



**CANADA CARBON INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**JUNE 22, 2018**

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## CANADA CARBON INC.

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting (the “**Meeting**”) of the holders of the common shares (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of Canada Carbon Inc. (the “**Corporation**”) will be held at the offices of Aird & Berlis LLP, Barristers & Solicitors, Brookfield Place, Suite 1800, 181 Bay Street, Toronto, Ontario M5J 2T9 on Wednesday, July 25, 2018 at the hour of 11:00 a.m., local time for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended December 31, 2017, together with the report of the auditor thereon;
2. to elect the directors of the Corporation to hold office for the ensuing year;
3. to appoint UHY McGovern Hurley LLP, Chartered Accountants, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration; and
4. to transact such other business as may properly be brought before the meeting or any adjournment for adjournments thereof.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation’s transfer agent and registrar, Computershare Investor Services Inc., by mail or by hand at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or by fax at 1-866-249-7775, on or before 11:00 a.m. on Monday, July 23, 2018 or deliver it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting.

Shareholders who are unable to be present personally at the Meeting are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. If you plan to be present personally at the Meeting, you are requested to bring the enclosed form of proxy for identification. The record date for the determination of those Shareholders entitled to receive the Notice of Annual Meeting of Shareholders and to vote at the Meeting was the close of business on Friday, June 15, 2018.

DATED at Toronto, Ontario this 22<sup>nd</sup> day of June, 2018.

BY ORDER OF THE BOARD

*“R. Bruce Duncan”*

R. Bruce Duncan  
President & Chief Executive Officer and Director

## CANADA CARBON INC.

### MANAGEMENT INFORMATION CIRCULAR

#### SOLICITATION OF PROXIES

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Canada Carbon Inc. (the “**Corporation**”) for use at the annual meeting (the “**Meeting**”) of holders (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of common shares in the capital of the Corporation (“**Common Shares**”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the “**Notice**”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

Except as noted below, the Corporation has distributed or made available for distribution, copies of the Notice, the Circular and form of proxy or voting instruction form (if applicable) (the “**Meeting Materials**”) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “**Intermediaries**”) for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, Computershare Investor Services Inc. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

#### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation’s transfer agent and registrar, Computershare Investor Services Inc., by mail or by hand at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or by fax at 1-866-249-7775 not later than 11:00 a.m. on Monday, July 23, 2018 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his or her attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

- (i) at the registered office, 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, at any time up to and including Tuesday, July 24, 2018; or
  - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

#### EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

#### ADVICE TO BENEFICIAL SHAREHOLDERS

**Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names have been provided to the Corporation's registrar and transfer agent, can be recognized and acted upon at the Meeting.** The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as "**Beneficial Shareholders**"). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder

receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.**

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

#### **NOTE TO NON-OBJECTING BENEFICIAL OWNERS**

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering 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.

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

The Corporation fixed the close of business on Friday, June 15, 2018 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 106,749,074 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding. The Corporation has no other class of voting securities.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, there were no persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares.

#### **DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

##### **Oversight and Description of Director and Named Executive Officer Compensation**

The general objectives of the Corporation’s compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management’s interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

## *Elements of Compensation*

### Base Salary

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer's compensation package. Base salary is recognition for discharging day to day duties and responsibilities and reflects the Named Executive Officer's performance over time, as well as that individual's particular experience and qualifications. A Named Executive Officer's base salary is reviewed by the board of directors of the Corporation (the "**Board**") on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

### Stock Options

The Corporation's directors, officers, employees and consultants, if any, are eligible under the Corporation's stock option plan (the "**Stock Option Plan**") to receive grants of stock options. The Stock Option Plan is an important part of the Corporation's long-term incentive strategy for its officers and directors, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers and directors is dependent on each officer's and director's level of responsibility, authority and importance to the Corporation and to the degree to which such officer's or director's long term contribution to the Corporation will be key to its long term success.

The Stock Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officers and the Board with shareholders by linking a component of executive compensation to the longer term performance of the Corporation.

Options are granted by the Board of the Corporation. In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board will make these determinations subject to and in accordance with the provisions of the Stock Option Plan.

### *Compensation of Directors*

The independent directors of the Board will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to the Corporation. The directors of the Corporation may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which the Corporation operates.

Named Executive Officers who also act as directors of the Corporation will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such Named Executive Officers in their capacity as executive officers.

### ***Compensation Governance***

The independent members of the Board (the “**Independent Members**”) have the responsibility for determining compensation for the Board and the Named Executive Officers. Greg Lipton, Bruce Coventry and Pieter Barnard are independent as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). Mr. Duncan is not independent under NI 58-101 as he is an executive officer of the Corporation.

The Independent Members meet on compensation matters as and when required with respect to executive compensation. The primary goal of the meetings of Independent Members as they relate to compensation matters is to ensure that the compensation provided to the Named Executive Officers is determined with regard to the Corporation’s business strategies and objectives, such that the financial interest of the executive officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Independent Members are given the authority to engage and compensate any outside advisor that the Independent Members determine to be necessary to carry out their duties.

To determine compensation payable, the Independent Members review compensation paid for directors and Chief Executive Officers of companies of similar size and stage of development in the mineral exploration industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation. In setting the compensation, the Independent Members annually review the performance of the Chief Executive Officer in light of the Corporation’s objectives and consider other factors that may have impacted the success of the Corporation in achieving its objectives.

As a whole, the Independent Members have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Independent Members in making informed decisions on the suitability of the Corporation’s compensation policies and practices. Each of the Independent Members has experience on the board of directors and related committees of other companies, as described under “Particulars of Matters to be Acted Upon - Election of Directors” in this Circular.

### ***Executive Compensation-Related Fees***

In the financial years ending December 31, 2017 and 2016, neither the Board nor the Independent Members retained a compensation consultant or advisor to assist the Board or the Independent Members in determining the compensation for any of the Corporation’s executive officers’ or directors’ compensation.

## Summary Compensation Table

In this section, “**Named Executive Officer**” or “**NEO**” means: (a) the Chief Executive Officer; and (ii) the Chief Financial Officer for the Corporation’s financial year ended December 31, 2017. The Corporation had two “executive officers” as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) whose compensation must be disclosed for such financial year.

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
R. Bruce Duncan <sup>(1)</sup> President and Chief Executive Officer/Executive Chairman	2017	250,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	250,000
	2016	250,000	48,750 <sup>(4)</sup>	Nil	Nil	Nil	298,750
Olga Nikitovic, CPA,CA Chief Financial Officer <sup>(3)</sup>	2017	120,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	120,000
	2016	120,000	24,000 <sup>(4)</sup>	Nil	Nil	Nil	144,000
Greg Lipton <sup>(2)</sup>	2017	12,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	12,000
	2016	12,000	Nil	Nil	Nil	Nil	12,000
Bruce Coventry <sup>(2)</sup>	2017	12,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	12,000
	2016	12,000	Nil	Nil	Nil	Nil	12,000
Pieter Barnard <sup>(2)</sup>	2017	12,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	12,000
	2016	12,000	Nil	Nil	Nil	Nil	12,000

### Notes:

- (1) Mr. Duncan was appointed the President and CEO on December 7, 2005.
- (2) Compensation of \$1,000 per month was paid to the directors of the Corporation in their capacity as directors beginning January 1, 2015. The directors of the Corporation are eligible to receive options to purchase Common Shares pursuant to the terms of the Stock Option Plan.
- (3) Ms. Nikitovic, CPA,CA, spouse of R. Bruce Duncan, was appointed Chief Financial Officer on June 20, 2007.
- (4) Bonuses awarded in 2016 have been accrued but not paid.
- (5) Salaries and director fees represent earned totals for the full year, however salaries and director fees for the period from July 1, 2017 to December 31, 2017 have been accrued but not paid.

## Stock Option and Other Compensation Securities

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
R. Bruce Duncan President and Chief Executive Officer/Executive Chairman <sup>(1)</sup>	Options	400,000	August 4, 2017	0.19	0.19	0.09	August 4, 2022
Olga Nikitovic, CPA,CA Chief Financial Officer <sup>(2)</sup>	Options	400,000	August 4, 2017	0.19	0.19	0.09	August 4, 2022
Greg Lipton <sup>(3)</sup>	Options	400,000	August 4, 2017	0.19	0.19	0.09	August 4, 2022
Bruce Coventry <sup>(4)</sup>	Options	400,000	August 4, 2017	0.19	0.19	0.09	August 4, 2022
Pieter Barnard <sup>(5)</sup>	Options	400,000	August 4, 2017	0.19	0.19	0.09	August 4, 2022

- (1) As at December 31, 2017, R. Bruce Duncan, President, CEO and Executive Chairman held options to purchase: (i) 300,000 Common Shares at a price of \$0.10 per share until April 17, 2018, (ii) 400,000 Common Shares at a price of \$0.20 per share until July 15, 2019, and (iii) 400,000 Common Shares at a price of \$0.19 per share until August 4, 2022.
- (2) As at December 31, 2017, Olga Nikitovic, CFO held options to purchase: (i) 300,000 Common Shares at a price of \$0.10 per share until April 17, 2018 (ii) 300,000 Common Shares at a price of \$0.20 per share until July 15, 2019, and (iii) 400,000 Common Shares at a price of \$0.19 per share until August 4, 2022.
- (3) As at December 31, 2017, Greg Lipton, Director held options to purchase: (i) 300,000 Common Shares at a price of \$0.10 per share until April 17, 2018 (ii) 200,000 Common Shares at a price of \$0.20 per share until July 15, 2019, and (iii) 400,000 Common Shares at a price of \$0.19 per share until August 4, 2022.
- (4) As at December 31, 2017, Bruce Coventry, Director held options to purchase: (i) 300,000 Common Shares at a price of \$0.10 per share until April 17, 2018 (ii) 200,000 Common Shares at a price of \$0.20 per share until July 15, 2019, and (iii) 400,000 Common Shares at a price of \$0.19 per share until August 4, 2022.
- (5) As at December 31, 2017, Pieter Barnard, Director held options to purchase: (i) 1,000,000 common shares at a price of \$0.245 per share until October 30, 2020, and (ii) 400,000 Common Shares at a price of \$0.19 per share until August 4, 2022.

### Exercise of Compensation Securities by Directors and Named Executive Officers

No Named Executive Officer or director of the Corporation exercised a compensation security during the financial year ended December 31, 2017.

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

### ***R. Bruce Duncan***

On December 1, 2014, the Corporation entered into an employment agreement (the “**Duncan Agreement**”) with Mr. Duncan. Pursuant to the Duncan Agreement, Mr. Duncan’s salary is \$20,833 per month and Mr. Duncan is entitled to stock option grants as determined by the Board of the Corporation. Furthermore, the Corporation reimburses Mr. Duncan for reasonable out-of-pocket expenses incurred by him on behalf of the Corporation. The initial term of the Duncan Agreement was for a two year period ending on November 30, 2016, and is subject to automatic renewal for successive one year terms.

If the Duncan Agreement is terminated by the Corporation without cause or as a result of a Triggering Event (as defined below), then the Corporation will be required to pay Mr. Duncan an amount equal to \$250,000 less required source deductions. In the event of a Triggering Event or a termination without cause, any options held by Mr. Duncan under the Stock Option Plan shall immediately become vested and exercisable and Mr. Duncan’s options shall remain exercisable for the remainder of their term.

Assuming an event of termination occurred on December 31, 2017, the Corporation would have been obligated to pay Mr. Duncan \$250,000 in termination and change of control benefits.

### ***Olga Nikitovic***

On December 1, 2014, the Company entered into a new employment agreement (the “**Nikitovic Agreement**”) with Ms. Nikitovic. Pursuant to the Nikitovic Agreement, Ms. Nikitovic’s salary is \$10,000 per month and Ms. Nikitovic is entitled to stock option grants as determined by the Board of the Corporation. Furthermore, the Corporation reimburses Ms. Nikitovic for reasonable out-of-pocket expenses incurred by her on behalf of the Corporation. The initial term of the Nikitovic Agreement was for a two year period which ended on November 30, 2016, and is subject to automatic renewals for successive one year terms.

If the Nikitovic Agreement is terminated by the Corporation without cause or as a result of a Triggering Event (as defined below), then the Corporation will be required to pay Ms. Nikitovic an amount equal to \$120,000 less required source deductions. In the event of a Triggering Event or a termination without cause, any options held by Ms. Nikitovic under the Stock Option Plan shall immediately become vested and exercisable and Ms. Nikitovic’s options shall remain exercisable for the remainder of their term.

Assuming an event of termination occurred on December 31, 2017, the Corporation would have been obligated to pay Ms. Nikitovic \$120,000 in termination and change of control benefits.

For the purposes of the Nikitovic Agreement and the Duncan Agreement, a “**Triggering Event**” includes (i) a successful take-over bid of the Corporation by another entity, (ii) a change of control of the board of directors being the election by the Corporation’s shareholders of less than a majority of directors put forward by the Corporation, (iii) the sale of substantially all of the assets of the Corporation, (iv) the sale, exchange or disposition of a majority of the outstanding Common Shares, (v) the termination of the Corporation’s business or liquidation of its assets, or (vi) a merger or amalgamation where the Corporation’s shareholders prior to such transaction hold less than 51% of the closing of the transaction.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued upon the exercise of outstanding options and the weighted-average exercise price of the outstanding options in connection with the Stock Option Plan as at December 31, 2017:

<b>Plan Category</b>	<b>Number of Common Shares to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of Common Shares remaining available for future issuance under equity compensation plans</b>
	<b>#</b>	<b>\$</b>	<b>#</b>
<b>Equity compensation plans approved by security holders</b>	6,925,000	\$0.19	91,048
<b>Equity compensation plans not approved by security holders</b>	Nil	Nil	Nil
<b>Total</b>	6,925,000	\$0.19	91,048

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended December 31, 2017 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation during the financial year ended December 31, 2017 or as at the date of this Circular in connection with security purchase programs or other programs.

## REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation's management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation's corporate governance practices, which addresses the matters set out in NI 58-101, is set out at Schedule "A" to this Circular.

## AUDIT COMMITTEE

The Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and accounting compliance, the audit process and processes for identifying, evaluating and monitoring the management of the Corporation's principal risks impacting financial reporting. The committee also assists the Board with the oversight of financial strategies and overall risk management.

The Audit Committee is composed of R. Bruce Duncan, Greg Lipton and Bruce Coventry, each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

A majority of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“NI 52-110”). R. Bruce Duncan is not considered independent as he was, during the year ended December 31, 2017, an executive officer of the Corporation. All members of the Audit Committee are “financially literate” as such term is defined in NI 52-110. A copy of the charter of the Audit Committee (the “**Audit Committee Charter**”) is attached as Schedule “B” to this Circular.

#### Relevant Education and Experience

All of the current members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

#### **R. Bruce Duncan**

Aside from his current role as President and Chief Executive Officer, Mr. Duncan is currently a director and the CEO of Evolving Gold Corp. the current Chairman of the Board and CEO of Canada Coal Inc. and Chairman of the Board for Potash Ridge Corporation. Mr. Duncan has also served as a director and Chairman of the audit committee of two other public companies operating in the mining sector. Mr. Duncan is also the President of West Oak Capital Partners Inc., a company that focuses on mergers, acquisitions and corporate financings.

By virtue of his public company and investment industry experience, Mr. Duncan has had exposure to financings, budgeting and accounting and has sufficient training in business and the financial acumen to be considered financially literate.

#### **Greg Lipton**

Greg Lipton has 35 years of industry experience, including from 2004 to July 2013, holding the position of President and Chief Executive Officer of Metallum Resources Inc. This position required a working knowledge of internal controls and financial reporting and associated statements, and required Mr. Lipton to routinely interact with Metallum’s accountants and auditors. As such, Mr. Lipton has the requisite experience and an in-depth understanding of corporate financial statements.

#### **Bruce Coventry**

Bruce Coventry holds a Masters in Business Administration from Michigan State University, and has over 40 years of industrial experience, including since 2001, the position of President, or CEO of several public and private firms. These positions have required a working knowledge of internal controls and financial reporting and associated statements, and have required Mr. Coventry to routinely interact with accountants and auditors. Mr. Coventry is also a Trustee of Kettering University, and a five year member of the university's Finance and Audit Committee. As such, Mr. Coventry has the requisite experience and an in-depth understanding of corporate financial statements.

#### Audit Committee Oversight

At no time since the commencement of the Corporation’s most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Corporation’s external auditors not been adopted by the Board.

### Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to "*De Minimis Non-audit Services*" or any exemption provided by Part 8 of NI 52-110.

### Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

### External Auditor Service Fees (By Category)

- (a) *Audit Fees* - The Corporation's external auditors billed the Corporation approximately \$28,560 and \$28,560 during the financial years ended December 31, 2017 and 2016, respectively, for audit fees.
- (b) *Audit-Related Fees* – The Corporation's external auditors did not bill the Corporation any amount during the financial years ended December 31, 2017 and 2016, respectively, for audit-related fees related to financing activity.
- (c) *Tax Fees* – The Corporation's external auditors billed approximately \$5,000 and \$5,000 during the financial years ended December 31, 2017 and 2016, respectively, for tax fees.
- (d) *All Other Fees* – The Corporation's external auditors billed \$Nil and \$3,600 during the financial years ended December 31, 2017 and 2016, respectively, related to professional services rendered in connection with various financial matters.

### Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

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

No "informed person" (as such term is defined in NI 51-102) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Election of Directors**

The Board of Directors currently consists of four directors. It is intended that each person whose name appears below will be nominated at the Meeting for election as a director of the Corporation to hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for each nominee on an individual basis.

**UNLESS THE SHAREHOLDER SPECIFIES IN THE ENCLOSED FORM OF PROXY THAT THE COMMON SHARES REPRESENTED BY THE PROXY ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS, THE PERSON NAMED IN THE FORM OF PROXY SHALL VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE ELECTION OF THE PERSONS WHOSE NAMES ARE SET FORTH BELOW. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE. AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.**

The Corporation's By-Law No. 1, as amended pursuant to By-Law No. 1A, contains a requirement providing for advance notice of nominations of directors (the "**Advance Notice Requirement**") in certain circumstances where nominations for election to the Board are made by Shareholders. For an annual meeting of Shareholders, notice to the Corporation must be provided not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10th day following such public announcement. For a special meeting of Shareholders (that is not also an annual meeting), notice to the Corporation must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of such special meeting was made. The Corporation's By-Law No. 1, as amended by By-Law No. 1A, is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The following tables set out certain information as at the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common Shares owned by each director of the Corporation is presented to the best knowledge of management of the Corporation and has been furnished to management of the Corporation by such directors.

<b>R. BRUCE DUNCAN</b>		<b>Principal Occupation and Biographical Information</b>	
Ontario, Canada Director Since: December 7, 2005 <b>NOT INDEPENDENT</b>	Mr. Duncan is currently the President and Chief Executive Officer and a director of the Corporation and has been involved with the Corporation since 2005. Mr. Duncan is also the current Chief Executive Officer of Evolving Gold Corp. (EVG:CSE), founder and Executive Chairman and CEO of Canada Coal Inc., and Chairman of Potash Ridge Corporation. He has over thirty years' experience in the capital market and brokerage industry, including eight years with Gordon Capital Corporation. Mr. Duncan is currently the President of West Oak Capital Partners Inc. Mr. Duncan currently sits on the boards of several private companies.		
<b>Current Board/Committee Membership</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed</b>	<b>Other Public Board Memberships</b>	
Member of the Board Member of the Audit Committee	3,977,611 <sup>1</sup>	Evolving Gold Corp.(CSE) Frankfurt, OTCBB) Canada Coal Inc.(TSX-V) Potash Ridge Corporation ( TSX)	

<sup>1</sup> Of which Common Shares, 309,800 are beneficially owned by Olga Nikitovic (Chief Financial Officer of the Corporation and spouse of R. Bruce Duncan); 3,234,933 Common Shares are registered in the name of R. Bruce Duncan; 144,300 Common Shares are registered in the name of Brolga Holdings Inc. and 288,578 Common Shares are registered in the name of West Oak Capital Partners Inc., both companies of which are controlled by R. Bruce Duncan.

<b>GREG LIPTON</b>		
<b>Principal Occupation and Biographical Information</b>		
Ontario, Canada Director Since: May 2, 2011 <b>INDEPENDENT</b>	Greg Lipton held the position of President and Chief Executive Officer of Metallum Resources Inc. (formerly Young-Shannon Gold Mines Limited) from November, 2004 until July, 2013. Mr. Lipton is a graduate in geology from the University of Western Ontario, a registered practicing Professional Geoscientist with the Association of Professional Geoscientists of Ontario (APGO), a long-time member of the Prospectors and Developers Association of Canada (PDAC), and a member of the Canadian Institute of Mining (CIM). Mr. Lipton has more than 35 years of field experience in international exploration for base metal and precious metal deposits including 21 years with BHP International.	
<b>Current Board/Committee Membership</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed</b>	<b>Other Public Board Memberships</b>
Member of the Board Member of the Audit Committee Member of the Governance Committee	Nil	None

<b>BRUCE COVENTRY</b>		
<b>Principal Occupation and Biographical Information</b>		
Michigan, USA Director Since: September 17, 2012 <b>INDEPENDENT</b>	Bruce Coventry is a forty year plus automotive executive, having served at General Motors, Ford, Chrysler, and several private equity owned automotive component firms. Mr. Coventry is currently President of Coventry Consulting Inc., an independent consulting service which provides expert advice in the areas of technology implementation and other operational improvement services. Mr. Coventry is also Managing Partner of Troy based motormindz consulting group. Mr. Coventry was formerly Chairman of the Board of TowerSec LLC, a privately owned, Detroit/Israeli based Automotive Cyber Security company which was acquired by Harman. Previously, Mr. Coventry was Vice President of Operations at ElectroVaya, a Canadian large-format lithium ion battery manufacturer. Mr. Coventry was previously President of Dresser Waukesha Engine prior to the sale of Waukesha to General Electric, and was President of Global Electric Motorcar, a wholly-owned subsidiary of Chrysler LLC. Mr. Coventry was also the President and non-Executive Chairman of the Global Engine Manufacturing Alliance, a joint venture between Chrysler, Hyundai and Mitsubishi, and was responsible for all joint venture activities between the three companies. Mr. Coventry also was the Vice President of Powertrain Manufacturing for DaimlerChrysler's \$5 Billion Powertrain Division. Mr. Coventry is a current trustee and a past Chairman of the Board of Trustees of Kettering University in Flint, Michigan.	
<b>Current Board/Committee Membership</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed</b>	<b>Other Public Board Memberships</b>
Member of the Board Member of the Audit Committee Member of the Governance Committee	Nil	None

<b>DR. PIETER J BARNARD</b>		
<b>Principal Occupation and Biographical Information</b>		
Missouri, USA Director Since: November 1, 2015 <b>INDEPENDENT</b>	Dr. Barnard retired in November 2014 as President for the global Industrial Materials division of GrafTech International Holdings Inc. (formerly NYSE: GTI) (“ <b>GrafTech International</b> ”). Dr. Barnard was a Reporting Officer for GrafTech International and served as chairman and board member for several of GrafTech’s international affiliates. He gained extensive international experience traveling to many countries across the globe and working in South Africa, Europe and the USA. Dr. Barnard was appointed President, Graphite Electrodes of GrafTech International in April 2005 and President Industrial Materials in April 2008. In these roles, he led the division that manufactures a broad range of high quality graphite electrodes, petroleum needle coke and graphite/carbon refractory products, increasing sales from US\$600 million to over US\$1 billion, and EBITDA from US\$130 million to US\$350 million. In addition to his role as President for Industrial Materials, Dr. Barnard also managed several corporate functions within GrafTech International providing services to both divisions and the corporate group. These included Health Safety and Environmental Protection, Worldwide Engineering and Procurement. Dr. Barnard is currently on the Advisory Board for Community Fuels in California and a member of the ExecRank Business Development and Executive Management Advisory Councils. Dr. Barnard is also on the board of CallOut LLC, a private company.	
<b>Current Board/Committee Membership</b>	<b>Number of Common Shares Beneficially Owned, Controlled or Directed</b>	<b>Other Public Board Memberships</b>
Member of the Board Member of the Governance Committee	Nil	None

***Corporate Cease Trade Orders***

To the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

***Bankruptcies, or Penalties or Sanctions***

Except as disclosed herein, to the knowledge of the Corporation, no proposed director:

- (c) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) 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;

- (d) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (e) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (f) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

## 2. **Appointment of Auditor**

Management proposes to nominate UHY McGovern Hurley LLP, Chartered Accountants, to hold office until the next annual meeting of Shareholders.

**IT IS INTENDED THAT THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF UHY MCGOVERN HURLEY LLP, CHARTERED ACCOUNTANTS, AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPOINTMENT OF THE AUDITOR.**

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

No person or company who is, or at any time during the financial year ended December 31, 2017 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate or affiliate of any such director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's audited financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2017. In addition, copies of the Corporation's annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

**APPROVAL OF BOARD OF DIRECTORS**

The contents of this Circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: June 22, 2018.

BY ORDER OF THE BOARD

*“R. Bruce Duncan”*

R. Bruce Duncan  
President and Chief Executive Officer

**SCHEDULE A**  
**STATEMENT OF GOVERNANCE PRACTICES**

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)	Comments
<b>Board of Directors</b>	
<p>1. Board of Directors—Disclose how the board of directors (the “<b>Board</b>”) of Canada Carbon Inc. (the “<b>Corporation</b>”) facilitates its exercise of independent supervision over management, including</p> <p>(i) the identity of directors that are independent, and</p> <p>(ii) the identity of directors who are not independent, and the basis for that determination.</p>	<p>The Board currently consists of a total of four directors of which Mr. Lipton, Mr. Coventry and Mr. Barnard are considered “independent”, as such term is defined in NI 58-101.</p> <p>Mr. Duncan is not considered independent as he is an executive officer of the Corporation.</p>
<p>2. Directorships—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.</p>	<p>Please refer to the accompanying management information circular (the “<b>Circular</b>”) under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.</p>
<b>Orientation and Continuing Education</b>	
<p>3. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.</p>	<p>When new directors are appointed, they receive orientation commensurate with their previous experience, on the Corporation’s properties and the responsibilities of directors. Each director ultimately assumes responsibility for keeping himself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.</p>
<b>Ethical Business Conduct</b>	
<p>4. Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.</p>
<b>Nomination of Directors</b>	
<p>5. Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.</p>	<p>The Board is responsible for the identification and assessment of potential directors. The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board’s duties effectively and to maintain a diversity of views and experience. While no formal nomination procedures are in place to identify new candidates, the Board does review the experience and performance of nominees for election to the Board. Members of the Board are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her</p>

<b>Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 (“NI 58-101”)</b>	<b>Comments</b>
	experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Board also assesses any potential conflicts, independence or time commitment concerns that the candidate may present.
<b>Compensation</b>	
6. Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including: (i) who determines compensation, and (ii) the process of determining compensation.	The process undertaken by the Board in respect of compensation is more fully described in the “Director and Named Executive Officer Compensation” section of the accompanying Circular.
<b>Other Board Committees</b>	
7. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board does not have any standing committees other than the Audit Committee.
<b>Assessments</b>	
8. Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.	<p>The Board annually reviews its own performance and effectiveness as well as that of the Audit Committee and the individual directors in fulfilling their respective responsibilities.</p> <p>The Board feels its corporate governance practices are appropriate and effective for the Corporation, given its relatively small size and level of activity. The Corporation's corporate governance structure allows for the Corporation to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without undue administrative burden.</p>

**SCHEDULE B**  
**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**CANADA CARBON INC.**

This Charter shall govern the activities of the audit committee (the “**Audit Committee**”) of the Board of Directors (the “**Board**”) of Canada Carbon Inc. (the “**Corporation**”).

**1. BACKGROUND**

- 1.1 National Instrument 52-110 – Audit Committees (the “Instrument”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.
- 1.2 This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Audit Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Audit Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

**2. PURPOSE**

- 2.1 The primary function of the Audit Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:
- (a) overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents and overseeing the Corporation's compliance with legal and regulatory requirements, including the Instrument;
  - (b) recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;
  - (c) serving as an independent and objective party to oversee and monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
  - (d) encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

### **3. COMPOSITION**

- 3.1 The Audit Committee shall consist of a minimum of three Directors of the Corporation, including the Chair of the Audit Committee, all of whom shall meet the requirements of the Instrument. All members should be, to the extent possible, to the satisfaction of the Board, be “financially literate” as defined in the Instrument. A majority of the members of the Audit Committee shall be “independent” as defined in the Instrument.
- 3.2 The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors are duly elected. The Board may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full membership of the Audit Committee.

### **4. DUTIES AND RESPONSIBILITIES**

- 4.1 The Audit Committee shall review and recommend to the Board for approval:
- (a) The annual audited financial statements.
  - (b) Review with financial management and the external auditor the Corporation's financial statements, MD&A and annual and interim earnings releases to be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings, as well as financial information and earnings guidance provided to analysts and rating agencies.
  - (c) Documents referencing, containing or incorporating by reference the annual audited financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form when applicable) prior to their release.
  - (d) Adequacy of this charter and revisions thereto as necessary.
- 4.2 The Audit Committee, in fulfilling its mandate, will:
- (a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws. Review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable).
  - (b) Recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor. Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Review the annual audit plans of the internal and external auditors of the Corporation and discuss any significant changes required in the audit plan.
  - (c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor.

- (d) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- (e) Arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- (f) Ensure that the external auditors are prohibited from providing the following non-audit services and pre-approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation:
  - (i) bookkeeping or other services related to the accounting records or financial statements of the Corporation;
  - (ii) financial information systems design and implementation;
  - (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
  - (iv) actuarial services;
  - (v) internal audit outsourcing services;
  - (vi) management functions or human resources;
  - (vii) broker or dealer, investment adviser or investment banking services;
  - (viii) legal services and expert services unrelated to the audit; and
- (g) Review with management and the external auditor of the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.
- (h) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.
- (i) Review the expenses of the Chair and President of the Corporation annually.
- (j) Obtaining reports from management and the Corporation's external auditor that the Corporation is in conformity with legal requirements and the Corporation's Code of Ethics and Conduct (if applicable) and reviewing reports and disclosures of insider and related party transactions.
- (k) At least annually obtaining and reviewing a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors,

or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) (to assess the auditors' independence) all relationships between the independent auditors and the Corporation.

- (l) Setting clear hiring policies for partners, employees or former partners and former employees of the present and former external auditors of the Corporation.
- (m) Reporting annually to the shareholders in the Corporation's Management Information Circular prepared for the annual meeting of shareholders on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.
- (n) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
- (o) Perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies.

4.3 The Audit Committee may engage and communicate directly and independently with outside legal and other advisors for the Audit Committee as required.

## **5. SECRETARY**

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

## **6. MEETINGS**

- 6.1 The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. In any event, the Audit Committee shall meet prior to the Corporation issuing a press release with its quarterly or annual earnings information. At least annually, the Audit Committee shall meet separately with management and with the external auditors.
- 6.2 Meetings may be conducted with members present, in person, by telephone or by video conference facilities.
- 6.3 A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.
- 6.4 The external auditors or any member of the Audit Committee may call a meeting of the Audit Committee.
- 6.5 The external auditors of the Corporation will receive notice of every meeting of the Audit Committee.
- 6.6 The Chairman of the Audit Committee will report periodically the committee's findings and recommendations to the Board of Directors.

**7. QUORUM**

A quorum is established with a minimum of two Audit Committee members.

**DATED** August 15, 2012.

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