



Suite 300, 1055 West Hastings Street, Vancouver BC, V6E 2E9

MANAGEMENT INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 24, 2017

SOLICITATION OF PROXIES

This management information circular ("**Management Information Circular**") is furnished in connection with the solicitation of proxies by the management of EastCoal Inc. (the "**Company**" or "**EastCoal**") for use at the Annual and Special Meeting of Shareholders (the "**Meeting**") of the Corporation to be held at the offices of DG Barristers, Suite 428 – 755 Burrard Street, Vancouver, British Columbia, at 10 a.m. (Pacific time), for the purposes set out in the Notice of Meeting, and at any adjournment or adjournments thereof. Except to the extent otherwise herein stated, all information set forth herein is given as of October 27, 2017.

Shareholders who are unable to be present at the Meeting in person are requested to fill in, sign, date and return the enclosed proxy instrument to the Company's transfer agent and registrar, Computershare Investor Services Inc., no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting (namely, by 10 a.m., Pacific time, on November 22, 2017) or any adjournment thereof at which the proxy is to be used. Proxies delivered by regular mail should be addressed to Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Proxies delivered by facsimile must be sent to Computershare Investor Services Inc., Attention: Proxy Department, at (416) 263-9524 or toll free at 1 (866) 249-7775. To vote by Internet, visit the website address shown on the form of proxy provided. Follow the online voting instructions given to you and vote over the Internet referring to your holder account number and proxy access number provided on the form of proxy that was delivered to you. The Chair of the Meeting may waive or extend the proxy cut-off without notice. An addressed envelope accompanies this Management Information Circular and may be used for such purpose. The solicitation will be primarily by mail however proxies may be solicited by telephone or in writing by employees or designated agents of the Company. The Company may pay brokers or other persons holding common shares of the Company ("**Common Shares**") in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Management Information Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The Company will bear the cost of solicitation on behalf of management of proxies in the form furnished herewith.

APPOINTMENT AND REVOCATION OF PROXIES

The purpose of a proxy is to designate persons who will vote the proxy on a shareholder's behalf in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the Company (the "**Management Proxyholders**").

A shareholder has the right to appoint a person other than a Management Proxyholder, to represent the shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.

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

## VOTING BY PROXY

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Common Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

**If a shareholder does not specify a choice and the shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

## NON-REGISTERED HOLDERS

**The information set forth in this section is of significant importance to those shareholders of the Company who do not hold shares in their own name.**

The Meeting Materials (as defined below) are being sent to both registered and non-registered owners of Common Shares. If you are a non-registered owner, and the Company or its agent has sent these 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 Common Shares on your behalf.

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are “non-registered” shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. More particularly, a person is not a registered shareholder in respect of Common Shares which are held on behalf of that person (the “**Non-Registered Holder**”) but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and directors or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“**CDS**”)) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 (“**NI 54-101**”) of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, Management Information Circular and form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. The Company does not intend to pay for delivery of the Meeting Materials, including voting instructions in accordance with the requirements of NI 54-101, to objecting beneficial holders (as defined in NI 54-101), and as a result objecting beneficial holders will not receive the Meeting Materials or voting instructions unless their intermediary assumes the cost of delivery.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders.

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

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

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

## **EXERCISE OF DISCRETION**

The nominees named in the enclosed form of proxy will vote or withhold from voting the Common Shares represented thereby in accordance with the instructions of the shareholder on any ballot that may be called for. If a shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The proxy will confer discretionary authority on the nominees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified; and

- (b) any other matter, including amendments to any of the foregoing, as may properly come before the Meeting or any adjournment thereof.

**In respect of a matter for which a choice is not specified in the proxy, or unless otherwise provided in the proxy, the nominees named in the accompanying form of proxy will vote the Shares represented by the proxy for the approval of such matter.**

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

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Company is authorized to issue an unlimited number of Common Shares without par value, of which 7,804,024 Common Shares are issued and outstanding. Persons who are registered shareholders at the close of business on October 19, 2017 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each Common Share held. The Company has only one class of shares.

To the knowledge of the directors and executive officers of the Company, the only persons or companies who beneficially own, control or direct, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Company are as follows:

| <b>Name</b>              | <b>No. of Shares</b>     | <b>Percentage</b> |
|--------------------------|--------------------------|-------------------|
| Harington Global Limited | 1,556,787 <sup>(1)</sup> | 19.9%             |
| John Conlon              | 1,012,581 <sup>(2)</sup> | 13.0%             |
| Marc Murnaghan           | 1,000,000                | 12.8%             |

1) Previously known as Salida Strategic Growth Fund SARL.

2) Includes 1,007,910 and 1,190 Common Shares held by 1662287 Ontario Inc. and Webcon Equipment Inc., respectively.

## **RECEIPT OF FINANCIAL STATEMENTS**

The audited financial statements of the Company for the financial year ended December 31, 2016 together with auditor's report thereon and the accompanying management discussion and analysis, were filed on SEDAR at [www.sedar.com](http://www.sedar.com) on May 1, 2017.

## **ELECTION OF DIRECTORS**

The directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed form of proxy will be voted for the nominees herein listed.

The Company does not have an executive committee and is required to have an audit committee. Members of the audit committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows:

| Name, Jurisdiction of Residence and Position                                                                                                                      | Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years                                                                                                                                                                                                 | Previous Service as a Director | Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------|
| <b>Hendrik Dietrichsen<sup>(1)</sup></b><br>Newport, Isle of Wight<br>United Kingdom<br><i>Director, President, Chief Executive Officer and Company Secretary</i> | Director of AL&H Consultancy Ltd; Frog Ventures Ltd                                                                                                                                                                                                                                                              | Since June 2014                | Nil                                                                                                |
| <b>John Conlon<sup>(1)</sup></b><br>Toronto, Ontario<br>Canada<br><i>Non-Executive Chairman</i>                                                                   | Non-Executive Director of the Company; President of Webcon Investments, a mining and tunnel supply equipment company; Director of Golden Reign Resources Ltd.; Former Director of Western Canadian Coal Corporation; Former President and Owner of Webcon Equipment Inc. and Driftech mining equipment companies | Since June, 2008               | 1,012,581 <sup>(3)</sup>                                                                           |
| <b>Abraham Jonker<sup>(1)</sup></b><br>West Vancouver, British Columbia<br>Canada<br><i>Non-Executive Director</i>                                                | Non-Executive Director of the Company, Mandalay Resources Corporation, Golden Reign Resources Ltd. and Nevada Copper Corp. Former CFO of Cambrian Mining Plc; Former CFO of Western Coal Corp.                                                                                                                   | Since July, 2011               | 500,228 <sup>(4)</sup>                                                                             |

1) Member of the audit committee.

2) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of the Management Information Circular, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such Common Shares are held directly.

3) Includes 1,007,910 and 1,190 Common Shares held by 1662287 Ontario Inc. and Webcon Equipment Inc., respectively.

4) Includes 128 Common Shares held by Marlise Jonker.]

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the Directors and executive officers of the company acting solely in such capacity.

### Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Company, no proposed director:

- 1) is, as at the date of the Management Information Circular, or has been, within 10 years before the date of the Management Information Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any company (including the Company) that:
  - a) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or

- 2) is, as at the date of this Management Information Circular, or has been within 10 years before the date of the Management Information Circular, a director or executive officer of any company (but not including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- 3) has, within the 10 years before the date of this Management Information Circular, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- 4) 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
- 5) 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, provided that the Company has made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada).

The following directors of the Company hold directorships in other reporting issuers as set out below:

| Name of Director      | Name of Other Reporting Issuers                                                     |
|-----------------------|-------------------------------------------------------------------------------------|
| <b>John Conlon</b>    | Golden Reign Resources Ltd.                                                         |
| <b>Abraham Jonker</b> | Mandalay Resources Corporation, Nevada Copper Corp. and Golden Reign Resources Ltd. |

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Company does not have in place any formal objectives, criteria or analysis for determining or assessing the compensation of its executive officers and directors, nor does it have a compensation committee.

All compensation matters relating to officers and/or directors are being dealt with by the board of directors (the “**Board**”).

### Elements of Executive Compensation

During the financial year ended December 31, 2016, the Company did not incur any executive compensation.

### Compensation Risk

The Board and its Committees have not proceeded to an evaluation of the implications of the risks associated with the Company’s compensation policies and practices.

### Hedging of Economic Risks in the Company’s Securities

The Company has not adopted a policy to prohibit NEOs and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

### Option-based Awards

The Company's stock option plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX Venture Exchange, and closely align the interests of the executive officers with the interests of shareholders.

The Board as a whole has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

### Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Company for the most recently completed financial year for each of the CEO and the CFO as at December 31, 2016 and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at December 31, 2016 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year (collectively the "Named Executive Officers" or "NEOs").

| NEO Name and Principal Position                                                  | Year | Salary (\$) | Share-Based Awards (\$) | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) |                           | Pension Value (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|----------------------------------------------------------------------------------|------|-------------|-------------------------|--------------------------|---------------------------------------------|---------------------------|--------------------|-----------------------------|-------------------------|
|                                                                                  |      |             |                         |                          | Annual Incentive Plans                      | Long-term Incentive Plans |                    |                             |                         |
| <b>Hendrik Dietrichsen</b> <sup>(1)</sup><br>Director, CEO and Company Secretary | 2016 | Nil         | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | Nil                         | Nil                     |
|                                                                                  | 2015 | Nil         | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | Nil                         | Nil                     |
|                                                                                  | 2014 | 47,063      | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | Nil                         | 47,063                  |
| <b>Damien Forer</b> <sup>(2)</sup><br>CFO                                        | 2016 | Nil         | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | Nil                         | Nil                     |
|                                                                                  | 2015 | Nil         | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | Nil                         | Nil                     |
|                                                                                  | 2014 | 40,000      | N/A                     | Nil                      | N/A                                         | N/A                       | Nil                | 10,000                      | 50,000                  |

1) Mr. Hendrik Dietrichsen was appointed Company Secretary in April 2013, CEO in June 2014 and President in June 2015. He has been a consultant with the Company since June 2012 and also acted as General Counsel.

2) Mr. Damien Forer was appointed CFO on June 3, 2015. He was previously the Company's Corporate Controller since October 2012.

### Management Arrangements

Mr. Dietrichsen was appointed as Company Secretary effective April 22, 2013 and Chief Executive Officer effective June 23, 2014, for which he is currently not being remunerated. Mr. Dietrichsen was also appointed President effective June 3, 2015.

Mr. Forer was appointed as CFO effective June 3, 2015 for which he is currently not being remunerated.

### Incentive Plan Awards

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

### Material Terms of the Stock Option Plan

The board of directors of the Company implemented a stock option plan effective November 15, 2010, whereby the Company is authorized to grant stock options of up to 12,505 shares (on a post-consolidated basis), from time to time.

On November 1, 2011, the board of directors adopted a new stock option plan (the “**Plan**”) to provide that the Company may take such steps as are considered necessary or appropriate for the withholding and/or remittance of any taxes which the Company or any subsidiary of the Company is required by any law or regulation of any governmental authority whatsoever to withhold and/or remit in connection with any option or option exercise under the Plan, including the withholding and/or remitting of all or any portion of any payment or the withholding of the issue of shares to be issued upon the exercise of any option until such time as the optionee has paid the Company or any subsidiary of the Company for any amount which the Company or subsidiary of the Company is required to withhold and/or remit with respect to such taxes. This amendment to the Plan was made as a result of certain amendments made to provisions of the *Income Tax Act* (Canada) relating to withholding and remittance of taxes in connection with an exercise of stock options.

The purpose of the Plan is to allow the Company to grant incentive options to directors, officers, employees and consultants, as additional compensation and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders.

The material terms of the Plan are as follows:

- 1) The term of any options granted under the Plan will be fixed by the board of directors at the time such options are granted, provided that the options will not be permitted to exceed a term of ten years;
- 2) The exercise price of any options granted under the Plan will be determined by the board of directors in its sole discretion, but shall not be less than the closing price of the Common Shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX Venture Exchange.
- 3) All options will be non-assignable and non-transferrable;
- 4) No more than (i) 5% of the issued shares may be granted to any one individual in any 12 month period, unless disinterested shareholder approval is obtained; and (ii) no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period
- 5) If the option holder ceases to be a director of the Company or ceases to be employed by the Company (other than by reason of death), as the case may be, then the option granted shall expire on no later than the 90th day following the date that the option holder ceases to be a director or employed by the Company, subject to the terms and conditions as set out in the Plan. In the event of death, the option expiry date shall be 12 months from the date of death of the option holder;
- 6) For stock options granted to employees, consultants or management company employees, the Company represents that the proposed optionee is a bona fide employee, consultant or management company employee, as the case may be; and
- 7) Disinterested shareholder approval must be obtained if: (i) the number of shares reserved for issuance under stock options granted to insiders of the Company exceeds 10% of the issued Common Shares; (ii) the grant to insiders of the Company, within a 12 month period, exceeds 10% of the issued Common Shares; (iii) the issuance to any one option holder, within a 12 month period, exceeds 5% of the issued Common Shares; and (iv) the Company is seeking to decrease the exercise price of stock options previously granted to insiders of the Company.

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

The following table sets out all the option-based and share-based awards outstanding as at December 31, 2016, for each NEO.

| Name                | Option-Based Awards                                     |                            |                        |                                                               | Share-Based Awards                                           |                                                                        |                                                                                      |
|---------------------|---------------------------------------------------------|----------------------------|------------------------|---------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                     | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup> | Number of Shares Or Units Of Shares That Have Not Vested (#) | Market or Payout Value Of Share-Based Awards That Have Not Vested (\$) | Market or Payout Value of Vested Share-Based Awards not paid out or distributed (\$) |
| Hendrik Dietrichsen | Nil                                                     | N/A                        | N/A                    | N/A                                                           | N/A                                                          | N/A                                                                    | N/A                                                                                  |
| Damien Forer        | Nil                                                     | N/A                        | N/A                    | N/A                                                           | N/A                                                          | N/A                                                                    | N/A                                                                                  |

1) Value of unexercised in-the-money options is calculated based on the difference between the market value of the Company's Shares as at December 31, 2016 (closing price of \$0.005) and the exercise price of the options.

### Incentive Plan Awards – Value Vested or Earned During the Year

| Name                | Option-Based Awards - Value Vested During The Year(\$) <sup>(1)</sup> | Share-Based Awards - Value Vested During The Year(\$) | Non-Equity Incentive Plan Compensation - Value Earned During The Year (\$) |
|---------------------|-----------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------|
| Hendrik Dietrichsen | Nil                                                                   | N/A                                                   | N/A                                                                        |
| Damien Forer        | Nil                                                                   | N/A                                                   | N/A                                                                        |

### Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

### Termination and Change of Control Benefits

There were no employment contracts during the financial year ended December 31, 2016, between the Company and any NEO, and no compensatory plans, contracts or arrangements that provide for payments to the NEO's at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation, a change in control of the Company or a change in the NEO's responsibilities.

### Director Compensation

Since November 5, 2013 the Company's directors have not been remunerated. During the financial year ended December 31, 2016, the Company's directors received the following compensation, excluding those directors who are included in disclosure for an NEO:

| Director Name  | Fees Earned (\$) | Share-Based Awards (\$) | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Pension Value (\$) | All Other Compensation (\$) | Total (\$) |
|----------------|------------------|-------------------------|--------------------------|---------------------------------------------|--------------------|-----------------------------|------------|
| Abraham Jonker | Nil              | N/A                     | Nil                      | N/A                                         | Nil                | Nil                         | Nil        |
| John Conlon    | Nil              | N/A                     | Nil                      | N/A                                         | Nil                | Nil                         | Nil        |

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

| Director Name  | Number of Securities Underlying Unexercised Options (#) | Option-Based Awards        |                        |                                                               | Share-Based Awards                                           |                                                                        |                                                                                      |
|----------------|---------------------------------------------------------|----------------------------|------------------------|---------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                |                                                         | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup> | Number of Shares Or Units Of Shares That Have Not Vested (#) | Market or Payout Value Of Share-Based Awards That Have Not Vested (\$) | Market or Payout Value of Vested Share-Based Awards not paid out or distributed (\$) |
| Abraham Jonker | 1,250                                                   | \$820.00                   | May 31, 2017           | Nil                                                           | N/A                                                          | N/A                                                                    | N/A                                                                                  |
| John Conlon    | Nil                                                     | N/A                        | N/A                    | Nil                                                           | N/A                                                          | N/A                                                                    | N/A                                                                                  |

1) Value of unexercised in-the-money options is calculated based on the difference between the market value of the Company's Shares as at December 31, 2016 (closing price of \$0.005) and the exercise price of the options.

The following table sets out the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to each director during the financial year ended December 31, 2016, excluding directors who are included in disclosure for a NEO. The aggregate value of the option-based awards vested during the year is based on the difference between the Company Share price on the vesting day of any options that vested during 2016 and the exercise price of the options.

| Name           | Option awards – Value during the year on vesting (\$) <sup>(1)</sup> | Share awards – Value during the year on vesting (\$) | Non-equity incentive plan compensation – Pay-out during the year (\$) |
|----------------|----------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|
| Abraham Jonker | Nil                                                                  | N/A                                                  | N/A                                                                   |
| John Conlon    | Nil                                                                  | N/A                                                  | N/A                                                                   |

1) All options vest immediately and are granted at the market price.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the Company's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year ended December 31, 2016.

| Plan Category                                             | Number of securities to be issued upon exercise of outstanding options, warrants and rights(a) | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|-----------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by securityholders     | 2,450                                                                                          | \$1,100                                                                     | 10,055                                                                                                                                             |
| Equity compensation plans not approved by securityholders | N/A                                                                                            | N/A                                                                         | N/A                                                                                                                                                |
| <b>TOTAL</b>                                              | 2,450                                                                                          | \$1,100                                                                     | 10,055                                                                                                                                             |

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of the Management Information Circular, there was no indebtedness outstanding of any current or former director, executive officer or employee of the Company which is owing to the Company or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, no proposed nominee for election as a director of the Company and no associate of such persons:

- 1) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company; or
- 2) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company,

in relation to a securities purchase program or other program.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as set out herein, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a director of the Company and no associate or affiliate of the foregoing persons, 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 or the appointment of auditors.

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

Other than as disclosed below, no informed person or proposed director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

On November 28, 2012 three of the Company's directors agreed to provide bridging finance to the Company for general working capital. The loans amounted to \$600,000 in aggregate (with each director lending \$200,000) with a term of 12 months. The loans bore an interest rate of 12.0% per annum compounded annually and payable at the time that the principal becomes due and payable.

In order to secure the performance of the Company's obligations to the lenders under the loan agreement, the Company executed general security agreements, pursuant to which the Company granted to the lenders security interests in all present and future undertaking and property, both real and personal located in the province of British Columbia, of the Company, as described in the general security agreement.

On December 31, 2012, \$400,000 plus accrued interest of \$4,077 was repaid to two of the directors. As at December 31, 2014, \$200,000 of the \$600,000 loan was payable to Mr. Abraham Jonker, Suite 901 – Tudor Manor, 1311 Beach Avenue, Vancouver, BC and is included in borrowings. Interest of \$29,987 relating to the outstanding balance was accrued in the year ended December 31, 2016 and is included in accounts payables and accrued liabilities. The total amount included in accounts payables and accrued liabilities at December 31, 2016 was \$104,157

All transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

## **APPOINTMENT AND REMUNERATION OF AUDITORS**

The shareholders of the Company will be asked to vote for the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as external auditors of the Company for the ensuing year. Unless such authority is withheld, the management designees, the nominees named in the proxy, intend to vote the Shares represented by any such proxy in favour of a resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants, as external auditors for the ensuing year, to hold office until the close of the next annual general meeting of shareholders or until the firm of PricewaterhouseCoopers LLP, Chartered Accountants is removed from office or resigns. The shareholders will also be asked to approve and adopt an Ordinary Resolution authorizing the directors to fix the remuneration of the external auditors for the ensuing year. In 2009, PricewaterhouseCoopers LLP replaced Ernst & Young LLP, Chartered Accountants, who were the auditors for the Company since 2004. Prior to 2004, PricewaterhouseCoopers LLP were auditors for the Company.

## **CORPORATE GOVERNANCE DISCLOSURE**

The Board believes that the principal objective of the Company is to generate economic returns with the goal of maximizing shareholder value, and that this is to be accomplished by the Board through its stewardship of the Company. In fulfilling its stewardship function, the Board's responsibilities will include strategic planning, appointing and overseeing management, succession planning, risk identification and management, environmental oversight, communications with other parties and overseeing financial and corporate issues. The Board believes that good corporate governance practices provide an important framework for timely response by the Board to situations that may directly affect shareholder value, and the Board is committed to practicing good corporate governance.

### **Independence of Members of Board**

The Board must have the capacity, independently of management, to fulfill its responsibilities. Independence is based upon the absence of relationships and interests that could compromise the ability of a director to exercise judgment with a view to the best interests of the Company. To facilitate this independence, the Company recruits strong, independent directors whenever possible.

Of the existing directors of the Company, Mr. Hendrik Dietrichsen, is not independent as he is deemed to have a material relationship with the Company by virtue of being an officer of the Company. Mr. Jonker is also not deemed to be independent for the purposes of NI 52-110 by virtue of his prior engagement as President and acting CFO of the Company.

### **Risk Management**

The Board is responsible for adoption of a strategic planning process, identification of principal risks and implementing risk management systems, succession planning and the continuous disclosure requirements of the Company under applicable securities laws and regulations.

The audit committee is responsible for the risk management items set out in the audit committee charter.

### **Participation of Directors in Other Reporting Issuers**

The participation of the directors in other reporting issuers is described in the table provided under "*Election of Directors*" in this Information Circular.

### **Orientation and Continuing Education**

All the members of the Board have been members continuously for a number of years and all the non-executive directors have significant experience as directors of other public companies. All directors are familiar with the duties and obligations of directors and have had the opportunity to discuss with management and to view documents from recent board meetings.

The Company encourages directors and management to update their skills through attendance of seminars. Due to the high level of skills of the current directors, the Company does not provide other continuing education opportunities to directors.

### **Ethical Business Conduct**

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Company's management is committed to conducting its business in an ethical manner. This is accomplished by management actively doing the following in its administration and conduct of the Company's business:

- 1) The promotion of integrity and deterrence of wrongdoing.
- 2) The promotion of honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest.
- 3) The promotion of avoidance or absence of conflicts of interest.

- 4) The promotion of full, fair, accurate, timely and understandable disclosure in public communications made by the Company.
- 5) The promotion of compliance with applicable governmental laws, rules and regulations.
- 6) Providing guidance to the Company's directors, officers and employees to help them recognize and deal with ethical issues.
- 7) Helping foster a culture of integrity, honesty and accountability throughout the Company.

The Board has adopted a Code of Conduct and has instructed its management and employees to abide by the Code.

#### **Nomination of Directors**

The Board as a whole is responsible for identifying and evaluating qualified candidates for nomination to the Board.

In identifying candidates, the Board considers the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess.

#### **Compensation**

The Board as a whole is responsible for reviewing the adequacy and form of compensation paid to the Company's executives and key employees, and ensuring that such compensation realistically reflects the responsibilities and risks of such positions. In fulfilling these responsibilities, the Board evaluates the performance of the Company's CEO and other senior management in light of corporate goals and objectives, and makes recommendations with respect to compensation levels based on such evaluations.

#### **Board Committees**

The Board has not as yet established any committees other than the Audit Committee.

#### **Assessments**

The Board has not, as of the present time, taken any formal steps to assess whether the Board, its committees and its individual directors are performing effectively.

### **AUDIT COMMITTEE**

Under National Instrument 52-110 ("**NI 52-110**"), companies are required to provide disclosure with respect to their audit committee, including the text of the audit committee's charter, composition of the audit committee and the fees paid to the external auditor. The Company's disclosure with respect to audit committees is described below:

#### **General**

The Audit Committee is a standing committee of the Board, the primary function of which is to assist the Board in fulfilling its financial oversight responsibilities, which will include monitoring the quality and integrity of the Company's financial statements and the independence and performance of the Company's external auditor, acting as a liaison between the Board and the Company's external auditor, reviewing the financial information that will be publicly disclosed and reviewing all audit processes and the systems of internal controls management and the Board have established.

#### **Terms of Reference for the Audit Committee**

The Board has adopted an Audit Committee Charter, which sets out the Audit Committee's mandate, organization, powers and responsibilities. The Audit Committee's Charter is attached as Schedule "A" to this Information Circular.

## Composition

The Audit Committee consists of the following three directors. Also indicated is whether they are 'independent' and 'financially literate'.

| Name of Member      | Independent <sup>(1)</sup> | Financially Literate <sup>(2)</sup> |
|---------------------|----------------------------|-------------------------------------|
| Hendrik Dietrichsen | No                         | Yes                                 |
| Abraham Jonker      | No                         | Yes                                 |
| John Conlon         | Yes                        | Yes                                 |

- 1) A member of the Audit Committee is independent if he has no direct or indirect 'material relationship' with the Company. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Company, such as the President or Secretary, is deemed to have a material relationship with the Company.
- 2) A member of the Audit Committee is financially literate if he has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Because the Shares of the Company are listed on the NEX trading board of the TSX Venture Exchange, it is categorized as a venture issuer. As a result, NI 52-110 exempts the Company's Audit Committee from being composed entirely of independent members.

## Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

**Mr. Hendrik Dietrichsen** holds law degrees from both the University of Stellenbosch and the University of Pretoria. He has more than 30 years' experience as a legal practitioner and advising at senior management and board level within private and public listed companies. He has also held various positions at board level including that of Chairman and CEO. Mr. Dietrichsen has been a consultant with the Company since June 2012 and also acted as Eastcoal's General Counsel and Company Secretary.

**Mr. Abraham Jonker** has more than 20 years of extensive management, accounting and corporate finance experience across 5 continents, mostly in the mining industry. Mr. Jonker currently serves as the Lead Independent Director of the Board of Directors of Mandalay Resources Corp (MND: TSX), non-executive director and Chairman of the Board and Audit Committee of Golden Reign Resources Ltd. and non-executive director and Chairman of the Audit Committee of Nevada Copper Corp. Previously he was the Chief Financial Officer of Western Coal Corp at the time of its take-over by Walter Energy for \$3.3 billion. He is a member of the Institutes of Chartered Accountants of England and Wales as well as South Africa. He is also a member of the Chartered Institute of Management Accounts in the United Kingdom and is registered as a Chartered Professional Accountant (CA) in British Columbia, Canada and holds a Masters degree in South African and International Tax from the Rand Afrikaans University.

**Mr. John Conlon** has been involved in the mining industry since 1972, as an owner of a mining equipment supply company. Since 1980, he has been part owner of a mining contracting company focusing on mine development and in 1995 he formed a company engaged in the business of repair and manufacturing of mining equipment. He serves or has served as a director of several companies including Cambrian Mining Plc (CBM: AIM), Mandalay Resources Corp. (MND: TSX), Coal International Plc, Xtract Energy Plc (XTR: LSE), and Western Canadian Coal Corp. (WTN: TSX), including being part of that company's audit committee from 2002 to 2009.

## Audit Committee Oversight

There has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### Reliance on Certain Exemptions

The Company has not relied on the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services; however, as provided for in NI 52-110, the Audit Committee must pre-approve all non-audit services to be provided to the Company, unless otherwise permitted under NI 52-110.

### External Auditors Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two financial years for audit fees are as follows:

| Financial Year Ending | Audit Fees | Audit Related Fees | Tax Fees | All Other Fees |
|-----------------------|------------|--------------------|----------|----------------|
| 2016                  | \$11,000   | \$nil              | \$nil    | \$nil          |
| 2015                  | \$20,000   | \$nil              | \$2,945  | \$nil          |

### Exemption

Pursuant to section 6.1 of NI 52-110, the Company is exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110 because it is a venture issuer.

## ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding the Company is included in the Company's annual audited comparative consolidated financial statements and MD&A for its most recently completed financial year ended December 31, 2016 and the accompanying auditors' report. Copies of the comparative annual financial statements and MD&A, as well as additional copies of this Information Circular, may be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) or upon request from the Company at Suite 300, 1055 West Hastings Street, Vancouver BC, V6E 2E9

## OTHER MATTERS

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

DATED this 27<sup>th</sup> day of October, 2017.

### APPROVED BY THE BOARD OF DIRECTORS

(signed) "John Conlon"

John Conlon  
Non-Executive Chairman

## **SCHEDULE “B”**

### **Audit Committee Charter**

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#### **Mandate**

The primary function of the audit committee (the “**Audit Committee**”) is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting, and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company’s financial reporting and internal control systems and review the Company’s financial statements;
- review and appraise the performance of the Company’s external auditors; and
- provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board.

#### **Composition**

The Audit Committee shall be comprised of three directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee and in accordance with the requirements of applicable securities laws and policies of any exchange on which the Company’s shares may be listed.

At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements.

The members of the Audit Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

Appointments to the Audit Committee shall be for a period of one year, which may be extended further one year periods, providing the director remains independent throughout this extension period and as long as the member remains a director.

#### **Meetings**

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

#### **Notice of Meetings**

1. Meetings of the Audit Committee shall be summoned by the Chair of the Audit Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate, at the same time.

### **Minutes of Meetings**

1. The Secretary, as selected by the Chair, shall minute the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance.
2. The Secretary, as selected by the Chair, shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
3. Minutes of Audit Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

### **Voting arrangements**

1. Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee which may be held by audio conference so long as all members can hear each other.
2. If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote on that matter at the meeting.
3. The Chairman shall not have a casting vote.

### **Responsibilities and Duties**

#### **Documents/Reports Review**

1. Review and update this Charter annually.
2. Review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### **External Auditors**

1. Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Audit Committee as representatives of the shareholders of the Company.
2. Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
3. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
4. Take, or recommend that the full Board, take appropriate action to oversee the independence of the external auditors.
5. Recommend to the Board the selection and compensation, and, where applicable, the replacement of the external auditors, nominated annually for shareholder approval, and approve the external auditors terms of engagement.

6. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements and any recommendations of the external auditors.
7. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
8. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
9. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - a. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - b. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - c. such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Audit Committee.

Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

#### **Financial Reporting Processes**

1. In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
2. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
3. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
4. Consider and challenge where necessary the methods used to account for significant or unusual transactions where different approaches are possible.
5. Consider and challenge where necessary whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
6. Consider and challenge where necessary the clarity of disclosure in the Company's financial reports and the context in which statements are made.
7. Consider and challenge where necessary all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
9. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
10. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
11. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
12. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
13. Review certification process.
14. Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### **Risk Management**

1. To review, at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks).
2. To inquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risk.
3. To request the external auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are being managed or controlled.
4. To assess the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board.

### **Whistleblowing**

The Audit Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### **Internal audit**

The Company does not have a separate internal audit function at this time. The Audit Committee shall advise on the need to create a separate internal audit function, to the extent appropriate for the size and nature of the Company, and shall, once that function has been established:

1. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
2. approve the appointment and removal of the head of the internal audit function;
3. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

4. review and assess the annual internal audit plan;
5. review promptly all reports on the Company from the internal auditors;
6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
7. meet the head of internal audit at least once a year, without management being present, to discuss their responsibilities and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board and to the Audit Committee.

**Reporting Responsibilities**

1. The Audit Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
2. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
3. The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.

**Other**

1. Review any related-party transactions.
2. The Audit Committee shall have access to sufficient resources in order to carry out its duties.

**Authority**

The Audit Committee is authorised:

1. to seek any information it requires from any employee of the Company in order to perform its duties;
2. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
3. to call any employee with relevant documents to be questioned at a meeting of the Audit Committee as and when required.

**Annual Work Plan**

|                                                                                            | Spring                              | Fall                                |
|--------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Review audit plan and year-end statements template                                         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Review accounting systems and procedures                                                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Review auditors' letter of recommendation                                                  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Review financial and accounting human resources                                            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Review Committee's charter and membership                                                  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Review and recommend year-end financial statements                                         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Review MD&A                                                                                | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Review external auditors' work, independence and fees                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Recommend auditors for the ensuing year                                                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Review Risk Management Performance                                                         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Review and reassess the adequacy of the Code of Ethics for<br>Financial Reporting Officers | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Review any proposed prospectus filings or similar filings                                  |                                     |                                     |