

**WESTERN LITHIUM USA CORPORATION**

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

**February 25, 2011**

## **WESTERN LITHIUM USA CORPORATION**

654 – 999 Canada Place  
Vancouver, British Columbia  
V6C 3E1

### **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual general meeting of the shareholders of Western Lithium USA Corporation (the “Company”) will be held on Thursday, March 31, 2011 at 10:00 a.m. local time, at 629-999 Canada Place, Vancouver, British Columbia for the following purposes:

1. to receive the audited consolidated financial statements for the year ended September 30, 2010, together with the auditor’s report thereon;
2. to set the number of directors at six (6) for the ensuing year;
3. to elect six (6) directors for the ensuing year;
4. to appoint MacKay LLP, Chartered Accountants, as auditor of the Company for the ensuing year and authorize the directors to determine the remuneration to be paid to the auditor;
5. to adopt a new Employees’ and Directors’ Stock Option Plan (the “New Plan”) to replace the existing Stock Option Plan of the Company (the “Existing Plan”). Certain items in the New Plan reflect the recent graduation of the Company from the TSX Venture Exchange to the Toronto Stock Exchange (the “TSX”) respecting equity incentive plans; and
6. to transact such other business as may properly be put before the meeting.

The Board of Directors has fixed Friday, February 25, 2011 as the Record Date for the determination of shareholders entitled to notice of, and to vote at, the meeting and at any adjournment thereof.

A management proxy circular, form of proxy and a return envelope accompany this notice of meeting. The financial statements of the Company will be presented to the shareholders at the Meeting.

A shareholder who is unable to attend the meeting in person and who wishes to ensure that such shareholder’s shares will be voted at the meeting is requested to complete, date and execute the enclosed form of proxy and deliver it to Computershare Trust Company of Canada (“Computershare”) in accordance with the instructions set out in the form of proxy and in the management proxy circular. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. PST on Tuesday, March 29, 2011 or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the meeting at which the proxy is to be used, then the shareholder will not be entitled to vote at the meeting by proxy.

DATED at Vancouver, British Columbia, the 25<sup>th</sup> day of February, 2011.

#### **ON BEHALF OF THE BOARD**

“Jay Chmelauskas”

Jay Chmelauskas  
President and Director

## WESTERN LITHIUM USA CORPORATION

654 – 999 Canada Place  
Vancouver, British Columbia  
V6C 3E1

### MANAGEMENT PROXY CIRCULAR

#### SOLICITATION OF PROXIES

This management proxy circular (the “Circular”) is provided to the holders (“shareholders”) of common shares (“Common Shares”) of Western Lithium USA Corporation (the “Company”) by management of the Company in connection with the solicitation of proxies to be voted at the annual general meeting of the shareholders of the Company to be held on Thursday, March 31, 2011 (the “Meeting”), at the time and place set out in the accompanying notice of meeting (the “Notice of Meeting”). The solicitation of proxies is being made by the Company for the purposes set forth in the Notice of Meeting.

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

The Board of Directors of the Company has fixed the close of business on Friday, February 25, 2011 as the record date, being the date for the determination of shareholders entitled to notice of, and to vote at, the Meeting (the “Record Date”).

Unless otherwise stated, the information contained in this Circular is as of February 25, 2011. All dollar amounts are expressed in Canadian dollars (“CDN\$” or “\$”), or United States dollars (“US\$”), as indicated.

#### APPOINTMENT OF PROXYHOLDERS

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

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

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

An appointment of a proxyholder or alternate proxyholders will not be valid unless a Form of Proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is delivered to Computershare Trust Company of Canada (“Computershare”) by mail or by hand

to 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, by 10:00 a.m. PST on Tuesday, March 29, 2011 or not less than 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting at which the proxy is to be used.

### **REVOCAION OF PROXIES**

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

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

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

### **EXERCISE OF DISCRETION**

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

### **VOTES NECESSARY TO PASS RESOLUTIONS**

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

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

At the Meeting, shareholders will be asked to consider and, if thought advisable, to pass an ordinary resolution, to: (i) set the number of directors of the board of directors of the Company at six (6); (ii) to elect six (6) directors to the board of directors of the Company; and (iii) to appoint auditors for the ensuing year and authorize the directors to set their remuneration.

At the Meeting, shareholders will also be asked to consider and, if thought advisable, to pass an ordinary resolution, the full text of which is set out on page 25 hereof (the “Plan Resolution”), all as more particularly described in this Circular under “Particulars of Matters to Be Acted Upon – Replacement of Stock Option Plan,” authorizing the Company to replace the Company’s current stock option plan dated May 11, 2010 (the “Existing Plan”).

### **VOTING BY NON-REGISTERED HOLDERS**

Only registered shareholders of the Company or the persons they appoint as their proxyholder are permitted to vote at the Meeting. Certain shareholders of the Company are “non-registered” shareholders (“Non-Registered Holders”) because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Holder are registered either:

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

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Company are referred to as “NOBOs”. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Company are referred to as “OBOs”. In accordance with applicable securities laws, the Company has elected to send the Notice of Meeting, this Circular and the Form of Proxy (collectively, the “Meeting Materials”) directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them.

Intermediaries will frequently 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 either:

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

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

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

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

The Company's authorized capital consists of an unlimited number of Common Shares without par value. As of February 25, 2011 the Company had issued 84,299,739 fully paid and non-assessable Common Shares, each carrying the right to one vote.

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

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

To the knowledge of the directors and executive officers of the Company, the following persons beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Common Shares of the Company:

<b>Member</b>	<b>Number of Shares</b>	<b>Percentage of Issued Capital</b>
Western Uranium Corporation	<b>19,685,393</b>	<b>23.4%</b>

As at February 25, 2011, the total number of Common Shares owned or controlled by management and the directors of the Company and their associates or affiliates was 752,799 Common Shares, representing 0.8% of the total issued and outstanding Common Shares.

### **ELECTION OF DIRECTORS**

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed. The management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, proxies given pursuant to the solicitation by the management of the Company will be voted for the nominees listed in this Circular. Management does not contemplate that any of the nominees will be unable to serve as a director.

The number of directors on the board of directors of the Company (the "Board") is currently set at five. The Company is requesting that the shareholders consider and, if thought advisable, approve by ordinary resolution at the Meeting to set the number of directors of the Board at six.

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

Name, province or state and country of residence and positions, current and former, if any, held in the Company	Principal occupation for last five years <sup>(1)</sup>	Served as director since	Number of Common Shares beneficially owned, directly or indirectly, or controlled or directed at present <sup>(1)</sup>
<b>R. Edward Flood</b> <sup>(2)</sup> Idaho, USA  <i>Director and Chairman</i>	Chairman of the Company, July 2008 to present; Chairman, Western Uranium Corporation (mineral development company), March 2007 to present and CEO and President, December 2010 to present; Managing Director Investment Banking of Haywood Securities (UK) Limited (investment bank), March 2007 to March 2010; Deputy Chairman of Ivanhoe Mines Ltd. (mineral development company), March 2001 to 2007.	November 27, 2007	334,400 <sup>(5)</sup>
<b>Jay Chmelauskas</b> British Columbia, Canada  <i>President and Director</i>	President of the Company, October 2008 to present; President and CEO of Jinshan Gold Mines Inc. (mineral development company), March 2004 to September 2008.	President since October 16, 2008  Director since September 13, 2010	833 <sup>(6)</sup>
<b>John Macken</b> <sup>(2)(3)(4)</sup> Massachusetts, USA  <i>Director</i>	Director and President of Ivanhoe Mines Ltd. (mineral development company), December 2003 to present; CEO of Ivanhoe Mines Ltd., March 2006 to October 2010.	January 29, 2008	283,333 <sup>(7)</sup>
<b>William M. Sheriff</b> <sup>(2)(3)(4)</sup> British Columbia, Canada  <i>Director</i>	Chief Executive Officer of Golden Predator since January 2009; President of Energy Metals Corporation from July 2006 to August 2008; Chief Executive Officer of Energy Metals Corporation from July 2006 to March 2009; Director of Silver Predator Corp. since March 2009; Executive VP of Energy Metals Corporation from April 2006 to August 2007; President of Platoro Investments Inc. from April 1985 to April 2006.	January 29, 2008	40,000 <sup>(8)</sup>
<b>William R. Haldane</b> <sup>(3)(4)</sup> New York, USA  <i>Director</i>	President of Haldane Diogenes, Inc. (executive recruitment firm) from 1995 to present.	January 29, 2008	84,833 <sup>(9)</sup>
<b>Terry Krepiakovich</b> British Columbia, Canada  <i>Director Nominee</i>	Chief Financial Officer of SouthGobi Resources Ltd. from July 2006 to present; Chief Financial Officer of Extreme CCTV Inc., former TSX listed company (since acquired), from November 2000 to June 2006.	-	Nil

**Notes:**

- (1) The information as to principal occupation, business or employment and common shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Company and has been provided by the directors themselves.
- (2) Member of the Company's Audit Committee.
- (3) Member of the Company's Compensation and Benefits Committee.
- (4) Member of the Company's Nominating and Corporate Governance Committee.
- (5) Mr. Flood also holds 2,300,000 options to purchase an aggregate of 2,300,000 Common Shares of the Company.
- (6) Mr. Chmelauskas also holds 1,725,000 options to purchase an aggregate of 1,725,000 Common Shares of the Company.

- (7) Mr. Macken also holds 900,000 options to purchase an aggregate of 900,000 Common Shares of the Company.
- (8) Mr. Sheriff also holds 300,000 options to purchase an aggregate of 300,000 Common Shares of the Company.
- (9) Mr. Haldane also holds 800,000 options to purchase an aggregate of 800,000 Common Shares of the Company.

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

No proposed director is being 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**

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

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

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

### **Individual Bankruptcies**

No director, or proposed director, of the Company has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

## **EXECUTIVE COMPENSATION**

### **Named Executive Officers**

For the fiscal year ended September 30, 2010, the Company had five Named Executive Officers, being: Jay Chmelauskas, the President, Eduard Epshtein, the Chief Financial Officer (“CFO”), Dennis Bryan, Senior Vice President of Development, Silvio Bertolli, Senior Vice President of Project Development and Cindy Burnett, Vice President Investor Relations.

“Named Executive Officer” means: (a) each Chief Executive Officer, (b) each Chief Financial Officer, (c) each of the Company’s three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation exceeds \$150,000, and (d) any additional

individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the Company at the end of the most recently completed financial year-end.

### **Compensation Discussion and Analysis**

The objective of the Company's compensation program is to compensate the executive officers for their services to the Company at a level that is both in line with the Company's fiscal resources and competitive with companies at a similar stage of development.

The Company compensates its executive officers based on their skill and experience levels and the existing stage of development of the Company. Executive officers are rewarded on the basis of the skill and level of responsibility involved in their position, the individual's experience and qualifications, the Company's resources, industry practice, and regulatory guidelines regarding executive compensation levels.

The Board of Directors has implemented three levels of compensation to align the interests of the executive officers with those of the shareholders. First, executive officers are paid a monthly consulting fee or salary. Second, the Board of Directors awards executive officers long term incentives in the form of stock options. Finally, and only in special circumstances, the Board of Directors may award cash or share bonuses for exceptional performance that results in a significant increase in shareholder value.

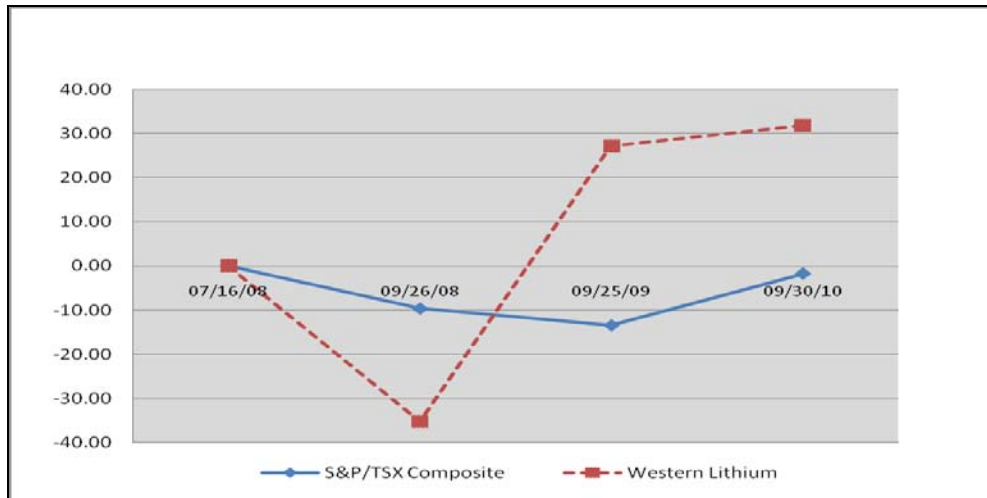
The base compensation of the executive officers is reviewed and set annually by the Compensation and Benefits Committee of the Board of Directors. The President has substantial input in setting annual compensation levels. The President is directly responsible for the financial resources and operations of the Company. In addition, the President and the Compensation and Benefits Committee from time to time determine the stock option grants to be made pursuant to the Company's Plan. Previous grants of stock options are taken into account when considering new grants.

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

The function of the Compensation and Benefits Committee is to assist the board in carrying out its responsibilities relating to director and executive compensation, including recommending and reviewing director compensation, overseeing the Company's compensation programs and recommending compensation of the Company's officer and employees and evaluating the performance of officers.

### **Performance Graph**

The following graph and table compares the cumulative shareholder return on a Cdn\$100 investment in Common Shares of the Company to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from the date the Company commenced publicly trading on July 16, 2008 to September 30, 2010.



The trend in overall compensation paid to the Company’s executive officers since July 2008 has not directly tracked the performance of the market price of the Company’s common shares, or the S&P/TSX Composite Index, although cash compensation has trended upward as has the Company’s share price. Given the Company’s stage of development current share price is currently not a significant factor in cash compensation consideration. The value of long term incentive compensation in the form of stock options is obviously influenced by the Company’s share price performance.

### Option Based Awards

The Board is authorized to grant incentive stock options to certain directors, senior officers, employees and consultants of the Company entitling them to purchase common shares, which grants are governed by an incentive stock option plan established by the Company in 2008 (the “Existing Plan”). This equity incentive component is a key part of the executives’ overall compensation package, reflecting the Company’s belief that stock options offer an effective mechanism for incentivizing management and aligning the interests of our executive officers with those of our shareholders. Since incentive stock options are not granted at a discount to the prevailing market price of the Company’s Common Shares, the incentive stock options granted to the Company’s executive officers accrete value only when the market price of such shares increases, thereby linking equity-based executive compensation to shareholder returns.

The grant of stock options is administered by the Company’s management based on the recommendations of the Compensation and Benefits Committee and the approval of the Board of Directors. The Compensation and Benefits Committee considers the current total potential dilution under the plan, individual and corporate performance factors, the Compensation and Benefits Committee’s evaluation of each officer’s ability to influence long-term success of the Corporation, retention considerations and to provide an incentive to encourage outstanding individual performance and contributions. The Compensation and Benefits Committee also considers each executive’s stock option position.

### Other Compensation and Pension Benefits

The Corporation does not have any pension, retirement or deferred compensation plans, including defined contribution plans. During 2010 the Company paid approximately \$1,800 in life insurance premiums and long term disability premiums on behalf of Jay Chmelauskas, the President of the Company and approximately \$1,400 in life insurance premiums and long term disability premiums on behalf of Cindy

Burnett, VP Investor Relations of the Company. The Company also reimburses each of its Senior Vice President's up to US\$1,000 per month for medical coverage.

### Summary Compensation Table

The compensation paid to the Company's Named Executive Officers during the financial years ended September 30, 2009 and 2010 is as set out below:

Name and Principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(4)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Jay Chmelauskas President	2010	\$250,000	N/A	\$137,500	N/A	N/A	N/A	N/A	\$387,500
	2009	\$240,036	N/A	\$570,000	N/A	N/A	N/A	N/A	\$810,036
Eduard Epshtein <sup>(1)</sup> CFO	2010	\$72,000 <sup>(2)</sup>	N/A	\$76,600	N/A	N/A	N/A	N/A	\$148,600
	2009	\$72,000 <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	\$72,000
Dennis Bryan <sup>(2)</sup> SVP, Development	2010	\$182,000	N/A	\$91,000	N/A	N/A	N/A	N/A	\$273,000
	2009	\$206,500	N/A	N/A	N/A	N/A	N/A	N/A	\$206,500
Silvio Bertolli <sup>(3)</sup> SVP, Project Development	2010	161,333	N/A	\$513,000	N/A	N/A	N/A	N/A	\$674,333
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cindy Burnett VP, Investor Relations	2010	\$148,800	N/A	\$91,000	N/A	N/A	N/A	N/A	\$239,800
	2009	\$105,750	N/A	\$88,000	N/A	N/A	N/A	N/A	193,750

**Notes:**

- (1) Eduard Epshtein provided the services of CFO during the relevant periods under a consulting agreement between the Company and J. Proust & Associates Inc. The fees for Mr. Epshtein's services were paid to J. Proust & Associates Inc.
- (2) Mr. Bryan's salary is paid in US currency and was converted to Canadian currency using the exchange rate of US\$1.00 = CDN\$1.04 (2009 – CDN\$1.18).
- (3) Silvio Bertolli was a consultant to the Company in 2008 and was appointed Senior Vice President Project Development in December 2009. Mr. Bertolli's salary is paid in US currency and was converted to Canadian currency using the exchange rate of US\$1.00 = CDN\$1.04.
- (4) This column includes the grant date fair value of all options granted by the Company to the Named Executive Officers during the year. All grant date fair values equal the accounting fair values determined for financial reporting purposes in accordance with Section 3870 of the CICA Handbook. The grant date fair value of all options granted during the financial years ended September 30, 2010 and 2009 were estimated using the Black-Scholes valuation model. The grant date fair value is not necessarily the value of the option to the individual over time, or the value that might ultimately be derived from the exercise of such options. The Black-Scholes option pricing model has been used to determine grant date fair value due to its wide acceptance across industry as an options valuation model, and because it is the same model the Company uses to value options for financial reporting purposes. Of the 1,500,000 options granted to Mr. Chmelauskas on October 16, 2008, 1,000,000 vest over a period of 18 months in accordance with the minimum vesting requirements of the Existing Plan and the remaining 500,000 options vest in two tranches, with the first tranche vesting 2 years from the date of grant and the second tranche vesting in the third year from the date of grant. All other stock options granted to the Company's Named Executive Officers vest over a period of 18 months (25% on the grant date and 25% every 6 months thereafter) in accordance with the minimum vesting requirements of the Existing Plan. The fair values of stock options granted are estimated on the dates of grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the financial year ended September 30, 2010:

	November 2, 2009	December 14, 2009	February 4, 2010	May 12, 2010	July 14, 2010
Exercise price per share	\$1.28	\$1.43	\$2.03	\$1.09	\$0.88
Risk-free interest rate	2.4%	2.31%	2.15%	2.69%	2.41%
Expected life	5 years	5 years	5 years	5 years	5 years
Annualized volatility	128%	122%	125%	118%	115%
Dividend rate	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per stock option granted	\$1.10	\$1.20	\$1.39	\$0.90	\$0.72

The fair value of stock options granted during the financial year ended September 30, 2009, was estimated using Black-Scholes option pricing model with the following assumptions:

	March 18, 2009	October 16, 2008
Exercise price per share	\$0.54	\$0.45
Risk-free interest rate	1.43%	2.92%
Expected life	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Fair value per stock option granted	\$0.44	\$0.38

## Narrative Discussion

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

Set forth below is a summary of the significant terms of the employment agreement or arrangement of each of the Company's Named Executive Officers:

### *Employment Agreement – President*

The Company entered into a management agreement effective October 16, 2008, pursuant to which Mr. Chmelauskas is employed as President of the Company. Mr. Chmelauskas is entitled to receive a base annual salary of CDN\$250,000 plus benefits and an aggregate of 1,500,000 stock options with a term of five years at an exercise price to be determined in accordance with the policies of the TSX Venture Exchange (the "TSXV") and the Existing Plan. Those options were issued on October 16, 2008 with an exercise price of CDN\$0.45 per share. The Company reimburses Mr. Chmelauskas for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as President.

For information regarding the termination provisions of Mr. Chmelauskas's management agreement, please refer to the disclosure under the heading "Termination and Change of Control Benefits".

### *Employment Agreement – Chief Financial Officer*

From May 2008 to November 2010, the Company retained J. Proust & Associates Inc. ("JPA") to provide, among other things, the services of Mr. Epshtein as the CFO of the Company. From January 1, 2010 to November 30, 2010 \$66,000 of the fees paid to JPA (\$6,000 per month) were allocable to Mr. Epshtein's services as CFO. Effective December 1, 2010 the Company entered into an employment

agreement with Mr. Epshtein pursuant to which he is employed as the CFO of the Company. Mr. Epshtein is entitled to receive a base annual salary of \$180,000 plus benefits. For information regarding the termination provisions of Mr. Epshtein's employment agreement, please refer to the disclosure under the heading "Termination and Change of Control Benefits".

*Employment Agreement – Senior Vice President of Development*

The Company entered into a management agreement effective October 16, 2008, pursuant to which Mr. Bryan is employed as Senior Vice President of Development of the Company. Mr. Bryan is entitled to receive a base annual salary of US\$175,000 plus benefits and an aggregate of 500,000 stock options with a term of five years at an exercise price to be determined in accordance with the policies of the TSXV and the Existing Plan. Those options were issued on June 6, 2008 with an exercise price of CDN\$0.45 per share. The Company reimburses Mr. Bryan for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as Senior Vice President of Development of the Company. Mr. Bryan receives US\$1,000 per month in lieu of benefits. In October 2010 Mr. Bryan received an increase of US\$25,000 to his base annual salary. For information regarding the termination provisions of Mr. Bryan's management agreement, please refer to the disclosure under the heading "Termination and Change of Control Benefits".

*Employment Agreement – Senior Vice President Project Development*

The Company entered into a management agreement effective December 2009, pursuant to which Mr. Bertolli is employed as Senior Vice President of Project Development of the Company. Mr. Bertolli is entitled to receive a base annual salary of US\$200,000 plus benefits and an aggregate of 200,000 stock options with a term of five years at an exercise price to be determined in accordance with the policies of the TSXV and the Existing Plan. Those options were issued on December 14, 2009 with an exercise price of CDN\$1.43 per share. The Company reimburses Mr. Bertolli for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out his duties as Senior Vice President of Development of the Company. Mr. Bertolli receives US\$1,000 per month in lieu of benefits.

For information regarding the termination provisions of Mr. Bertolli's management agreement, please refer to the disclosure under the heading "Termination and Change of Control Benefits".

*Employment Agreement – Vice President Investor Relations*

The Company entered into a management agreement effective August 17, 2009, pursuant to which Ms. Burnett is employed as Vice President Investor Relations of the Company. Ms. Burnett is entitled to receive a base annual salary of \$148,800 plus benefits. The Company reimburses Ms. Burnett for all reasonable travel and other out-of-pocket expenses incurred in connection with carrying out her duties as Vice President Investor Relations of the Company.

For information regarding the termination provisions of Ms. Burnett's management agreement, please refer to the disclosure under the heading "Termination and Change of Control Benefits".

## **INCENTIVE PLAN AWARDS**

### **Outstanding Share Based Awards and Option Based Awards**

The following table sets out all option based awards outstanding as at September 30, 2010 for each of the Company's Named Executive Officers:

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 (\$)
Jay Chmelauskas	125,000	1.28	Nov. 2, 2014	-	-	-
President	1,400,000	0.45	Oct. 16, 2013	938,000	-	-
Eduard Epshtein	30,000	0.88	July 14, 2015	7,200	-	-
CFO	50,000	1.28	Nov. 2, 2014	-	-	-
	100,000	0.50	June 6, 2013	62,000	-	-
Dennis Bryan	50,000	0.88	July 14, 2014	12,000	-	-
SVP, Development	50,000	1.28	Nov. 2, 2014	-	-	-
	500,000	0.50	June 6, 2013	310,000	-	-
Silvio Bertolli <sup>(2)</sup>	150,000	0.88	July 14, 2015	36,000	-	-
SVP, Project Development	200,000	1.43	Dec. 14, 2014	-	-	-
	150,000	1.28	Nov. 2, 2014	-	-	-
	100,000	0.54	March 17, 2014	58,000	-	-
Cindy Burnett <sup>(3)</sup>	50,000	0.88	July 14, 2015	12,000	-	-
VP, Investor Relations	50,000	1.28	Nov. 2, 2014	-	-	-
	200,000	0.54	March 17, 2014	116,000	-	-

Notes:

- (1) The value of unexercised “in-the-money options” is calculated on the basis of the difference between the closing price of the common shares on the TSXV on September 30, 2010 at \$1.12 and the exercise price of the stock options.
- (2) Silvio Bertolli was engaged as a consultant to the Company in 2008 and was appointed Senior Vice President Project Development in December 2009.
- (3) Cindy Burnett was engaged as an Investor Relations consultant to the Company in February 2009 and was appointed Vice President Investor Relations in August 2009.

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

The following table sets forth details of the value of all stock options that vested during the financial year ended September 30, 2010 for each of the Named Executive Officers:

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 (\$)
Jay Chmelauskas President	430,000	-	-
Eduard Epshtein CFO	26,750	-	-
Dennis Bryan SVP, Development	133,750	-	-
Silvio Bertolli <sup>(2)</sup> SVP, Project Development	34,750	-	-
Cindy Burnett <sup>(3)</sup> VP, Investor Relations	69,500	-	-

**Notes:**

- (1) The “value vested during the year” with respect to the stock options is calculated using the closing price of the common shares of the Company on the TSX-V on the vesting dates less the respective exercise price of the options on the grant dates.
- (2) Silvio Bertolli was engaged as a consultant to the Company in 2008 and was appointed Senior Vice President Project Development in December 2009.
- (3) Cindy Burnett was engaged as an Investor Relations consultant to the Company in February 2009 and was appointed Vice President Investor Relations in August 2009.

**Narrative Discussion**

**Adoption of Employees’ and Directors’ Stock Option Plan**

**Purpose**

The Company is seeking authorization from its shareholders at the Meeting to adopt a new Employees’ and Directors’ Stock Option Plan (the “New Plan”) to replace the Existing Plan. Certain of the items in the New Plan reflect the recent graduation of the Company from the TSX Venture Exchange to The Toronto Stock Exchange (the “TSX”) respecting equity incentive plans.

The New Plan:

- a) is a 20% “fixed” plan, pursuant to which the Company may issue up to 16,859,647 common shares of the Company, similar to the Existing Plan;
- b) allows the Company to grant the cashless exercise right; and
- c) includes certain provisions as described below under “Summary of the New Plan”.

The New Plan provides that all stock options granted after the date the New Plan is approved by shareholders at the Meeting will be governed by the New Plan. Options granted prior to that date will continue to be governed by the Existing Plan, although the board of directors may, in their discretion from time to time and subject to requirements of the TSX, seek to vary restrictions application to options granted under the Existing Plan such that the rights of those option holders conform to the rights applicable to options granted under the New Plan.

The TSX has conditionally approved the New Plan, subject to approval by the shareholders at the Meeting.

The resolution to approve the adoption of the New Plan (the “New Plan Resolution”) is at page 25 hereto and the New Plan is attached as Schedule “A” to this Management Proxy Circular.

**Summary**

***General***

The Existing Plan allows the Board to grant options to acquire common shares of the Company to the Company’s directors, officers, employees and certain service providers. Options are subject to adjustment in connection with certain corporate events affecting the Company’s common shares. Participation in the Existing Plan is limited to directors, officers, employees and certain service providers, who are, in the opinion of the Company’s Board, in a position to contribute to the Company’s future growth and success.

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

Subject to the specific terms and conditions of the Existing Plan and the rules of the TSX, the Board determines the date of grant, the number of optioned common shares, the exercise price per share, the vesting period (if any) and the exercise period. When options are granted, their exercise price may not be less than the five day volume weighted average price of the common shares on the TSX.

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

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

As of February 25, 2011, there were 10,565,000 options outstanding under the Existing Plan, which represents 12.5% of the Company's current outstanding share capital.

There are no entitlements to common shares under the Existing Plan which are subject to ratification by shareholders.

### ***Summary of New Plan***

#### *Overview*

The following is a summary of the material terms of the New Plan and is qualified in its entirety by reference to the specific terms of the New Plan, a copy of which is included in Schedule "A" to this Management Proxy Circular.

The New Plan provides for the grant to eligible participants of incentive stock options exercisable to purchase common shares of the Company.

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

The New Plan is administered by the Compensation and Benefits Committee (the "Committee") appointed by the Board.

#### *Option Grants*

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

### *Exercise Price*

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

### *Exercise Period, Blackout Periods and Vesting*

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

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

The New Plan provides that at any time the expiry date of the option period in respect of an Option occurs during, or within ten days following, a “blackout period”, the expiry date of such option period is deemed to be the date that is ten days following the expiry of such blackout period. Blackout periods are imposed by the Company to restrict trading of the Company’s securities by directors, officers, employees and certain others who hold options to purchase common shares, in accordance with the Company’s Corporate Disclosure, Confidentiality and Securities Trading Policy and similar policies in effect from time to time, in circumstances where material non-public information exists, including where financial statements are being prepared but results have not yet been publicly disclosed. The provision relating to blackout periods will apply to all outstanding options issued to Insiders and other participants under the Existing Plan as well as new grants under the New Plan.

### *Cashless Exercise Rights*

Under the New Plan an optionee has the right, in lieu of the right to exercise an Option for cash, to exercise an option on a “cashless” basis by electing to relinquish, in whole or in part, the right to exercise such option and receive, in lieu thereof, a number of fully paid common shares. The number of common shares issuable pursuant to such cashless exercise is equal to the quotient obtained by dividing the difference between the aggregate Fair Market Value and the aggregate exercise price of all common shares subject to such option by the Fair Market Value of one (1) common share at the time of exercise.

### *Termination or Death*

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

### *Transferability*

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

### *Amendments to the Plan*

Under the New Plan, the Board will have the power to amend the New Plan in certain circumstances without obtaining shareholder approval. These include: changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the New Plan, changes to the exercise price, vesting, term and termination provisions of Options, changes to the cashless exercise right provisions, changes to the authority and role of the Compensation and Benefits Committee, changes to the acceleration and vesting of Options in the event of a takeover bid, including any other matter relating to the New Plan and the Options and awards granted thereunder. The Board may only effect such proposed amendments if:

- a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- b) no amendment to the New Plan or to an Option granted will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the holder of such Option;
- c) the expiry date of an Option Period in respect of an Option shall not be more than ten years from the date of grant of an Option except as expressly provided in the New Plan.

The following amendments may only be effected with shareholder approval:

- a) any amendment to the aggregate number of Shares reserved for issuance under the New Plan;
- b) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders or that would reduce the exercise price of an outstanding Option of an Insider (other than as expressly provided for under the New Plan);
- c) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the New Plan except if the expiry date occurs during a blackout period; and
- d) any amendment to the amending provisions.

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

### *Transition from Existing Plan to New Plan*

If the New Plan Resolution is passed at the Meeting, all Options granted by the Company after the date of the Meeting will be governed by the New Plan. The Existing Plan will continue to govern any outstanding

options issued under the Existing Plan and the “blackout period” provisions in Section 2.5 of the New Plan will also apply to currently outstanding options under the Existing Plan.

#### *Insider Participation Limits*

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

- (a) to Insiders (as defined in the TSX Company Manual) shall not exceed 10% of the Company's outstanding share capital from time to time;
- (b) to Insiders within any one-year period shall not exceed 10% of the Company's outstanding share capital from time to time; and
- (c) to any one Insider and his or her Associates (as defined under applicable securities laws) within any one-year period shall not exceed 5% of the Company's outstanding share capital from time to time.

In no event will the number of common shares at any time reserved for issuance to any participant pursuant to options under the Plan (when combined with all of the Company’s other security-based compensation arrangements, as applicable) exceed 5% of the Company's outstanding share capital from time to time.

#### **Termination and Change of Control Benefits**

The Company and its subsidiaries have not entered into any compensatory plan or arrangement in respect of compensation received or that may be received by any of the Named Executive Officers during the Company’s most recently completed or current financial year to compensate such executive officers in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in control that exceed the amounts generally payable under statutory or common law rules for notice of termination without cause or compensation in lieu thereof, other than as set out herein.

The management agreement between the Company and Mr. Chmelauskas provides that: (a) in the case termination without cause, the Company shall pay Mr. Chmelauskas 12 months’ salary in a lump sum; and (b) in the case of change of control, the Company shall pay to Mr. Chmelauskas 18 months’ salary in a lump sum.

During the financial year ended September 30, 2010, Mr. Epshtein did not have a termination or change of control provision in his consulting contract. On December 1, 2010 Mr. Epshtein entered into an employment agreement with the Company that provides for the following: (a) in the case of termination without cause, the Company shall pay Mr. Epshtein 12 months’ salary in a lump sum; and (b) in the case of change of control, the Company shall pay to Mr. Epshtein 12 months’ salary in a lump sum

The management agreement between the Company and Mr. Bertolli provides that: (a) in the case of termination without cause, the Company shall pay Mr. Bertolli 12 months’ salary in a lump sum; and (b) in the case of change of control, the Company shall pay to Mr. Bertolli 12 months’ salary in a lump sum.

The management agreement between the Company and Mr. Bryan provides that: (a) in the case of termination without cause, the Company shall pay Mr. Bryan 12 months’ salary in a lump sum; and (b) in the case of change of control, the Company shall pay to Mr. Bryan 12 months’ salary in a lump sum.

The management agreement between the Company and Ms. Burnett provides that: (a) in the case termination without cause, the Company shall pay Ms. Burnett 6 months' salary in a lump sum; and (b) in the case of change of control, the Company shall pay to Ms. Burnett 12 months' salary in a lump sum.

The following table discloses the estimated amounts payable to those Named Executive Officers under these termination and change-of-control payments. Amounts disclosed in the table below assume that a change-in-control occurred and/or Named Executive Officer's employment terminated on September 30, 2010:

Named Executive Officer	Termination by the Company	Termination in Connection with a Change-of-Control
Jay Chmelauskas President	CDN\$250,000	CDN\$375,000
Dennis Bryan SVP, Development	CDN\$180,075 <sup>(1)</sup>	CDN\$180,075 <sup>(1)</sup>
Silvio Bertolli SVP, Project Development	CDN\$205,800 <sup>(1)</sup>	CDN\$205,800 <sup>(1)</sup>
Cindy Burnett VP, Investor Relations	CDN\$74,400	CDN\$148,800

Notes:

(1) Salary is paid in US currency. The exchange rate used was US\$1.00 = CDN\$1.029.

## DIRECTOR COMPENSATION

### Director Compensation

Through to the end of the financial year ended September 30, 2010 the Company's sole method of compensating directors was through the grant of incentive stock options. Such option grants typically occur upon a director first joining the board, and thereafter on an ad hoc basis depending on prevailing factors affecting the Company, including business performance and share capital dilution, and the length of time since a previous grant. During the financial year ended September 30, 2010, no compensation was paid or stock options issued to the Company's directors.

### Outstanding Share Based Awards and Option Based Awards

The following table sets out all option based awards and share based awards outstanding as at September 30, 2010 for each director:

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 (\$)
R. Edward Flood	2,000,000	0.50	June 6, 2013	1,240,000	-	-
	100,000	1.28	November 2, 2014	-	-	-
William Haldane	500,000	0.50	June 6, 2013	310,000	-	-
	100,000	1.28	November 2, 2014	-	-	-
John Macken	500,000	0.50	June 6, 2013	310,000	-	-
	200,000	1.28	November 2, 2014	-	-	-
William Sheriff	500,000	0.50	June 6, 2013	310,000	-	-
	100,000	1.28	November 2, 2014	-	-	-

Notes:

- (1) The value of unexercised “in-the-money options” is calculated on the basis of the difference between the closing price of the Common Shares on the TSXV on September 30, 2010 at \$1.12 and the exercise price of the stock options.
- (2) For Jay Chmelauskas refer to the Outstanding Share Based Awards and Option Based Awards table on page 12.

### **Incentive Plan Awards-Value Vested or Earned During the Year**

The following table sets out the value vested or earned under incentive plans during the financial year ended September 30, 2010 for each director:

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 (\$)
R. Edward Flood	535,000	-	-
Pamela Klessig <sup>(2)</sup>	267,500	-	-
William Haldane	133,750	-	-
John Macken	133,750	-	-
William Sheriff	133,750	-	-

Notes:

- (1) The “value vested during the year” with respect to the stock options is calculated using the closing price of the common shares of the Company on the TSXV on the vesting dates less the respective exercise price of the options on the grant dates.
- (2) Pamela Klessig resigned from the board of directors effective March 24, 2010.
- (3) For Jay Chmelauskas refer to the Outstanding Share Based Awards and Option Based Awards table on page 12.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans as of September 30, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by the securityholders	9,586,250	\$0.70	6,979,434
Equity compensation plans not approved by the securityholders	N/A	N/A	N/A
<b>Total</b>	9,586,250	\$0.70	6,979,434

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

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

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

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

R. Edward Flood holds a material interest in Western Uranium Corporation, who has entered into a Purchase and Sale Agreement with the Company dated February 7, 2011 by which the Company has agreed to purchase the mineral titles, royalties and related interest of Western Uranium Corporation in the Kings Valley Mineral Property in consideration for the issue by the Company to Western Uranium Corporation of 5,855,000 common shares at a deemed price of CDN\$1.17 per share. Certain other directors of the Company hold an interest in Western Uranium Corporation solely through ownership of a non-material amount of common shares (the "WUC Transaction").

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

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

## **MANAGEMENT CONTRACTS**

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

## **APPOINTMENT OF AUDITOR**

### **Auditor**

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

## **AUDIT COMMITTEE**

As at the year ended September 30, 2010, the Company was a "venture issuer" as that term is defined under National Instrument 52-110 Audit Committee ("NI 52-110"). A discussion of the Company's audit committee in compliance with Form 52-110F2 can be found in the Company's Annual Information Form for the year ended September 30, 2010 filed on February 1, 2011.

NI 52-110 requires the Company, as a venture issuer, to disclose annually in its circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor.

## CORPORATE GOVERNANCE DISCLOSURE

In April 2005, the Canadian Securities Administrators (the “CSA”) announced the adoption of Multilateral Policy 58-201 and National Instrument 58-101 (“NI 58-101”), which each took effect as of June 30, 2005 (collectively, the “CSA Corporate Governance Disclosure Requirements”). The CSA Corporate Governance Disclosure Requirements apply to the Corporation’s disclosure of its corporate governance practices and are substantially consistent with the revised corporate governance listing standards of the New York Stock Exchange. The CSA Corporate Governance Disclosure Requirements require the Corporation to make certain prescribed disclosures respecting its particular corporate governance practices and recommend a series of non-prescriptive corporate governance guidelines (the “Guidelines”) that Canadian public companies are encouraged to consider in developing their own corporate governance practices. The Company’s approach to corporate governance is set out below.

### **Board of Directors**

Management is nominating six individuals to the Company’s board of directors (the “Board”), five of whom are current directors of the Company.

The Board of Directors has reviewed the independence of each director on the basis of the definitions in section 1.4 of NI 52-110. A director is “independent” if he or she has no direct or indirect material relationship with the Company. A “material relationship” is one that would, or in the view of the Board of Directors could, be reasonably expected to interfere with the exercise of a director’s independent judgment. The Board has determined, after reviewing the roles and relationships of each of the directors that, at the date of this Circular, two of the five current members of the Board of Directors are “independent” for the purposes of NI 52-110. The Company has determined that John Macken and William M. Sheriff are independent directors and have no material connection to the Company, other than as directors. The Board of Directors has determined that Terry Krepiakovich, who is being nominated for appointment at the Meeting, is independent, and accordingly following the Meeting the Board of Directors would include three independent directors.

The Board of Directors has determined that Jay Chmelauskas, R. Edward Flood and William R. Haldane are not independent of the Company. Mr. Chmelauskas is not an independent director because he is the President of the Company. Mr. Flood is not an independent director because he is the Chairman of the Board of Western Uranium Corporation, the controlling shareholder of the Company. Mr. Haldane is not considered an independent director because he received a fee in excess of \$75,000 for services rendered to the Company in 2008 that was not related to his role as a director of the Company.

The Board has appointed R. Edward Flood as its Chairman.

In order to ensure independent decisions and independent leadership, the board will from time to time appoint a special committee of independent directors. A special committee consisting of John Macken, William Haldane and William M. Sheriff was established to review and consider the WUC Transaction on behalf of the Company. The committees of the Board will consist entirely of independent directors following the Meeting, and accordingly, the independent directors will be able to meet and discuss matters relevant to the Company in these forums.

### **Directorships**

The following directors of the Company and nominees are directors of other reporting issuers:

- Jay Chmelauskas is a director of Northern Graphite Corporation;

- R. Edward Flood is a director of Gabriel Resources Ltd., Ivanhoe Mines Ltd., SouthGobi Resources Ltd. and Western Uranium Corporation;
- Terry Krepiakovich is a director of Alexco Resources Corp.;
- William M. Sheriff is a director of Golden Predator Corp., and Silver Predator Corp.;
- John Macken is a director of Ivanhoe Mines Ltd. and Ivanhoe Australia Limited.

### Attendance at Board Meetings

Director	Attendance
R. Edward Flood	4 of 5
Jay Chmelauskas	5 of 5 <sup>(1)</sup>
William Haldane	5 of 5
John Macken	4 of 5
William M. Sheriff	5 of 5

- (1) Mr. Chmelauskas was appointed as a director of the Company in September 2010. He attended 4 of 5 of the 2010 board of directors meetings as a management guest and one as a director.

### Board Mandate

The mandate of the Board of Directors is set forth below:

Under the British Columbia Business Corporations Act, the directors of the Company are required to manage the Company's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Company. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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

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

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

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

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

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

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

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outsider advisor at the expense of the Company provided such director has obtained the approval of the Nominating and Corporate Governance Committee to do so. The roles of Chairman, President and Lead Director (if any) will be as set forth in position statements as may be established by the Board from time to time.

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

### **Position Descriptions**

The Board has not adopted a written position description for the chair, the chair of each Committee of the Board, and the President. The President is responsible for day to day management of the Company and reports to the Board of Directors. Meanwhile the Chair of the Board and each Committee is responsible for the conduct of meetings, setting relevant agendas and overall leadership in the conduct of the Board and Committees, as applicable.

### **Orientation and Continuing Education**

The Board does not have any formal policies with respect to the orientation of new directors, although Board members are encouraged to pursue continuing education to support their role as directors. At this stage of the Company's development the Board does not feel it necessary to have such policies or programs in place.

### **Ethical Business Conduct**

The Company has a Code of Business Conduct and Ethics (the "Code") which is applicable to its directors, officers and employees. The Board's Audit Committee is responsible for monitoring

compliance with the Code. The Code provides that the Company's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Company requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. All directors, officers and employees of the Company are provided with a copy of the Code and must provide the Company with written acknowledgement that they have received, reviewed and understood the Code.

A copy of the Code has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and is available on the Company's website.

### **Nomination and Assessment**

The Board has a Nominating and Corporate Governance Committee, which is governed by a Nominating and Corporate Governance Committee Charter. The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The Nominating and Corporate Governance Committee is also responsible for reporting to the Board with respect to appropriate candidates for nomination to the Board, and for developing and recommending to the Board corporate governance guidelines.

The Nominating and Corporate Governance Committee currently consists of John Macken, William Haldane and William M. Sheriff. John Macken is the Chair of the Nominating and Corporate Governance Committee.

### **Compensation**

The Board reviews the compensation from time to time of the Directors and is satisfied that the current compensation arrangements adequately reflect the responsibilities and risks involved in being an effective director of the Company. The number of options granted to date was determined by the Board as a whole, which allowed the independent directors to have input into compensation decisions.

The Board also has a Compensation and Benefits Committee which is governed by a Compensation and Benefits Committee Charter. The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Company's stock option plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.

The members of the Company's Compensation and Benefits Committee are William Haldane, John Macken and William M. Sheriff. Mr. Sheriff is the Chair of the Compensation and Benefits Committee.

### **Other Board Committees**

The Board has no standing committees other than the Audit Committee, the Compensation and Benefits Committee and the Nominating and Corporate Governance Committee.

### **Assessments**

The Board, from time to time, reviews the performance and effectiveness of the Board, the Directors and its Committees to determine whether changes in size, personnel or responsibilities are necessary.

## PARTICULARS OF MATTERS TO BE ACTED UPON

In addition to the election of the directors and other matters disclosed elsewhere in this Information Circular, the board of directors is proposing that the shareholders consider and vote upon the following matters at the Meeting.

### **Adoption of a New Employees' and Directors' Stock Option Plan**

For a summary of the Plan, see "Adoption of a New Employees' and Directors' Stock Option Plan" above. A copy of the New Plan in its entirety is attached hereto as Schedule "A" and forms a part of this Information Circular.

The text of the resolution to approve the adoption of the New Plan is as follows:

1. the Employees' and Directors' Stock Option Plan of the Company (the "New Plan"), attached as Schedule "A" to the Management Information Circular of the Company dated February 25, 2011 (the "Circular"), which:
  - a. establishes a fixed number up to 16,859,947 common shares issuable under the New Plan and any other share compensation arrangement of the Company including the Company's existing stock option plan (the "Existing Plan"); and
  - b. replaces the Company's Existing Plan for any new grants of options in the future as described in the Circular.

be and is hereby approved.

2. any director or officer of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution.

### **General Matters**

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

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). Information concerning the Company may be obtained by any securityholder of the Company free of charge by contacting the Company at 604-681-3071.

**BOARD APPROVAL**

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

DATED at Vancouver, British Columbia, the 25<sup>th</sup> day of February, 2011.

**ON BEHALF OF THE BOARD**

“Jay Chmelauskas”  
Jay Chmelauskas  
President and Director

## SCHEDULE "A"

Effective: ♦, 2011

### WESTERN LITHIUM USA CORPORATION

### EMPLOYEES' AND DIRECTORS' STOCK OPTION PLAN

♦, 2011

#### PART 1 INTRODUCTION

##### 1.1 Purpose

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

##### 1.2 Definitions

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

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

## **PART 2 THE PLAN**

### **2.1 Participation**

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

### **2.2 Administration of the Plan.**

The Plan shall be administered by the Committee.

### **2.3 Price**

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

### **2.4 Grant of Options**

The Board, on the recommendation of the Committee, may at any time authorize the granting of Options to such Eligible Employees and Eligible Directors as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan. The date of grant of an Option shall be (i) the date such grant was approved by the Committee for recommendation to the Board, provided the Board approves such grant; or (ii) for a grant of an Option not approved by the Committee for recommendation to the Board, the date such grant was approved by the Board.

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

## **2.5 Terms of Options**

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

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

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

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

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

The exercise of any Option will be contingent upon the Optionee having entered into an Option agreement with the Company on such terms and conditions as have been approved by the Board, on the recommendation of the Committee, and which incorporates by reference the terms of the Plan. The exercise of any Option will also be contingent upon receipt by the Company of cash payment of the full purchase price of the Shares being purchased. No Optionee or his legal representatives or legatees will be, or will be deemed to be, a holder of any Shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Plan.

## **2.6 Cashless Exercise Right**

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

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

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

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

## **2.7 Lapsed Options**

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

## **2.8 Effect of Termination of Employment or Death**

If an Optionee:

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

thereof shall become exercisable for a period of up to 12 months thereafter or prior to the expiration of the Option Period in respect thereof, whichever is sooner.

## **2.9 Effect of Takeover Bid**

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

## **2.9 Effect of Amalgamation or Merger**

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

## **2.10 Adjustment in Shares Subject to the Plan**

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

# **PART 3 GENERAL**

## **3.1 Number of Shares**

The aggregate number of Shares that may be issued under this Plan (together with any other securities-based compensation arrangements of the Company in effect from time to time, which for this purpose includes outstanding options from the Company's former TSX Venture Exchange compliant stock option plan (the "Original Plan")) shall not exceed 16,859,947 Shares. In addition, the aggregate number of Shares that may be issued and issuable under the Plan (when combined with all of the Company's other security based compensation arrangements, as applicable),

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

In no event will the number of Shares that may be issued to any Participant pursuant to Options under the Plan (when combined with all of the Company's other security based compensation arrangement, as applicable) exceed 5% of the Company's outstanding issue from time to time.

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

### **3.2 Transferability**

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

### **3.3 Employment**

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

### **3.4 Record Keeping**

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

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

### **3.5 Necessary Approvals**

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

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

### **3.6 Income Taxes**

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

### **3.7 Amendments to Plan**

The Board shall have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option or other award granted under the Plan without shareholder approval, including, without limiting the generality of the foregoing:

changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Plan, changes to the exercise price, vesting, term and termination provisions of Options, changes to the cashless exercise right provisions, changes to the authority and role of the Compensation and Benefits Committee under the Plan, changes to the acceleration and vesting of Options in the event of a takeover bid, and any other matter relating to the Plan and the Options and awards granted thereunder, provided however that:

- a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- b) no amendment to the Plan or to an Option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Option which is outstanding at the time of such amendment without the written consent of the holder of such Option;
- c) the expiry date of an Option Period in respect of an Option shall not be more than ten years from the date of grant of an Option except as expressly provided in Section 2.5;
- d) the Directors shall obtain shareholder approval of:
  - (i) any amendment to the aggregate number of Shares specified in subsection 3.1;
  - (ii) any amendment to the limitations on Shares that may be reserved for issuance, or issued, to Insiders under subsections 3.1(a) (b) and (c); or
  - (iii) any amendment that would reduce the exercise price of an outstanding Option other than pursuant to section 2.11; and
  - (iv) any amendment that would extend the expiry date of the Option Period in respect of any Option granted under the Plan except as expressly contemplated in subsection 2.5.

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

### **3.8 No Representation or Warranty**

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

### **3.9 Compliance with Applicable Law, etc**

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

## **PART 4 ADMINISTRATION OF THE PLAN**

### **4.1 Administration by the Committee**

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

### **4.2 Board Role**

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

## **PART 5 TRANSITION**

### **5.1 Replacement of Stock Option Plan**

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

### **5.2 Outstanding Options under the Original Plan**

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