par value, decreasing the par value of those shares; or if none of the shares of that class of shares are allotted or issued, increasing the par value of those shares;
- changing all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- altering the identifying name of any of its shares; and
- otherwise altering its shares or authorized share structure when required or permitted to do so by the BCBCA.

Management of the Company and the Board believe it to be in the best interests of the Company to empower the Board to alter the Company's authorized share structure (and to make corresponding alterations to the Articles and Notice of Articles at the discretion of the Board, as it avoids the Company having to incur the costs of calling and holding a meeting of shareholders and provides flexibility to efficiently act on corporate finance and other corporate transactions. Management of the Company and the Board further believe that any rights or special rights attached to issued Common Shares will not be prejudiced by these alterations, as Section 61 of the BCBCA will still require a class vote by special separate resolution for any act that prejudices or interferes with such rights or special rights. Accordingly, management of the Company proposes that the Articles of the Company be altered as set out in the attached Schedule "D" (the Alteration to Articles 9.1 of the Articles").

Shareholder Approval

Under the BCBCA and the Articles, the Alteration to Article 9.1 of the Articles requires the approval at the Meeting by a special resolution of the shareholders. Accordingly, at the Meeting, shareholders will be asked to pass a special resolution to alter the Articles as set out in Schedule “D”, in the following form:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Company be altered by adding the text described in Schedule “D” to the Management Information Circular of the Company dated February 17, 2015 at Article 9.1 of the Articles, which, among other things, provides the directors of the Company with the authority to alter the authorized share structure of the Company by resolution of the board of directors;
2. the directors and officers of the Company be authorized and directed to perform such acts and deeds and things and execute all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions; and
3. the directors of the Company be authorized at any time in its sole discretion, to determine whether or not to proceed with or abandon this resolution without further approval, ratification or confirmation by the shareholders.”

If the Alteration to Article 9.1 of the Articles Resolution is not approved by the shareholders, Article 9.1 will continue in its current form, unaltered.

Approval of Other Alterations to Articles

Purpose and Recommendation

Under the current Articles, if the BCBCA does not specify the type of resolution and the Articles do not specify another type of resolution, alterations to the Company’s Articles may be made by special resolution of the shareholders. It is proposed that the Articles of the Company be altered to, among other things, also provide the Board with the authority to make such alterations by resolution of the board of directors.

Management of the Company and the Board believe it to be in the best interests of the Company to empower the Board to alter the Company’s Articles by consent resolution in circumstances where the Articles and the BCBCA do not specify another type of resolution, because, similar to the Authorized Share Structure Alteration to Articles, it avoids the Company having to incur the costs of calling and holding a meeting of shareholders and provides flexibility to efficiently act on corporate finance and other corporate transactions. Accordingly, management of the Company proposes that the Articles of the Company be altered as set out in the attached Schedule “E” (the “Alterations to Article 9.4 of the Articles”).

Shareholder Approval

Under the BCBCA and the Articles, the Alteration to Article 9.4 of the Articles requires the approval at the Meeting by a special resolution of the shareholders. Accordingly, at the Meeting, shareholders will be asked to pass a special resolution to alter the Articles as set out in Schedule “E”, in the following form:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Company be altered by adding the text described in Schedule “E” to the Management Information Circular of the Company dated February 17, 2015 at Article 9.4 of the Articles, which, among other things, provides the directors of the Company with the authority to alter the articles of the Company by resolution of the board of directors, if the *Business Corporations Act* (British Columbia) does not specify the type of resolution and the articles do not specify another type of resolution;
2. the directors and officers of the Company be authorized and directed to perform such acts and deeds and things and execute all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions; and
3. the directors of the Company be authorized at any time in its sole discretion, to determine whether or not to proceed with or abandon this resolution without further approval, ratification or confirmation by the shareholders.”

If the Alteration to Article 9.4 of the Articles Resolution is not approved by the shareholders, Article 9.4 will continue in its current form, unaltered.

ADDITIONAL INFORMATION

Copies of the Company’s Annual Information Form, Annual Financial Statements and Management Discussion and Analysis for its most recently completed financial year filed pursuant to applicable Canadian provincial securities laws are available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Information concerning the Company may be obtained by any shareholder free of charge by contacting the Company at 604-221-7982.

BOARD APPROVAL

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

DATED at Vancouver, British Columbia, the 17th day of February, 2015.

ON BEHALF OF THE BOARD

“Jay Chmelauskas”

Jay Chmelauskas
President, CEO and Director

SCHEDULE “A”

CORPORATE GOVERNANCE PRACTICES

The following table addresses the disclosure requirements set out in Form 58-101F1 Corporate Governance Disclosure:

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT ⁽¹⁾	THE COMPANY’S APPROACH
1. Board of Directors (the “Board”) (a) Disclose the identity of directors who are independent.	(a) The Company’s independent directors are R. Edward Flood, William Haldane, B. Matthew Hornor, Terry Krepiakovich, John Macken and William M. Sheriff.
(b) Disclose the identity of directors who are not independent and describe the basis for that determination.	(b) The Company’s non-independent director is Jay Chmelauskas, who is considered non-independent by virtue of his material relationship as President and CEO of the Company.
(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the Board does to facilitate its exercise of independent judgment in carrying out its responsibilities.	(c) A majority of the Board is independent.
(d) 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.	(d) The following directors are presently also directors of other issuers as listed: <ul style="list-style-type: none"> i. Jay Chmelauskas is also a director of Northern Graphite Corporation; ii. Ed Flood is also a director of East Asia Minerals Corporation and Baker Steel Resources Trust; iii. B. Matthew Hornor is also a director of Kaizen Discovery Inc.; iv. Terry Krepiakovich is also a director of Alexco Resource Corp., and Kaizen Discovery Inc. (formerly Concordia Resource Corp.), and v. William M. Sheriff is also a director of Americas Bullion Royalty Corp. (formerly Golden Predator Corp.), Silver Predator Corp., Wolfpack Gold Corp. (formerly Tigris Uranium Corp.) and Red Tail Metals Corp.

<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>(e) The independent directors of the Board have held meetings at which non-independent directors and members of management are not in attendance. The Company also holds regular quarterly meetings and other meetings as required, at which the opinion of the independent directors is sought and duly acted upon for all material matters related to the Company. The Company has held 4 Independent Directors' meetings since the beginning of its most recently completed financial year.</p>
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p>	<p>(f) R. Edward Flood and John Macken are Co-Chairman of the Board and are both independent directors. The Chairman provides leadership to the Board and works with the CEO of the Company to advance the business of the Company. The Chairman is also responsible for, among other things, working with the Board on strategic planning and corporate governance issues, chairing Board meetings, appointing the chairpersons of the Board committees and performance evaluations with respect to the Company, the Board and the CEO.</p>
<p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>(g) The Company has held 7 Board meetings since the beginning of its most recently completed financial year. The attendance record for its seven directors is: Jay Chmelauskas (7/7), R. Edward Flood (5/7), William Haldane (6/7), B. Matthew Hornor (3/3),* Terry Krepiakevich (7/7) John Macken (7/7), and William M. Sheriff (5/7).</p> <p>* Mr. Hornor was appointed on April 1, 2014</p>
<p>2. Board Mandate</p> <p>Disclose the text of the Board's written mandate.</p>	<p>Please see the attached Schedule "C" – <i>Board Mandate</i> for the full text of the Board's written mandate.</p>
<p>3. Position Descriptions</p> <p>(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>	<p>(a) The Board has developed a written position description for the Chairman of the Board. The Board has not developed a written position description for the chair of each committee; however, the Board has created a written charter for each of the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee from which the chairs of such committees delineate their roles and responsibilities.</p>

<p>(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	<p>(b) The Board has developed a written position description for the CEO.</p>
<p>4. Orientation and Continuing Education</p> <p>(a) Briefly describe what measures the Board takes to orient new members regarding:</p> <ul style="list-style-type: none"> (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business 	<p>(a) The Board does not have any formal policies with respect to the orientation of new directors. However new directors are provided with relevant materials with respect to the Company as well as being oriented on relevant corporate issues by the President and CEO.</p>
<p>(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>(b) The Board currently does not provide continuing education to its directors, although Board members are encouraged to pursue continuing education to support their role as directors. By appointing to the Board professionals with a wide range of financial, exploration and mining expertise, the Company ensures that the Board operates effectively and efficiently. Messrs. Krepiakevich and Macken are members of the Institute of Corporate Directors.</p>
<p>5. Ethical Business Conduct</p> <p>(a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees. If the Board has adopted a written code:</p> <ul style="list-style-type: none"> (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and disclose how a person or company may obtain a copy of the code; (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code. 	<p>(a) The Board has adopted a Code of Business Conduct and Ethics (the "Code") which is applicable to its directors, officers and employees.</p> <p>A copy of the Code has also been filed on SEDAR at www.sedar.com and is available on the Company's website.</p> <p>All directors, officers and employees of the Company are provided with a copy of the Code and must provide the Company with written acknowledgement that they have received, reviewed and understood the Code.</p> <p>The Company's Audit Committee is responsible for monitoring compliance with the Code.</p> <p>To date, the Company has not been required to file a material change report relating to a departure from the Code.</p>

<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>(b) Directors with an interest in a material transaction are required to declare their interest and abstain from voting on such transactions. A thorough discussion of the documentation related to a material transaction is required for review by the Board, particularly independent directors.</p>
<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>(c) The Board seeks directors who have solid track records in matters ranging from finance to exploration and mining in order to ensure a culture of ethical business conduct. The Board has also adopted the Code which summarizes the legal, ethical and regulatory standards that the Company must follow to promote integrity and deter wrongdoing. It represents a standard for all directors, officers and employees that reinforces the seriousness of the Company's commitment to ethical business conduct and it is mandatory for every director, officer and employee of the Company or any of its subsidiaries to acknowledge they have received, reviewed and understood the Code.</p>
<p>6. Nomination of Directors</p> <p>(a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>(a) All of the Company's directors are involved in the search for new directors. A new director should have direct experience in the mining business and significant public company experience. The nominee must not have a significant conflicting public company association. Experienced mining directors are currently difficult to source as a result of the high level of activity in the mining sector.</p>
<p>(b) Disclose whether or not the Board has a nomination committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.</p>	<p>(b) The Nominating and Corporate Governance Committee currently consists of William Haldane, John Macken and William M. Sheriff, all of whom are independent directors. John Macken is the Chair of the Nominating and Corporate Governance Committee.</p>
<p>(c) If the Board has a nominating committee, describe the responsibilities powers and operation of the nominating committee.</p>	<p>(c) The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The Nominating and Corporate Governance Committee is also responsible for reporting to the Board with respect to appropriate candidates for nomination to the Board, and for developing and recommending to the Board corporate governance guidelines.</p>

<p>7. Compensation</p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>(a) The Board reviews the adequacy and form of compensation and compares it to other companies of similar size and stage of development. The Compensation and Benefits Committee reviews and recommends to the Board for approval the general compensation philosophy and guidelines for all directors and executive officers.</p>
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>(b) The members of the Company's Compensation and Benefits Committee are Terry Krepiakevich, John Macken and William M. Sheriff, each of whom are independent directors. Mr. Sheriff is the Chair of the Compensation and Benefits Committee.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>(c) The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Company's equity incentive plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.</p>
<p>8. 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>The Board has no standing committees other than the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee.</p>
<p>9. Assessments</p> <p>Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Nominating and Corporate Governance Committee is responsible for establishing appropriate processes for the regular evaluation of the effectiveness of the Board and its members and its committees and their charters. It is also responsible for reviewing: (i) the performance of individual directors, the Board as a whole, and committees of the Board; and (ii) the performance evaluation of the chair of each Board committee.</p>

(1) Reference is made to the items in Form 58-101F1.

SCHEDULE “B”

WESTERN LITHIUM USA CORPORATION

AMENDED AND RESTATED EMPLOYEES' AND DIRECTORS' STOCK OPTION PLAN

March ◆, 2015

PART 1

INTRODUCTION

1.1 Purpose

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that share plans of the nature provided for herein aid in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

1.2 Definitions

- (a) **“Affiliate”** has the meaning set forth in Section 1(2) of the *Ontario Securities Act*, as amended, and includes those issuers that are similarly related, whether or not any of the issuers are corporations, companies, partnerships, limited partnerships, trusts, income trusts or investment trusts or any other organized entity issuing securities.
- (b) **“Associate”** has the meaning assigned to it in the Ontario Securities Act, as amended.
- (c) **“Board”** means the board of directors of the Company.
- (d) **“Blackout Period”** means a period in which the trading of Shares or other securities of the Company is restricted under the Company’s Corporate Disclosure, Confidentiality and Securities Trading Policy, or under an insider trading policy or other policy of the Company then in effect.
- (e) **“Company”** means Western Lithium USA Corporation, a company incorporated under the laws of British Columbia.
- (f) **“Committee”** has the meaning attributed thereto in Section 4.1.
- (g) **“Eligible Directors”** means the directors of the Company or any Affiliate thereof who are, as such, eligible for participation in the Plan.
- (h) **“Eligible Employees”** means employees (including employees who are officers and directors) of the Company or any Affiliate thereof, whether or not they have a written employment contract with Company, determined by the Board, upon recommendation of the Committee, as employees eligible for participation in the Plan. “Eligible Employees”

shall include Service Providers eligible for participation in the Plan as determined by the Board.

- (i) **“Fair Market Value”** means, with respect to a Share subject to Option, the volume weighted average price of the Shares on The Toronto Stock Exchange for the five days on which Shares were traded immediately preceding the date in respect of which Fair Market Value is to be determined or, if the Shares are not, as at that date listed on The Toronto Stock Exchange, on such other exchange or exchanges on which the Shares are listed on that date. If the Shares are not listed and posted for trading on an exchange on such day, the Fair Market Value shall be such price per Share as the Board, acting in good faith, may determine.
- (j) **“Insider”** has the meaning set out in the TSX Company Manual.
- (k) **“Option”** means an option granted under the terms of the Plan.
- (l) **“Option Period”** means the period during which an Option is outstanding.
- (m) **“Optionee”** means an Eligible Employee or Eligible Director to whom an Option has been granted under the terms of the Plan.
- (n) **“Participant”** means, in respect of any Plan, an Eligible Employee or Eligible Director who participates in such Plan.
- (o) **“Plan”** means, the share option plan established and operated pursuant to Part 2 and Part 3 hereof.
- (p) **“Service Provider”** means any person or company engaged by the Company or an Affiliate to provide services for an initial, renewable or extended period of 12 months or more.
- (q) **“Shares”** means the common shares of the Company.

PART 2 THE PLAN

2.1 Participation

Options shall be granted only to Eligible Employees and Eligible Directors.

2.2 Administration of the Plan.

The Plan shall be administered by the Committee.

2.3 Price

The exercise price per Share of any Option shall be not less than one hundred per cent (100%) of the Fair Market Value on the date of grant.

2.4 Grant of Options

The Board, on the recommendation of the Committee, may at any time authorize the granting of Options to such Eligible Employees and Eligible Directors as it may select for the number of Shares

that it shall designate, subject to the provisions of the Plan. The date of grant of an Option shall be (i) the date such grant was approved by the Committee for recommendation to the Board, provided the Board approves such grant; or (ii) for a grant of an Option not approved by the Committee for recommendation to the Board, the date such grant was approved by the Board.

Each Option granted to an Eligible Employee or to an Eligible Director shall be evidenced by a stock option agreement with terms and conditions consistent with the Plan and as approved by the Board on the recommendation of the Committee (which terms and conditions need not be the same in each case and may be changed from time to time, subject to section 3.7 of the Plan, and the approval of any material changes by The Toronto Stock Exchange or such other exchange or exchanges on which the Shares are then traded).

2.5 Terms of Options

The Option Period shall be five years from the date such Option is granted or such greater or lesser duration as the Board, on the recommendation of the Committee, may determine at the date of grant, and may thereafter be reduced with respect to any such Option as provided in Section 2.8 hereof covering termination of employment or death of the Optionee; provided, however, that at any time the expiry date of the Option Period in respect of any outstanding Option under this Plan should be determined to occur either during a Blackout Period or within ten business days following the expiry of the Blackout Period, the expiry date of such Option Period shall be deemed to be the date that is the tenth business day following the expiry of the Blackout Period.

Unless otherwise determined from time to time by the Board, on the recommendation of the Committee, Options shall vest and may be exercised (in each case to the nearest full Share) during the Option Period as follows:

- (a) at any time during the first six months of the Option Period, the Optionee may purchase up to 25% of the total number of Shares reserved for issuance pursuant to his or her Option; and
- (b) at any time during each additional six-month period of the Option Period the Optionee may purchase an additional 25% of the total number of Shares reserved for issuance pursuant to his or her Option plus any Shares not purchased in accordance with the preceding subsection (a) and this subsection (b) until, after the 18th month of the Option Period, 100% of the Option will be exercisable.

Except as set forth in Section 2.8, no Option may be exercised unless the Optionee is at the time of such exercise:

- (a) in the case of an Eligible Employee, in the employ of the Company or an Affiliate and shall have been continuously so employed since the grant of his Option, but absence on leave, having the approval of the Company or such Affiliate, shall not be considered an interruption of employment for any purpose of the Plan; or
- (b) in the case of an Eligible Director, a director of the Company or an Affiliate and shall have been such a director continuously since the grant of his Option.

The exercise of any Option will be contingent upon the Optionee having entered into an Option agreement with the Company on such terms and conditions as have been approved by the Board, on the recommendation of the Committee, and which incorporates by reference the terms of the Plan. The exercise of any Option will also be contingent upon receipt by the Company of cash payment of the full purchase price of the Shares being purchased. No Optionee or his legal representatives or

legatees will be, or will be deemed to be, a holder of any Shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Plan.

2.6 Cashless Exercise Right

Participants have the right (the "Right"), in lieu of the right to exercise an Option, to terminate such Option in whole or in part (the "Terminated Option") by notice in writing delivered by the Participant to the Company electing to exercise the Right and, in lieu of receiving the Shares (the "Option Shares") to which the Terminated Option relates, to receive the number of Shares, disregarding fractions, which is equal to the quotient obtained by:

- (a) subtracting the Option exercise price per Share from the Fair Market Value per Share on the day immediately prior to the exercise of the Right and multiplying the remainder by the number of Option Shares; and
- (b) dividing the product obtained under subsection 2.6(a) by the Fair Market Value per Share on the day immediately prior to the exercise of the Right.

If a Participant exercises a Right in connection with an Option, it is exercisable only to the extent and on the same conditions that the related Option is exercisable under the Plan.

If a Participant exercises a Right in connection with an Option, the deduction from the total number of shares which may be issued under the Plan will reflect the applicable number of Option Shares that would otherwise have been issued.

2.7 Lapsed Options

If Options are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options, subject in the case of the cancellation of an Option in connection with the grant of a new Option to the same person on different terms, to the consent of the Toronto Stock Exchange.

2.8 Effect of Termination of Employment or Death

If an Optionee:

- (a) dies while employed by or while a director of the Company or its Affiliate, any Option held by him at the date of death shall become exercisable in whole or in part, but only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or applicable laws of descent and distribution. Unless otherwise determined by the Board, on the recommendation of the Committee, all such Options shall be exercisable only to the extent that the Optionee was entitled to exercise the Option at the date of his death and only for 12 months after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner; or
- (b) ceases to be employed by or act as a director of the Company or its Affiliate for cause, no Option held by such Optionee will, unless otherwise determined by the Board, on the recommendation of the Committee, be exercisable following the date on which such Optionee ceases to be so employed or ceases to be a director, as the case may be. If an Optionee ceases to be employed by or act as a director of the Company or its Affiliate for any reason other than cause then, unless otherwise determined by the Board, on the

recommendation of the Committee, any Option held by such Optionee at the effective date thereof shall become exercisable for a period of up to 12 months thereafter or prior to the expiration of the Option Period in respect thereof, whichever is sooner.

2.9 Effect of Takeover Bid

If a bona fide offer (the "Offer") for Shares is made to the Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Company within the meaning of subsection 1(3) of the Ontario Securities Act (as amended from time to time), then the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof, whereupon, notwithstanding Section 2.5 hereof, such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") pursuant to the Offer.

2.9 Effect of Amalgamation or Merger

If the Company amalgamates or merges with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Participant would have received upon such amalgamation or merger if the Participant had exercised his Option immediately prior to the record date applicable to such amalgamation or merger, and the option price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Plan.

2.10 Adjustment in Shares Subject to the Plan

If there is any change in the Shares through the declaration of stock dividends of Shares or consolidations, subdivisions or reclassification of Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option, and the option price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Plan.

PART 3 GENERAL

3.1 Number of Shares

The aggregate number of Shares that may be issued under this Plan (together with any other securities-based compensation arrangements of the Company in effect from time to time, which for this purpose includes outstanding options from the Company's former TSX Venture Exchange compliant stock option plan (the "Original Plan")) shall not exceed 23,863,543 Shares. In addition, the aggregate number of Shares that may be issued and issuable under the Plan (when combined with all of the Company's other security based compensation arrangements, as applicable),

- (a) to Insiders shall not exceed 10% of the Company's outstanding issue from time to time;
- (b) to Insiders within any one-year period shall not exceed 10% of the Company's outstanding issue from time to time; and
- (c) to any one Insider and his or her Associates within any one-year period shall not exceed 5% of the Company's outstanding issue from time to time.

In no event will the number of Shares that may be issued to any Participant pursuant to Options

under the Plan (when combined with all of the Company's other security based compensation arrangement, as applicable) exceed 5% of the Company's outstanding issue from time to time.

For the purposes of this Section 3.1, "outstanding issue" means the total number of Shares, on a non-diluted basis, that are issued and outstanding immediately prior to the date that any Shares are issued or reserved for issuance pursuant to an award under the Plan.

3.2 Transferability

Any benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable unless specifically provided herein. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant. Options are non-transferable except by will or by the laws of descent and distribution.

3.3 Employment

Nothing contained in any Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Company or any, Affiliate, or interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time. Participation in any Plan by a Participant is voluntary.

3.4 Record Keeping

The Company shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant; and
- (b) such other information as the Board may determine.

3.5 Necessary Approvals

The Plan shall be effective only upon formal adoption by the Board following the approval of the shareholders of the Company in accordance with the rules and policies of The Toronto Stock Exchange.

The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction in respect of the Shares or any exchanges on which the Shares are then listed which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain such approval, the obligation of the Company to issue such Shares shall terminate and any Participant's Contribution or option price paid to the Company shall be returned to the Participant.

3.6 Income Taxes

The Company may withhold from any remuneration or consideration whatsoever payable to such Participant hereunder, any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

3.7 Amendments to Plan

The Board shall have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option or other award granted under the Plan without shareholder approval, including, without limiting the generality of the foregoing: changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, changes to the exercise price, vesting, term and termination provisions of Options, changes to the cashless exercise right provisions, changes to the authority and role of the Compensation and Benefits Committee under the Plan, changes to the acceleration and vesting of Options in the event of a takeover bid, and any other matter relating to the Plan and the Options and awards granted thereunder, provided however that:

- a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- b) no amendment to the Plan or to an Option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the holder of such Option;
- c) the expiry date of an Option Period in respect of an Option shall not be more than ten years from the date of grant of an Option except as expressly provided in Section 2.5;
- d) the Directors shall obtain shareholder approval of:
 - (i) any amendment to the aggregate number of Shares specified in subsection 3.1;
 - (ii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders under subsections 3.1(a) (b) and (c); or
 - (iii) any amendment that would reduce the exercise price of an outstanding Option other than pursuant to section 2.10; and
 - (iv) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the Plan except as expressly contemplated in subsection 2.5.

If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

3.8 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.9 Compliance with Applicable Law, etc

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having

authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

PART 4 ADMINISTRATION OF THE PLAN

4.1 Administration by the Committee

- (a) Unless otherwise determined by the Board, the Plan shall be administered by the Compensation and Benefits Committee (the “Committee”) appointed by the Board and constituted in accordance with such Committee’s charter. The members of the Committee serve at the pleasure of the Board and vacancies occurring in the Committee shall be filled by the Board.
- (b) The Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan, to:
 - (i) adopt and amend rules and regulations relating to the administration of the Plan and make all other determinations necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency; and
 - (ii) otherwise exercise the powers delegated to the Committee by the Board and under the Plan as set forth herein.

4.2 Board Role

- (a) The Board, on the recommendation of the Committee, shall determine and designate from time to time the individuals to whom awards shall be made, the amounts of the awards and the other terms and conditions of the awards.
- (b) The Board may delegate any of its responsibilities or powers under the Plan to the Committee, provided that the grant of all Options under the Plan shall be subject to the approval of the Board. No Option shall be exercisable in whole or in part unless and until such approval is obtained.
- (c) In the event the Committee is unable or unwilling to act in respect of a matter involving the Plan, the Board shall fulfill the role of the Committee provided for herein.

PART 5 TRANSITION

5.1 Replacement of Stock Option Plan

Subject to Section 5.2, as of the effective date of this Plan (the “Effective Date”), this Plan replaces the Original Plan and, after the Effective Date, no further Options will be granted under the Original Plan.

5.2 Outstanding Options under the Original Plan

Notwithstanding Section 5.1 but subject to the “Blackout Period” provisions of Section 2.5 hereunder, all Options granted under the Plan prior to the Effective Date (“Pre-existing Options”) that remain outstanding after the Effective Date will continue to be governed by the terms of the Original Plan and not by the terms of this Plan.

Tracy Hansen, VP and Corporate Secretary

SCHEDULE “C”

BOARD MANDATE

The Board of Directors is responsible for supervising the conduct of the Company's affairs and the management of its business. This includes setting long term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their implementation. Although the Board delegates the responsibility for managing the day to day affairs of the Company to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Company and its business.

The Board needs to be satisfied that the Company's senior management will manage the affairs of the Company in the best interest of the shareholders, and that the arrangements made for the management of the Company's business and affairs are consistent with the Board's duties described above. The Board is responsible for protecting shareholder interests and ensuring that the interests of the shareholders and of management are aligned. The obligations of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Company.

In discharging this responsibility, the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual and quarterly budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one meeting per year is to be devoted substantially to a review of strategic plans proposed by management.

The Board reviews the principal risks inherent in the Company's business, including financial risks, through periodic reports from management of such risks. This review takes place in conjunction with the Board's review of operations and risk issues at each Board meeting, at which time the Board assesses the systems established to manage those risks. Directly and through the Company's Audit Committee, the Board also assesses the integrity of the internal financial control and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business.

The Board also expects management to provide the directors on a timely basis with information concerning the business and affairs of the Company, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to efficiently implement its strategic plans for the Company, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by shareholders.

Each committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outsider advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so.

This Mandate will be reviewed periodically by the Board of Directors of the Company and supplemented as required from time to time.

SCHEDULE “D”

ALTERATIONS TO ARTICLE 9.1 THE ARTICLES

The full text of the proposed alterations to Article 9.1 of the Articles are as follows (alterations underlined):

9. ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act*, the Company may by resolution of the board of directors or by special resolution:

- (1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (4) if the Company is authorized to issue shares of a class of shares with par value:
 - (a) decrease the par value of those shares; or
 - (b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (6) alter the identifying name of any of its shares; or
- (7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*;

and, if applicable, alter its Notice of Articles and, if applicable, its Articles, accordingly.

SCHEDULE “E”

ALTERATIONS TO ARTICLE 9.1 THE ARTICLES

The full text of the proposed alterations to Article 9.4 of the Articles are as follows (alterations underlined):

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by resolution of the board of directors or by special resolution alter these Articles.