

AVALON WORKS CORP.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

and

MANAGEMENT INFORMATION CIRCULAR

for the

ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on

December 23, 2019

AVALON WORKS CORP.
NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 23, 2019

NOTICE IS HEREBY GIVEN THAT the annual general and special meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Avalon Works Corp. (“**Avalon**” or the “**Corporation**”) will be held on December 23, 2019 at 2:00 pm (EST), at the offices of the counsel of the Corporation at 800 Square Victoria, 43rd Floor, Montreal, QC, H4Z 1H1, for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial years ended August 31, 2018 and August 31, 2017 and the reports of the auditors thereon;
2. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to fix the number of directors at six (6) and to re-elect Michael Paul Clemann and newly elect Michel Lebeuf, Andrew O’Neil, Éric Latrémouille, Véronique Laberge and Sabrina Lesage as the directors of the Corporation to hold office until the next meeting of Shareholders held for the purpose of electing Directors or until their successors are otherwise appointed;
3. to ratify and to approve, if deemed advisable, all acts and deeds of directors, acting in good faith on behalf of the Corporation since the date of the last Annual General Meeting;
4. to appoint the auditors and authorize the directors to fix their remuneration;
5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to approve the Corporation’s audit committee charter;
6. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution to approve the Corporation’s stock option plan;
7. to consider and, if deemed advisable, to pass a special resolution to give authority to the Corporation’s board of directors to proceed to a debt settlement;
8. to consider and, if deemed advisable, to pass a resolution to give authority to the Corporation’s board of directors to give effect to a consolidation of all of the issued and outstanding common shares of the Corporation on the basis of up to one (1) new common share of the Corporation for a hundred (100) existing common shares of the Corporation and left up to the Board’s discretion; and

9. to transact such other business as may properly be brought before the Meeting and at any adjournment thereof. The management proxy circular for proxy solicitations provides detailed information on the items that will be brought before the Meeting and is therefore to be considered as forming a part of this notice.

Shareholders unable to attend the Meeting in person should complete the proxy with the name of the person they wish to represent them at the Meeting.

The directors have fixed the close of business on November 22, 2019, as the record date for determination of shareholders entitled to notice of and the right to vote at the Meeting, either in person or by proxy, in accordance with and subject to the provisions of applicable laws.

Montreal, November 25, 2019

BY ORDER OF THE BOARD OF DIRECTORS

Michael Paul Clemann, President, CEO and CFO

AVALON WORKS CORP. INFORMATION CIRCULAR

PART I **INFORMATION CONCERNING THE MEETING**

DATE, TIME AND PLACE OF MEETING

This information circular (the “**Circular**”) is provided in connection with the annual general and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares in the share capital (the “**Common Shares**”) of Avalon Works Corp. (“**Avalon**” or the “**Corporation**”) to be held at **at 800 Square Victoria, 43rd Floor, Montreal, QC, H4Z 1H1**, on December 23, 2019 at 2:00 pm (EST) or any adjournment thereof for the purposes set forth in the attached notice of meeting. Unless otherwise indicated, the information contained herein is dated as of the date of this Circular and all dollar amounts set forth herein are expressed in Canadian dollars.

QUORUM FOR THE TRANSACTION OF BUSINESS

Pursuant to the Corporation’s constitutive law, a person attending the Meeting and representing personally or by proxy not less than fifty percent plus one (50%+1) of the aggregate number of votes attached to all the voting shares for such meeting will form a quorum. If a quorum is present at the opening of a meeting of shareholders, the shareholders present may, unless the by-laws otherwise provide, proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. If a quorum is not achieved at the opening of the Meeting, the Shareholders present or represented by proxy may, by a majority vote to that effect, adjourn the meeting to a fixed time and place, but may not transact any other business.

APPOINTMENT AND REVOCATION OF PROXIES

Shareholders shall be entitled to vote in person or, if a body corporate, through a representative duly authorized by resolution of the directors or other governing body of such body corporate. Shareholders shall also be entitled to vote by proxy.

A proxyholder need not be a shareholder of the Corporation and may serve as proxyholder for several shareholders.

A Shareholder desiring to appoint a Proxy holder may do so by entering that person’s name in the blank space provided in the form of proxy.

A Shareholder who has given a Proxy may revoke it as to any matter on which a vote has not already been cast, in accordance with the Corporation’s constitutive law.

A Shareholder desiring to appoint some other person as his or her proxy holder had to do so by either entering that person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Avalon’s Registrar and Transfer Agent, AST Trust Company (Canada), at AST Trust Company (Canada), Proxy Department, P.O. Box 721Agincourt, Ontario, M1S 0A1 before 2:00 p.m. on December 19, 2019.

EXERCISE OF DISCRETION BY PROXIES

If you have appointed the Management Proxyholders as your proxyholder, they will, unless you give contrary instructions, vote your Common Shares at the Meeting as follows:

- **FOR the election of the proposed nominees as directors;**
- **FOR the resolution to ratify and approve of all acts and deeds of directors, acting in good faith on behalf of the Corporation since the date of the last annual general meeting;**
- **FOR the appointment of Brunet Roy Dubé, CPA S.E.N.C.R.L. as the auditor for the Corporation;**
- **FOR the resolution to authorize the directors to fix the remuneration to be paid to the auditor;**

- **FOR the resolution to approve the audit committee charter;**
- **FOR the resolution to approve the stock option plan;**
- **FOR the special resolution to proceed to a debt settlement;**
- **FOR the consolidation of all of the issued and outstanding common shares of the Corporation on the basis of up to (1) new common share of the Corporation for a hundred (100) existing common shares; and**
- **FOR any other business as may properly be brought before the Meeting and at any adjournment thereof.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the acorporation notice of meeting (the “Notice of Meeting”) and to other matters that may properly come before the Meeting.

At the date of this Circular, the management of Avalon is not aware of any such amendments, variations or other matters expected to come before the Meeting other than the matters referred to in the Notice of Meeting. If any matters that are not now known properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As of the date of this Circular, 429,742,200 Common Shares were issued and outstanding.

All Shareholders registered at the close of business on November 22, 2019 (the “**Record Date**”) will be entitled, at the Meeting, to one vote for each Common Share held.

To the knowledge of the directors and officers of Avalon, as at the date of this Circular, four (4) Shareholders, beneficially owns, directly or indirectly, more than ten percent 10% of the outstanding Common Shares or exercises direction over that number of Common Shares, as described in the following table:

Shareholder	Number of Shares	Percentage held
Sean Budnik	160,000,000	37.23%
Michel Lebeuf	70,000,000	16.28%
Jean-François Lemay	80,000,000	18.62%
Michael Paul Clemann	80,000,000	18.62%

PART II **PARTICULARS OF MATTERS TO BE ACTED UPON**

PRESENTATION OF FINANCIAL STATEMENTS

Avalon’s audited consolidated financial statements for the financial years ended on August 31, 2018 and August 31, 2017 and the reports of the auditors thereon will be placed before you at the Meeting. A copy of these financial statements, together with the auditor’s reports thereon are mailed to the Shareholders with this Circular.

ELECTION OF DIRECTORS

Avalon’s articles of incorporation provide that Avalon’s board of directors (the “**Board**”) shall consist of a minimum of three (3) directors and a maximum of eleven (11) directors. The Board currently consists of one director.

The management representatives named in the enclosed form of proxy intend to vote FOR the election of the six (6) nominees whose names are set forth below on any ballot that may be called for, unless authority to do so is withheld.

Avalon's management does not contemplate that any of the nominees will be unable to serve as a director. A Board of six directors is to be elected at the Meeting to serve until the next annual general meeting of the Corporation, or until their successors are elected or appointed.

The following is a table of information about the nominees:

Name, Municipality of Residence and Position with Corporation	Present Principal Occupation	<i>Director Since</i>	<i>Shares Owned</i>
Michael Paul Clemann, Gatineau, QC, Chairman of the Board, President, CEO, CFO, Corporate Secretary	Mr Michael Paul Clemann was appointed as director on October 8, 2008 and is President, Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Corporation since 2009. Mr. Clemann is currently the President of FX Capital Ltd. a Canadian based private consulting Corporation, and has gained experience in corporate finance and public companies through his work at several Canadian and Swiss based banking and investment houses over the past twenty five years. Mr. Clemann who is currently a director, President, Chief Executive officer, Chief Financial Officer and Corporate Secretary has been determined to not be independent within the meaning of NI 58-101. Mr. Clemann has been a board member of Avalon since 2008 and Big Red Diamond Corp. since 2009.	October 8, 2008	80,000,000
Michel Lebeuf Jr., Montréal, QC, Director	Me Michel Lebeuf Jr, lawyer, practices primarily in securities, particularly in the areas of natural resources, institutional and corporate financing, and public and private mergers and acquisitions. He represents public companies, securities brokers, buyers, sellers, bankers, and financial advisors. He provides strategic advice on access to public capital markets, securities, and structured products. Over the past years, Me Lebeuf has worked for many mining projects in Africa (Democratic Republic of Congo, Ethiopia, Angola, etc.) and his services are regularly used by mining developers, mining companies, and investment banking companies eager to develop mining projects in these countries. Michel Lebeuf who serves as lawyer to the Corporation, has been determined to not be independent within the meaning of NI 58-101.	Proposed director	70,000,000

<p>Andrew O’Neil,, Ottawa, ON Director</p>	<p>Andrew O’Neil is a wholesale dealer in the automotive industry, importing and exporting within both the American and Canadian markets. Mr. O’Neil is also quite active in the Forex market, in the Canada-US border trade consulting and he is an advisor in the Canadian residential real estate development business.</p>	<p>Proposed director</p>	<p>None</p>
<p>Éric Latrémouille, Carleton Place, ON Director</p>	<p>Eric Latremouille is an IT Consultant in the arena of Computer security, cybersecurity and information technology security. With over 25 years of experience in the private consulting with SME in the field of Information Technology in Canada, Mr Latremouille has added value in its field by optimizing IT processes to maximize and utilize digitizing methods to increase profitability and minimize cyber risks.</p>	<p>Proposed director</p>	<p>None</p>
<p>Véronique Laberge, Montréal, QC, Director</p>	<p>After obtaining a Bachelor of Business Administration with a major in accounting, Mrs Laberge began her career in 2005 working in an accounting firm. In this role, she provided assurance services to various private sector companies. She subsequently accepted a management position in the professional services field, where she gained insight into the world of business. Mrs Laberge decided to return to professional accounting in 2018, setting up her own practice. She is a chartered professional accountant and auditor with more than 12 years of hands-on experience. Véronique Laberge, who serves as internal CPA of the Corporation, has been determined to not be independent within the meaning of NI 58-101.</p>	<p>Proposed director</p>	<p>None</p>
<p>Sabrina Lesage, Ottawa, ON, Director</p>	<p>Sabrina Lesage is the CFO of FX Capital Ltd and related companies. With a business degree from University of Ottawa, Ms Lesage is a senior advisor in the areas of residential real estate investment, mezzanine financing and hospitality accounting. Sabrina Lesage who serves as employee of an affiliate of the Corporation has been determined to not be independent within the meaning of NI 58-101.</p>	<p>Proposed director</p>	<p>None</p>

Recommendation of the Board

The Corporation’s management recommends that shareholders vote in favor of the nominees for election as directors. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the election of the six nominees as directors of the Corporation for the ensuing year.**

Corporate Cease Trade Orders, Bankruptcy, Penalties and Sanctions

To the Corporation’s knowledge, save and except as disclosed elsewhere herein, no existing or proposed director, officer, promoter or other member of management of the Corporation is, or within the ten years prior to the date hereof has been, a director, officer, promoter or other member of management of any other Corporation that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that Corporation;

- (a) was the subject of a cease trade order or similar order or an order that denied the Corporation access to any statutory exemptions for a period of more than 30 consecutive days; or

- (b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter

Michel Lebeuf Jr. was named director of Bitumen Capital Inc. (TSXV-BTM.H), now named Goliath Resources Limited (“Goliath”), a capital pool Corporation listed on the NEX board of the TSX Venture Exchange during Goliath’s annual general meeting in February 2017, in order to meet the requirements of the Canada Business Corporation Act of at least three directors on the board. On May 8, 2017, Goliath, having not enough cash to pay the audit of its annual financial statements was unable to file in due time said annual audited financial statements and received a cease trade in the Provinces of Quebec and Ontario. Michel Lebeuf Jr. has resigned from the Board of directors of Goliath as of October 10th, 2017.

Penalties or Sanctions

To the Corporation’s knowledge, no existing or proposed director, officer, promoter or other member of management of the Corporation has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded Corporation, or involving fraud or theft.

Personal Bankruptcies

To the Corporation’s knowledge, save and except as described hereinafter, no existing or proposed director, officer, promoter or other member of management of the Corporation has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

On February 3rd, 2017 Michel Lebeuf Jr. filed a proposal with his creditors; such proposal was accepted by the Superior Court of Quebec on March 16, 2017. This proceeding was due to many contractual engagements taken by Mr. Lebeuf (namely for acting as personal guarantee) to various loans regarding his previous law firm Brière & Lebeuf Inc.

Conflicts Of Interest

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interest of the Corporation and to disclose any interests which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of the Corporation’s knowledge, there are no known existing or potential conflicts of interest among the Corporation and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management may from time to time serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of those other companies.

RATIFICATION OF ACTS OF DIRECTORS

Shareholders will be asked to ratify and approve all acts and deeds of directors, acting in good faith on behalf of the Corporation, since the last annual meeting of the Corporation’s Shareholders.

Recommendation of the Board

The Corporation recommends that Shareholders vote in favor of the resolution ratifying and approving acts and deeds of directors. **Unless you give instructions otherwise, the persons named in form of proxy intend to vote FOR the approval of the ratification of acts and deeds of directors.**

APPOINTMENT OF AUDITORS

Avalon's management proposes to appoint Brunet Roy Dubé, CPA S.E.N.C.R.L., as Avalon's auditor to hold office until the next annual meeting of Shareholders.

Recommendation of the Board

The Corporation recommends that Shareholders vote in favor of the resolution approving the proposed Auditors. **Unless you give other instructions, the persons named in the form of proxy intend to vote FOR the appointment of proposed auditors.**

AUDIT COMMITTEE CHARTER

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Audit Committee Resolution**") approving the charter of the Corporation's audit committee (the "**Audit Committee Charter** ") attached as Schedule A to this Circular.

Recommendation of the Board

The Corporation recommends that Shareholders vote in favor of the Audit Committee Charter Resolution. **Unless you give other instructions, the persons named in the form of proxy intend to vote FOR the Audit Committee Charter Resolution.**

STOCK OPTION PLAN

Management is seeking shareholder approval for the adoption of the stock option plan (the "**Stock Option Plan**") and the approval of the number of shares reserved for issuance under the Stock Option Plan in accordance with and subject to the rules and policies of the TSX Venture Exchange (the "**TSX V**"). The board of directors of the Corporation has established an incentive Stock Option Plan reserving a rolling 5% of the issued and outstanding shares of the Corporation from time to time. The purpose of the Stock Option Plan is to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Corporation and reduce the cash compensation the Corporation would otherwise have to pay.

A full copy of the Stock Option Plan is available upon request for review by shareholders. Shareholders may also obtain copies of the Stock Option Plan from the Corporation prior to the meeting on written request. The following is a summary of the material terms of the Stock Option Plan:

The Stock Option Plan of the Issuer (the "**Stock Option Plan**") was adopted in March 31, 2000 and amended to TSX-V (the "**Exchange**") standards in 2003. The Stock Option Plan is designed to attract and retain highly qualified directors, officers, employees and consultants.

As of the date hereof, from the 3,722,000 Common Shares reserved under the Stock Option Plan, no options to purchase Common Shares are issued and/or outstanding.

Number of Shares Reserved. The total number of Common Shares issuable under options granted pursuant to the Stock Option Plan is 3,722,000. The maximum number of Common Shares under options issuable in the aggregate to one person under the Stock Option Plan or any other plan cannot exceed 5% of the number of issued and outstanding shares at the time of grant.

Under the Stock Option Plan, the Board of Directors is authorized to grant from time to time options to purchase Common Shares and to determine the beneficiary of these grants among the Issuer's directors, officers, employees, executives and service providers on a continuous basis, as well as determine the number of Common Shares affected by each option, the vesting date, the exercise price and the expiration date for each option and any other related matter.

Maximum Term of Options. The term of any options granted under the Stock Option Plan is fixed by the Board of Directors (as this term is defined in the Stock Option Plan) and may not exceed ten years from the date of grant. Options under the Plan are non-assignable

Exercise Price. The Board of Directors determines the exercise price per option and the number of options which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange. The price per option set by the Board of Directors shall not be less than the last price at which a full board lot of Common Shares was, on the last business day prior to the date on which such option is granted, traded on the Exchange or such other principal market on which the Common Shares are then traded, less the applicable discount permitted (if any) by such applicable exchange or market.

Termination. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Issuer, or its subsidiary, the option of the holder shall be limited to the number of shares purchasable by him immediately prior to the time of his cessation of office or employment and he will have no right to purchase any other shares. Options must be exercised within 90 days of termination of employment or cessation of position with the I, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option.

Administration. The Stock Option Plan is administered by the Board of Directors of the Corporation or senior officer or employee to which such authority is delegated by the Board from time to time.

Board Discretion. The Stock Option Plan provides that, generally, the number of shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable, including vesting schedules, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Corporation or senior officer or employee to which such authority is delegated by the Board from time to time and in accordance with TSX-V requirements.

Shareholders will be asked to approve the following resolution:

“BE IT RESOLVED:

- 1. that the Stock Option Plan be and the same is hereby adopted and approved and that the directors of the Corporation be and are hereby authorized to make such amendments or revisions to the Stock Option Plan from time to time, without further shareholder approval, as may be required by the TSX Venture Exchange or any other stock exchange upon which the Corporation's shares may be listed for trading in order to cause the Stock Option Plan to fully comply with the requirements of the of such exchange and to fully carry out this resolution;*
- 2. all options to acquire common shares of the Corporation previously issued by the Corporation to directors, officers, employees and consultants of the Corporation or any subsidiary of the Corporation and currently outstanding shall be deemed to have been granted and issued under the Stock Option Plan and otherwise be governed by the terms and conditions of the Stock Option Plan, subject to the specific terms and conditions as to exercise price, vesting periods, if any, and expiry dates as are currently applicable to such options; and*
- 3. the reservation under the Stock Option Plan of a maximum up to the amount of 5% of the issued shares of the Corporation on a rolling basis, at the time of granting of the stock option pursuant to the Stock Option Plan be and the same is hereby approved.”*

Recommendation of the Board

The Corporation's management recommends that shareholders vote in favor of the resolution to ratify and approve the Stock Option Plan. **Unless you give instructions otherwise, the Management Proxy holders intend to vote FOR the approval and ratification of the Stock Option Plan.**

APPROVAL OF THE ISSUANCE OF COMMON SHARES WITH RESPECT TO VARIOUS DEBT SETTLEMENTS

Following advisory services rendered in 2018, the Corporation owes Ansacha Capital Inc. an amount of \$57,487.50 taxes included.

Following administrative services rendered from June 2015 to June 2018, the Corporation owes FX Capital Ltd. an amount of \$146,900.00 taxes included.

Ansacha Capital Inc. and FX Capital Ltd. together are defined as the "**Corporation's Creditors**".

The Corporation intends to enter into two (2) agreements (the "**Debt Settlement Agreements**") pursuant to which it will settle (i) an amount of \$57,487.50 owed to Ansacha Capital Inc. by the issuance of 114,975,000 common shares, and (ii) an amount of \$146,900,00.00 to FX Capital Ltd. by the issuance of 293,800,000 common shares, for a total of \$204,387.50 of debt, through the issuance of a total of 408,775,000 common shares of the Corporation (each a "**Share**") issued at a price of \$0.0005 per Share (the "**Debt Settlement**");

Under the Debt Settlement Agreements, the Corporation would issue the following common shares to the following creditors:

Creditor	Amount of the debt to be converted	Number of Shares
Ansacha Capital Inc.	\$57,487.50	114,975,000 Shares
FX Capital Ltd.	\$146,900	293,800,000 Shares
Total	\$204,387.50	408,775,000

Minority Approval of the Debt Settlement

As a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario, the Corporation is subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority shareholders. The Debt Settlement is a "related party transaction" under MI 61-101, and as such, MI 61-101 imposes certain Shareholder approval requirements on the Corporation in respect thereof.

As a result, this special resolution must be approved by: (i) an affirmative vote of at least two-thirds (66 2/3%) of the votes cast at the Meeting in person or by proxy; and (ii) an affirmative vote of a simple majority of the votes cast by all shareholders, present in person or represented by proxy at the Meeting, other than with respect to Common Shares beneficially owned, or over which control or direction is exercised, by: (a) the Corporation; (b) any "interested party" (as defined in MI 61-101); (c) any related party of an interested party; and (d) any person that is a "joint actor" (as defined in MI 61-101) with any person referred to in (b) or (c) above in respect of the related party transaction (collectively, the "Excluded Shareholders"). Based on the above, to the knowledge of the Corporation, there are no Excluded Shareholders that are required to be excluded for purposes of "minority approval" in accordance with MI 61-101.

The information contained above, not being within the knowledge of the Corporation, has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities.

Although the Corporation has no knowledge that would indicate any of the information taken from or based upon such documents and records is untrue, the Corporation does not assume any responsibility for the accuracy or completeness of the information taken from or based upon such documents, records and sources, or for any failure by any person to disclose events that may have occurred or may affect the significance or accuracy of any such information but that are unknown to us.

Valuation

Since the Debt Settlement is a “related party transaction” under MI 61-101, it is subject to a valuation requirement. However, the Corporation is relying on an exemption from the valuation requirement provided for under paragraph 5.5(b) of MI 61-101 as the Corporation’s securities are not listed or quoted on any stock exchange listed under such paragraph.

Recommendation of the Board

The Board recommends that shareholders vote in favor of the special resolution authorizing the directors to proceed to the Debt Settlement by the issuance of a total of 408,775,000 common shares to the Corporation’s creditors. **Unless you give instructions otherwise, the Management Proxy holders intend to vote FOR the special resolution to proceed to a debt settlement.**

CONSOLIDATION OF SHARES

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Consolidation Resolution**”) giving authority to the Corporation’s board of directors to give effect to a consolidation of all of the issued and outstanding common shares of the Corporation on the basis of up to one (1) new common share of the Corporation for a hundred (100) existing common shares of the Corporation and left up to the Board’s discretion;

The Corporation has an authorized capital consisting of an unlimited number of shares without par value of which 838,517,200 shares (giving that the Debt Settlement, as set forth above, has been approved by the shareholders) are currently issued and outstanding (the “**Shares**”).

The Corporation is proposing to consolidate its issued and outstanding Shares on an up to one post-consolidation Share for every ten pre-consolidation Shares (100:1) basis (the “**Consolidation**”), subject to the approval of Shareholders by way of special resolution.

Reasons for the Consolidation

The Board of Directors of the Corporation (the “**Board**”) believes it is in the best interests of the Corporation to reduce the number of outstanding Shares by way of the Consolidation and that the Consolidation will improve the Corporation’s ability to attract shareholders in the future.

Effect of the Consolidation

As a result of the Consolidation, the number of issued and outstanding Shares will be approximately 8,385,172. No fractional Shares will be issued to Shareholders as a result of the Consolidation. The number of Shares issued to Shareholders as a result of the Consolidation shall be rounded up to the nearest whole Share in the event that a Shareholder would otherwise be entitled to a fractional Share representing 0.5 or more of a Share as a result of the Consolidation, and shall be rounded down to the nearest whole Share in the event that a Shareholder would otherwise be entitled to a fractional Share representing less than 0.5 of a Share as a result of the Consolidation. No compensation will be issued to Shareholders as a result of rounding down.

If the Consolidation is approved by Shareholders and implemented by the Board, the registered Shareholders will be required to exchange their Share certificates representing pre-Consolidation Shares for new Share certificates representing post-Consolidation Shares. A letter of transmittal will further then be sent by the Transfer Agent to each

registered Shareholder. The letter of transmittal will contain instructions on how to surrender Share certificate(s) representing pre-Consolidation Shares to the Transfer Agent should the Consolidation be approved at the Meeting. The Transfer Agent will forward to each registered Shareholder who has sent the required documents a new Share certificate representing the number of post-Consolidation Shares to which the Shareholder is entitled. Until surrendered, each Share certificate representing pre-Consolidation Shares will be deemed for all purposes to represent the number of whole post-Consolidation Shares to which the holder is entitled as a result of the Consolidation. Shareholders should not destroy any Share certificate(s) and should not submit any Share certificate(s) until requested to do so.

If the Consolidation is approved by the Shareholders and implemented by the Board, the number of Shares underlying the issued and outstanding warrants of the Corporation and the exercise price thereof will be adjusted in accordance with the applicable warrant certificate and indenture.

Authority to Consolidate Common Shares

If this special resolution is passed at the Meeting, the Board of Directors shall have the sole and absolute authority to determine the timing and final ratio of the Consolidation and proceed to modify the articles of the Corporation to consolidate the common shares.

Minority Approval of the Consolidation

As a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario, the Corporation is subject to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”). MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority shareholders. The Consolidation is a “business combination” under MI 61-101, and as such, MI 61-101 imposes certain Shareholder approval requirements on the Corporation in respect thereof.

As a result, this special resolution must be approved by: (i) an affirmative vote of at least two-thirds (66 2/3%) of the votes cast at the Meeting in person or by proxy; and (ii) an affirmative vote of a simple majority of the votes cast by all shareholders, present in person or represented by proxy at the Meeting, other than with respect to Common Shares beneficially owned, or over which control or direction is exercised, by: (a) the Corporation; (b) any “interested party” (as defined in MI 61-101); (c) any related party of an interested party; and (d) any person that is a “joint actor” (as defined in MI 61-101) with any person referred to in (b) or (c) above in respect of the Consolidation (collectively, the “**Excluded Shareholders**”). Based on the above, to the knowledge of the Corporation, there are no Excluded Shareholders that are required to be excluded for purposes of “minority approval” in accordance with MI 61-101.

The information contained above, not being within the knowledge of the Corporation, has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities. Although the Corporation has no knowledge that would indicate any of the information taken from or based upon such documents and records is untrue, the Corporation does not assume any responsibility for the accuracy or completeness of the information taken from or based upon such documents, records and sources, or for any failure by any person to disclose events that may have occurred or may affect the significance or accuracy of any such information but that are unknown to us.

Valuation

Since the Consolidation is a “business combination” under MI 61-101, it is subject to a valuation requirement. However, the Corporation is relying on an exemption from the valuation requirement provided for under paragraph 4.4(a) of MI 61-101 as the Corporation’s securities are not listed or quoted on any stock exchange listed under such paragraph.

Recommendation of the Board

The Board recommends that shareholders vote in favor of the resolution of consolidation of all of the issued and outstanding common shares of the Corporation. **Unless you give instructions otherwise, the Management Proxy holders intend to vote FOR the consolidation of all issued and outstanding common shares of the Corporation.**

PART III
STATEMENT OF EXECUTIVE COMPENSATION

In this section, a Named Executive Officer (“NEO”) of Avalon means each of the following individuals: (a) a chief executive officer (“CEO”) of Avalon; (b) a chief financial officer (“CFO”) of Avalon; (c) each of Avalon’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(5) of the Canadian Securities Administrators’ Form 51-102F6, for that financial year; and (d) each individual who would be a NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of Avalon, nor acting in a similar capacity, at the end of that financial year. During the financial year ended August 31, 2018, Avalon had one (1) NEO, namely, Michael Paul Clemann¹, the President, Secretary, CEO, CFO and director. The Issuer is reviewing and adjusting its current business strategies in seeking out new opportunities that best suit Avalon and its shareholders. In doing so, the Issuer intends to put in place compensation arrangements for certain officers who assist in achieving those objectives of the Issuer resulting in the following annual salaries:

All dollar amounts referenced herein are in Canadian dollars unless otherwise specified.

Summary Compensation Table

The following table provides a summary of compensation paid, directly or indirectly, for each of the two most recently completed financial years to the Named Executive Officers and the directors of Avalon:

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES ^[1]							
Name and position	Financial Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Michael Paul Clemann	2017-2018	0	0	0	0	0	0
	2016-2017	0	0	0	0	0	0

Notes: (1) This table does not include any amount paid as reimbursement for expenses.

Stock Options and Other Compensation Securities

There were no Stock Options or Other Compensation Securities granted or issued to any Board Members or Named Executive Officers for the financial years ending August 31, 2017 and August 31, 2018. No Compensation Securities were exercised by any Named Executive Officer or any director of Issuer during its most recently completed financial year.

Stock Option Plan and other Incentive Plans

The Stock Option Plan of the Issuer (the “**Stock Option Plan**”) was adopted in March 31, 2000 and amended to TSX-V (the “**Exchange**”) standards in 2003. The Stock Option Plan is designed to attract and retain highly qualified directors, officers, employees and consultants. The total number of Common Shares issuable under options granted pursuant to the Stock Option Plan is 3,722,000. The maximum number of Common Shares under options issuable in

¹ Michael Paul Clemann was appointed Director on October 8, 2008 and President, CEO and CFO following the resignation of all the other directors of Avalon, namely Simon Phaneuf, Jean-Guy Lambert and Marc Gagnon in 2009.

the aggregate to one person under the Stock Option Plan or any other plan cannot exceed 5% of the number of issued and outstanding shares at the time of grant. Under the Stock Option Plan, the Board of Directors is authorized to grant from time to time options to purchase Common Shares and to determine the beneficiary of these grants among the Issuer's directors, officers, employees, executives and service providers on a continuous basis, as well as determine the number of Common Shares affected by each option, the vesting date, the exercise price and the expiration date for each option and any other related matter. The Board of Directors determines the exercise price per option and the number of options which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange. The price per option set by the Board of Directors shall not be less than the last price at which a full board lot of Common Shares was, on the last business day prior to the date on which such option is granted, traded on the Exchange or such other principal market on which the Common Shares are then traded, less the applicable discount permitted (if any) by such applicable exchange or market. Options under the Plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Issuer, or its subsidiary, the option of the holder shall be limited to the number of shares purchasable by him immediately prior to the time of his cessation of office or employment and he will have no right to purchase any other shares. Options must be exercised within 90 days of termination of employment or cessation of position with the I, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option.

As of the date hereof, from the 3,722,000 Common Shares reserved under the Stock Option Plan, no options to purchase Common Shares are issued and/or outstanding.

Employment, Consulting and Management Agreements

There are no employment, consulting or management agreements.

Oversight and Description of Director and Named Executive Officer Compensation

Compensation of Directors

The Issuer is in the process of establishing a policy with respect to compensation of directors for their services. The Board of Directors intends to conduct a review of relevant sized companies operating in similar industries and expects to establish a compensation policy that is in line with the mid-range of such sample group of other companies. During the most recently completed financial year the directors were not provided with any compensation.

Compensation of Named Executive Officers

To date the compensation for the directors and senior executive officers has been reviewed and determined by the Board of Directors as a whole. The Board of Directors has not adopted a policy with respect to the compensation of directors. The Board of Directors will review the compensation of the senior executive officers with a view to ensuring compensation levels are commensurate with responsibilities.

Base Salary

The base salary for Mr Clemann is CAD \$15,000 per annum.

Annual Incentives

The bonus or incentive compensation for Mr Clemann is CAD \$15,000 per annum.

Compensation and Measurements of Performance

It is the intention of the Board to approve targeted amounts of annual incentives for each Named Executive Officer at the beginning of each financial year. The targeted amounts will be determined by the Board based on a number of factors, including comparable compensation of similar companies.

Long Term Compensation

The Issuer currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Stock Option Plan.

Pension Disclosure

There are no pension plan benefits in place for the Named Executive Officers or the directors of Avalon or the Issuer.

PART IV **AUDIT COMMITTEE**

1. The Audit Committee's Charter

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

2. Composition of the Audit Committee

The members of the Corporation's Audit Committee are set out below:

Michael Paul Clemann	President, Chief Executive Officer, Chief Financial Officer, Corporate Secretary & Director	Financially Literate ⁽²⁾
Andrew O'Neil ⁽¹⁾	Director	Financially Literate ⁽²⁾
Éric Latrémouille ⁽¹⁾	Director	Financially Literate ⁽²⁾

Notes: (1) Andrew O'Neil and Eric Latremouille are independent members of the audit committee. A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Relevant Education and Experience

Each member of the Corporation's present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

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

Mr Michael Paul Clemann, President, Chief Executive Officer, Chief Financial Officer, Corporate Secretary & Director

Mr Michael Paul Clemann was appointed as director on October 8, 2008 and is President, Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Corporation since 2009. Mr. Clemann is currently the President of FX Capital Ltd. a Canadian based private consulting Corporation, and has gained experience in corporate finance and public companies through his work at several Canadian and Swiss based banking and investment houses over the past twenty five years. Mr. Clemann who is currently a director, President, Chief Executive officer, Chief Financial Officer and Corporate Secretary has been determined to not be independent within the meaning of NI 58-101. Mr. Clemann has been a board member of Avalon since 2008 and Big Red Diamond Corp. since 2009.

Mr. Andrew O'Neil

Andrew O'Neil is a wholesale dealer in the automotive industry, importing and exporting within both the American and Canadian markets. Mr. O'Neil is also quite active in the Forex market, in the Canada-US border trade consulting and he is an advisor in the Canadian residential real estate development business.

Mr. Éric Latremouille

Eric Latremouille is an IT Consultant in the arena of Computer security, cybersecurity and information technology security. With over 25 years of experience in the private consulting with SME in the field of Information Technology in Canada, Mr Latremouille has added value in its field by optimizing IT processes to maximize and utilize digitizing methods to increase profitability and minimize cyber risks.

4. Audit Committee Oversight

The Audit Committee can, among other things, make recommendations to the Board of Directors to nominate or compensate an external auditor. As of the date of this Prospectus, the Audit Committee has not made any such recommendations for the Board to consider.

5. Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year, the Corporation has relied on:

- a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110, or
- b) an exemption from this Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

6. Pre-Approval Policies and Procedures

In carrying out its duties, the Audit Committee must meet with the Corporation's executives responsible for finance and its external auditors to examine issues relating to the presentation of the financial information, accounting practices, the internal accounting system and the financial controls, auditing procedures and programs. It also oversees and evaluates the efficiency and the integrity of the internal control and management information systems. It is further responsible for reviewing the Corporation's quarterly and annual financial statements, as well as all other public disclosure documents containing financial information, before they are approved by the Board of Directors, and for examining together with management and, as the case may be, the external auditors, any discrepancies between the accounting practices and any other financial matters judged appropriate before publication.

The Audit Committee is also responsible for the quality control of the auditing services provided by the Corporation's external auditors, the pre-approval of the mandate and audit fees for the non-related audit services and to ensure itself for the external auditors' independence and for making recommendations to the Board of Directors regarding the appointment of the external auditors or the renewal of their mandate.

7. External Auditor Service Fees (By Category)

The following table lists by category the fees invoiced to date by the Corporation' external auditors for the fiscal years ended August 31, 2018 and 2017.

Type of Fees	2017	2018
Audit fees	\$15,377.91	\$15,377.91
Fees for audit-related services	\$1,437.19	\$1,437.19
Fees for tax services	Nil	Nil
Other fees	Nil	Nil
Total	\$16,815.10	\$16,815.10

8. Exemption

The Corporation is a venture issuer and is relying upon the exemption in section 6.1 of the Instrument NI 52-110.

PART V **CORPORATE GOVERNANCE DISCLOSURE**

1. **Board of Directors** — Disclose how the board of directors (the “**Board**”) facilitates its exercise of independent supervision over management:

A director is considered "independent" if he/she has no direct or indirect material relationship with Avalon Works Corp. (the “**Corporation**”). A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. There are also certain circumstances which are deemed to establish a "material relationship" for the purpose of determining independence under National Instrument 58-101 (“**NI 58-101**”). With respect to the persons proposed to be nominated for election as a director at the following shareholder meeting, Éric Latrémouille and Andrew O’Neil have been determined to be independent within the meaning of NI 58-101. Michael Paul Clemann who serves as President, Chief Executive Officer, Corporate Secretary and Chief Financial Officer and Véronique Laberge, who serves as internal CPA of the Corporation, Sabrina Lesage who serves as employee of an affiliate of the Corporation and Michel Lebeuf who serves as lawyer to the Corporation, have been determined to not be independent within the meaning of NI 58-101.

i. **the identity of directors that are independent, and**

Mr. Andrew O’Neil

Andrew O’Neil is a wholesale dealer in the automotive industry, importing and exporting within both the American and Canadian markets. Mr. O’Neil is also quite active in the Forex market, in the Canada-US border trade consulting and he is an advisor in the Canadian residential real estate development business.

Mr. Éric Latrémouille

Eric Latremouille is an IT Consultant in the arena of Computer security, cybersecurity and information technology security. With over 25 years of experience in the private consulting with SME in the field of Information Technology in Canada, Mr Latremouille has added value in its field by optimizing IT processes to maximize and utilize digitizing methods to increase profitability and minimize cyber risks.

ii. **the identity of directors who are not independent, and the basis for that determination.**

Mr Michael Paul Clemann, President, Chief Executive Officer, Chief Financial Officer, Corporate Secretary & Director

Mr Michael Paul Clemann was appointed as director on October 8, 2008 and is President, Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Corporation since 2009. Mr. Clemann is currently the President of FX Capital Ltd. a Canadian based private consulting company, and has gained experience in corporate finance and public companies through his work at several Canadian and Swiss based banking and investment houses over the past twenty five years. Mr. Clemann who is currently a director, President, Chief Executive officer, Chief Financial Officer and Corporate Secretary has been determined to not be independent within the meaning of NI 58-101. Mr. Clemann has been a board member of Avalon since 2008 and Big Red Diamond Corp. since 2009.

Me. Michel Lebeuf Jr

Me Michel Lebeuf Jr, lawyer, practices primarily in securities, particularly in the areas of natural resources, institutional and corporate financing, and public and private mergers and acquisitions. He represents public companies, securities brokers, buyers, sellers, bankers, and financial advisors. He provides strategic advice on access to public capital markets, securities, and structured products. Over the past years, Me Lebeuf has worked for many mining projects in Africa (Democratic Republic of Congo, Ethiopia, Angola, etc.) and his services are regularly used by mining developers, mining companies, and investment banking companies eager to develop mining projects in these countries.

Mrs. Véronique Laberge

After obtaining a Bachelor of Business Administration with a major in accounting, Mrs Laberge began her career in 2005 working in an accounting firm. In this role, she provided assurance services to various private sector companies. She subsequently accepted a management position in the professional services field, where she gained insight into the world of business. Mrs Laberge decided to return to professional accounting in 2018, setting up her own practice. She is a chartered professional accountant and auditor with more than 12 years of hands-on experience.

Mrs. Sabrina Lesage

Sabrina Lesage is the CFO of FX Capital Ltd and related companies. With a business degree from University of Ottawa, Ms Lesage is a senior advisor in the areas of residential real estate investment, mezzanine financing and hospitality accounting.

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.

The following directors of the Corporation are presently directors of other issuers that are reporting issuers (or the equivalent):

Name of Director

Name of Other Issuers

Mr Michel Lebeuf

Tantalex Resources Corporation

- 3. Orientation and Continuing Education** — 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.

Due to the size of the Board, no formal program currently exists for the orientation of new Directors. Each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation regarding (a) the role of the Board, its committees and its directors, and (b) the nature and operations of the Corporation's business, will be necessary and relevant to each new director.

No formal continuing education program currently exists for the Corporation's directors. Each of the Corporation's directors has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. The Corporation's legal counsel advises the Board on any changes in laws or regulations relevant to the duties and responsibilities of directors.

- 4. Ethical Business Conduct** — Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.

The Corporation is committed to conducting business in an ethical manner. To that end, the Board of Directors has adopted a code of conduct which requires all directors, officers, employees and consultants to conduct the business of the Corporation in strict compliance with both the letter and spirit of all applicable laws and in full adherence with the highest standards of business integrity and ethics. This Code of Ethics is available at www.sedar.com.

- 5. Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for Board nomination, including:

The independent members of the Board of Directors have and will continue to form *ad hoc* committees for making recommendations to the Board of Directors with respect to proposing new candidates when new directors are to be elected

- 6. Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

To date the compensation for the directors and senior executive officers has been reviewed and determined by the Board of Directors as a whole. The Board of Directors has not adopted a policy with respect to the compensation of directors. The Board of Directors will review the compensation of the senior executive officers with a view to ensuring compensation levels are commensurate with responsibilities.

- 7. Other Board Committees** — If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board currently does not have any standing committees other than the Audit Committee.

- 8. Assessments** — Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.

The Board of Directors has not implemented any formal policy or structure to assess its effectiveness but may do so in the future if it is thought to be in the best interests of the Corporation and its shareholders.

PART VI
OTHER MATTERS

Avalon's management knows of no other matter to come before the Meeting other than the matters referred to in the Notice of the Meeting. If any matters that are not now known properly come before the Meeting, the acCorporationing proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it. There are no other material facts other than as disclosed in this Circular.

PART VII
ADDITIONAL INFORMATION

Additional information concerning Avalon, including its interim and annual financial statements and related management's discussion and analysis, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) accessible at www.sedar.com.

Avalon's director has approved the contents and sending of this Circular.

DATED in Montreal, QC on November 25, 2019.

Michael Paul Clemann, President, CEO and CFO

SCHEDULE "A"
AVALON WORKS CORP.

AUDIT COMMITTEE CHARTER

1. Mandate and Purpose of the Committee

The Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Avalon Works Corp. (the "**Corporation**") is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements, as they relate to the Corporation's financial statements;
- (c) the qualifications, independence and performance of the Corporation's auditor;
- (d) internal controls and disclosure controls;
- (e) the performance of the Corporation's internal audit function;
- (f) consideration and approval of certain related party transactions; and
- (g) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Authority

The Committee has the authority to:

- (a) engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and
- (b) communicate directly with the Corporation's auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

3. Composition and Expertise

The Committee shall be composed of a minimum of three members, each of whom is a director of the Corporation. The majority of the Committee's members must not be officers or employees of the Corporation or an affiliate of the Corporation.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next annual meeting of shareholders or until they are removed by the Board or cease to be directors of

the Corporation.

The Board shall appoint one member of the Committee to act as Chairman of the Committee. If the Chairman of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

4. Meetings

Any member of the Committee or the auditor may call a meeting of the Committee. The Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties. The Chairman shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 72 hours (excluding holidays) prior to the time fixed for such meeting. The Corporation's auditor shall be given notice of every meeting of the Committee and, at the expense of the Corporation, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Corporation's auditor shall attend every meeting of the Committee held during the term of office of the Corporation's auditor.

A majority of the Committee who are not officers or employees of the Corporation or an affiliate of the Corporation shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Business may also be transacted by the unanimous written consent resolutions of the members of the Committee, which when so approved shall be deemed to be resolutions passed at a duly called and constituted meeting of the Committee.

The Committee may invite such directors, officers and employees of the Corporation and advisors as it sees fit from time to time to attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate.

The Committee shall appoint a Secretary who need not be a director or officer of the Corporation. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

5. Committee and Charter Review

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any guidelines recommended by regulators or the Canadian Securities Exchange and shall recommend changes to the Board thereon.

6. Reporting to the Board

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

7. Duties and Responsibilities

(a) Financial Reporting

The Committee is responsible for reviewing and recommending approval to the Board of the Corporation's annual and interim financial statements, any auditor's report thereon, MD&A and related news releases, before they are published.

The Committee is also responsible for:

- (i) being satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;
- (ii) engaging the Corporation's auditor to perform a review of the interim financial statements and receiving from the Corporation's auditor a formal report on the auditor's review of such interim financial statements;
- (iii) discussing with management and the Corporation's auditor the quality of applicable accounting principles and financial reporting standards, not just the acceptability of thereof;
- (iv) discussing with management any significant variances between comparative reporting periods; and
- (v) in the course of discussion with management and the Corporation's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

(b) Auditor

The Committee is responsible for recommending to the Board:

- (i) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the

Corporation; and

- (ii) the compensation of the Corporation's auditor.

The Corporation's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Corporation's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the Corporation's auditor regarding financial reporting.

(c) **Relationship with the Auditor**

The Committee is responsible for reviewing the proposed audit plan and proposed audit fees. The Committee is also responsible for:

- (i) establishing effective communication processes with management and the Corporation's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;
- (ii) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;
- (iii) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor; and
- (iv) meeting in camera with the auditor whenever the Committee deems it appropriate.

(d) **Accounting Policies**

The Committee is responsible for:

- (i) reviewing the Corporation's accounting policy note to ensure completeness and acceptability with applicable accounting principles and financial reporting standards as part of the approval of the financial statements;
- (ii) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;
- (iii) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;

- (iv) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and
- (v) discussing with management and the auditor the clarity and completeness of the Corporation's financial disclosures.

(e) **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

- (i) uncertainty notes and disclosures; and
- (ii) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Corporation's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee such policies for implementation and ongoing monitoring.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Corporation and how effectively they are managed or controlled.

(f) **Controls and Control Deviations**

The Committee is responsible for reviewing:

- (i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and
- (ii) major points contained in the auditor's management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

(g) **Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Corporation's compliance with financial related laws and regulations, such as:

- (i) tax and financial reporting laws and regulations;

- (ii) legal withholdings requirements;
- (iii) environmental protection laws; and
- (iv) other matters for which directors face liability exposure.

(h) **Related Party Transactions**

All transactions between the Corporation and a related party (each a "related party transaction"), other than transactions entered into in the ordinary course of business, shall be presented to the Committee for consideration.

The term "related party" includes (i) all directors, officers, employees, consultants and their associates (as that term is defined in the *Securities Act* (British Columbia), as well as all entities with common directors, officers, employees and consultants (each "general related parties"), and (ii) all other individuals and entities having beneficial ownership of, or control or direction over, directly or indirectly securities of the Corporation carrying more than 10% of the voting rights attached to all of the Corporation's outstanding voting securities (each "10% shareholders").

Related party transactions involving general related parties which are not material to the Corporation require review and approval by the Committee. Related party transactions that are material to the Corporation or that involve 10% shareholders require approval by the Board, following review thereof by the Committee and the Committee providing its recommendation thereon to the Board.

8. Non-Audit Services

All non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's auditor must be pre-approved by the Committee.

9. Submission Systems and Treatment of Complaints

The Committee is responsible for establishing procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee is responsible for reviewing complaints and concerns that are brought to the attention of the Chairman of the Audit Committee and for ensuring that any such complaints and concerns are appropriately addressed. The Committee shall report quarterly to the Board on the status of any complaints or concerns received by the Committee.

10. Procedure For Reporting Of Fraud Or Control Weaknesses

Each employee is expected to report situations in which he or she suspects fraud or is aware of any internal control weaknesses. An employee should treat suspected fraud seriously, and ensure that the situation is brought to the attention of the Committee. In addition, weaknesses in the internal control procedures of the Corporation that may result in errors or omissions in financial information, or that create a risk of potential fraud or loss of the Corporation's assets, should be brought to the attention of both management and the Committee.

To facilitate the reporting of suspected fraud, it is the policy of Corporation that the employee (the "whistleblower") has anonymous and direct access to the Chairman of the Audit Committee. Should a new Chairman be appointed prior to the updating of this document, the current Chairman will ensure that the whistleblower is able to reach the new Chairman in a timely manner. In the event that the Chairman of the Audit Committee cannot be reached, the whistleblower should contact the Chairman of the Board.

In addition, it is the policy of the Corporation that employees concerned about reporting internal control weaknesses directly to management are able to report such weaknesses to the Committee anonymously. In this case, the employee should follow the same procedure detailed above for reporting suspected fraud.

11. Hiring Policies

The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Corporation.