

**KLONDIKE GOLD CORP.**

Suite 3123 – 595 Burrard Street  
Vancouver, BC V7X 1J1  
Tel: (604) 609-6110  
Fax: (604) 609-6145

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of **KLONDIKE GOLD CORP.** (hereinafter called the "Company") will be held on **Wednesday, May 6, 2015**, at Suite 3123 – 595 Burrard Street, Vancouver, BC V7X 1J1 at the hour of 9:00 a.m. (Pacific Standard Time) for the following purposes:

1. To receive and consider the audited financial statements of the Company for the fiscal year ended February 28, 2014, together with the auditor's report thereon.
2. To appoint Morgan LLP as the auditor of the Company for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditor.
3. To fix the number of directors for the ensuing year at four (4).
4. To elect directors for the ensuing year.
5. To re-approve the Company's stock option plan.
6. To approve the creation of a new control person.
7. To transact such other business as may properly be transacted at the Meeting or at any adjournment thereof.

Accompanying this Notice is an Information Circular and Proxy with notes to Proxy.

**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 sign the enclosed form of proxy and deliver it in accordance with the instructions set out in the form of proxy and in the information circular.**

The enclosed Proxy is solicited by Management and you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Vancouver, British Columbia, this 30th day of March, 2015.

BY ORDER OF THE BOARD

*“Peter Tallman”*

---

Peter Tallman  
President and CEO

# **KLONDIKE GOLD CORP.**

Suite 3123, 595 Burrard Street  
Vancouver, BC V7X 1J1  
Telephone: (604) 609-6110  
Fax: (604) 609-6145

## **INFORMATION CIRCULAR**

(Containing Information as at March 30, 2015, unless otherwise stated)

**For the Annual General Meeting to be held on Wednesday, May 6, 2015**

### **SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by the Management of KLONDIKE GOLD CORP. (the "Company"), for use at the Annual General Meeting (the "Meeting"), of the shareholders of the Company (the "Shareholders"), to be held on Wednesday, the 6th day of May, 2015, at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. The solicitation will be primarily by mail, however, proxies may be solicited personally or by telephone by the regular officers and employees of the Company. The cost of solicitation will be borne by the Company.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the accompanying form of Proxy are Directors and/or Officers of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ENCLOSED INSTRUMENT OF PROXY. TO EXERCISE THIS RIGHT, A SHAREHOLDER SHALL STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE INSTRUMENT OF PROXY AND INSERT THE NAME OF HIS/HER NOMINEE IN THE BLANK SPACE PROVIDED, OR COMPLETE ANOTHER INSTRUMENT OF PROXY. A PROXY WILL NOT BE VALID UNLESS IT IS DEPOSITED WITH THE COMPANY'S REGISTRAR AND TRANSFER AGENT, COMPUTERSHARE TRUST COMPANY OF CANADA, 100 UNIVERSITY AVENUE, 9TH FLOOR, TORONTO, ONTARIO, M5J 2Y1, OR BY TOLL FREE FAX 1.866.249.7775 NOT LESS THAN 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE TIME OF THE MEETING OR ADJOURNMENT THEREOF.**

The Instrument of Proxy must be signed by the Shareholder or by his attorney in writing, or, if the Shareholder is a corporation, it must either be under its common seal or signed by a duly authorized officer.

A Shareholder who has given a proxy may revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his attorney authorized in writing, or, if the Shareholder is a corporation, it must either be under its common seal, or signed by a duly authorized officer and deposited at the Company's Registrar and Transfer Agent, Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of it, at which the proxy is to be used, or to the Chairperson of the Meeting on the day of the Meeting or any adjournment of it. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **VOTING OF SHARES AND EXERCISE OF DISCRETION OF PROXIES**

On any poll, the persons named in the enclosed Instrument of Proxy will vote the shares in respect of which they are appointed. Where directions are given by the Shareholder in respect of voting for or against any resolution, the proxy holder will do so in accordance with such direction.

IN THE ABSENCE OF ANY INSTRUCTION IN THE PROXY, IT IS INTENDED THAT SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MOTIONS PROPOSED TO BE MADE AT THE MEETING AS STATED UNDER THE HEADINGS IN THIS INFORMATION CIRCULAR. The Instrument of Proxy enclosed, when

properly signed, confers discretionary authority with respect to amendments or variations to the matters which may properly be brought before the Meeting. At the time of printing this Information Circular, the Management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting, the Proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the nominee.

In order to approve a motion proposed at the Meeting, a majority of greater than 50% of the votes cast will be required (an "Ordinary Resolution") unless the motion requires a Special Resolution, in which case a majority of not less than two thirds of the votes cast will be required. In the event a motion proposed at the Meeting requires disinterested Shareholder approval, common shares held by Shareholders of the Company who are also "insiders", as such term is defined under applicable securities laws, will be excluded from the count of votes cast on such motion.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold common shares in their own name.** Shareholders who do not hold their common shares in their own name (referred to in this information circular as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of common shares can be recognized and acted upon at the Meeting. If common shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those common shares will not be registered in the Shareholder's name on the records of the Company. Such common shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such common shares are registered under the name CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). The common shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their common shares are communicated to the appropriate person.**

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by its broker, agent or nominee is limited to instructing the registered holder of the common shares on how to vote such shares on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications ("Broadridge"). Broadridge typically supplies a voting instruction form, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of the shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote common shares directly at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure such common shares are voted.**

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purpose of voting common shares registered in the name of their broker, agent or nominee, a Beneficial Shareholder may attend the Meeting as a proxyholder for a shareholder and vote common shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their common shares as proxyholder for the registered shareholder should contact their broker, agent or nominee well in advance of the Meeting to determine the steps necessary to permit them to indirectly vote their common shares as a proxyholder.

The Company will not pay for an intermediary to deliver proxy related materials and voting instruction forms to objecting beneficial owners (called OBOs for Objecting Beneficial Owners). OBOs have objected to their intermediary disclosing ownership information about themselves to the Company. Accordingly, OBOs will not receive the materials unless their intermediary assumes the costs of delivery.

The Company is not relying on the "notice-and-access" delivery procedures outlined in National Instrument 54-101 to distribute copies of the proxy related materials in connection with the Meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company's authorized capital consists of an unlimited number of common shares without par value. As at March 30, 2015, the Company had 33,809,266 common shares issued and outstanding, each share carrying the right to one vote. Any shareholder of record at the close of business on March 30, 2015 who either personally attends the Meeting or who has completed and delivered a Proxy in the manner and subject to the provisions described above, shall be entitled to vote or to have such shareholder's shares voted at the Meeting.

Subsequent to the Company's fiscal year ended February 28, 2014, the Company completed a share consolidation on the basis of one post-consolidation common share for every ten pre-consolidation common shares on July 28, 2014. Unless otherwise stated, all numbers in this Information Circular reflect post-share consolidation amounts.

To the best of the knowledge of the directors and senior officers of the Company, there are no person(s) or companies who beneficially own, or control or direct, directly or indirectly, common shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Company other than:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of Issued and Outstanding</b>
Frank Giustra	5,677,378 <sup>(1)</sup>	16.79%
Roberto Aquilini	3,654,156 <sup>(2)</sup>	10.81%

*Note:*

- (1) 4,544,889 of these shares are held through Fiore Financial Corporation, a company owned and controlled by Frank Giustra, and 887,239 of these shares are held through The Radcliffe Foundation, a charitable organization controlled by Frank Giustra. The remaining 245,250 shares are held personally by Frank Giustra.
- (2) 2,839,500 of these shares are held through 451178 BC Ltd., a company owned and controlled by Roberto Aquilini. The remaining 814,656 shares are held through Trisec Securities Inc., a company owned and controlled by Roberto Aquilini.

### **EXECUTIVE COMPENSATION**

In accordance with applicable legislation, the Company had four NEOs during the financial year ended February 28, 2014, namely Erich Rauguth, who acted as President and Chief Executive Officer of the Company from November 4, 2011 to December 4, 2013, Alan Campbell, who acted as the Chief Financial Officer of the Company from August 22, 2006 to December 4, 2013, Peter Tallman, who has acted as President and Chief Executive Officer of the Company since December 4, 2013, and Jeremy Crichton, who has acted as the Chief Financial Officer of the Company since December 4, 2013.

#### **Definitions: For the purpose of this Information Circular:**

"CEO" means an individual who acted as chief executive officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;

"CFO" means an individual who acted as chief financial officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;

"closing market price" means the price at which the company's security was last sold, on the applicable date,

- (i) in the security's principal marketplace in Canada, or
- (ii) if the security is not listed or quoted on a marketplace in Canada, in the security's principal marketplace;

**"company"** includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

**"equity incentive plan"** means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of IFRS 2 Share-based Payment;

**"external management company"** includes a subsidiary, affiliate or associate of the external management company;

**"grant date"** means a date determined for financial statement reporting purposes under IFRS 2 Share-based Payment;

**"incentive plan"** means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

**"incentive plan award"** means compensation awarded, earned, paid, or payable under an incentive plan;

**"NEO" or "Named Executive Officer"** means each of the following individuals:

- (a) a CEO;
- (b) a CFO;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of National Instrument 51-102, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year;

**"NI 52-107"** means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

**"non-equity incentive plan"** means an incentive plan or portion of an incentive plan that is not an equity incentive plan;

**"option-based award"** means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features;

**"plan"** includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons;

**"replacement grant"** means an option that a reasonable person would consider to be granted in relation to a prior or potential cancellation of an option;

**"repricing"** means, in relation to an option, adjusting or amending the exercise or base price of the option, but excludes any adjustment or amendment that equally affects all holders of the class of securities underlying the option and occurs through the operation of a formula or mechanism in, or applicable to, the option;

**"share-based award"** means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

## **COMPENSATION DISCUSSION AND ANALYSIS**

During the year ended February 28, 2014, compensation provided to the Company's NEOs was determined and reviewed by the Company's Compensation Committee. In establishing executive compensation policies, the Compensation Committee took into consideration the recommendations of management and, following discussion and review, reported them to the Company's full board of directors for final approval. Alan Campbell, Manfred Peschke and Steven Chan were the members of the Compensation Committee from March 1, 2013 until December 4, 2013, at which time the Compensation Committee was dissolved. Since the dissolution of the Compensation Committee, the Board of directors has determined the compensation payable to the Company's executive officers.

For the financial year ended February 28, 2014, the three basic components of executive officer compensation were:

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

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

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

The Compensation Committee reviewed on an annual basis the cash compensation, performance and overall compensation package of each active NEO. It then submitted to the Board recommendations with respect to base salary adjustments, bonuses and participation in option based compensation arrangements for each executive officer.

The Company does not currently have in place a share award program.

The Board of Directors has not conducted a formal evaluation of the implications of the risks associated with the Company's compensation policies. Risk management is a consideration of the Board of Directors when implementing its compensation policies and the Board of Directors do not believe that the Company's compensation policies result in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Company.

### **Base Salary**

During the year ended February 28, 2014, the Compensation Committee and the Board of directors approved the salary ranges for the active NEOs. Base salaries were set with the goal of being competitive with corporations of a comparable size and at the same stage of development, thereby enabling the Company to compete for and retain executives critical to the Company's long-term success. In determining the base salary of an executive officer, the Compensation Committee places equal weight on the following criteria:

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

The Compensation Committee made an assessment of these criteria, and using this information together with budgetary guidelines and other internally generated planning and forecasting tools, performed an annual assessment of the compensation of all executive officer and employee compensation levels. To date, comparative data for the

Company's peer group has been accumulated internally, without the use of any external independent consultants or compensation specialists.

For employees of the Company, management is responsible for preparing an individual evaluation process for each employee and then conducting reviews on an annual basis. The evaluation framework is objective where a number of factors are judged for each employee. The results of said reviews and management recommendations with respect to compensation levels are then submitted to the Board of Directors for consideration.

#### **Annual Incentives (Cash Bonus)**

Executive officers are eligible for an annual discretionary bonus, payable in cash. The Board approves such annual incentives and the Board relied heavily on the recommendations of the Compensation Committee in granting them. The Compensation Committee assessed each active NEO's performance and his or her respective contribution to the Company's success, and after taking into account the financial and operating performance of the Company, made a recommendation to the Board.

In the financial year ended February 28, 2014, the Board paid no bonus to any of the other executive officers or other employees in light of the prevailing economic conditions and the Company's desire to preserve capital.

#### **Option Based Awards (Long Term Compensation)**

The Company has in effect a stock option plan (the "Stock Option Plan") in order to provide effective incentives to directors, officers and senior management personnel and consultants of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Company's Shareholders. In determining option grants to the Named Executive Officers, the Compensation Committee together with management takes into consideration factors that include the amount and exercise price of previous option grants, the NEO's experience, level of expertise and responsibilities, and the contributions of each NEO towards the completion of corporate transactions in any given fiscal year.

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

Equity participation is accomplished through the Company's Stock Option Plan which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance.

The Company considers stock option grants when reviewing executive officer compensation packages as a whole. Stock options granted to NEOs during the most recently completed financial year, are disclosed below under the heading, "Executive Compensation - Summary Compensation Table".

The Company's Stock Option Plan provides for the grant of stock options to directors, executive officers and key employees and consultants of the Company and its subsidiaries and to Eligible Charitable Organizations (as defined in the policies of the TSX Venture Exchange) for the purpose of advancing the interests of the Company and its shareholders through the motivation, attraction and retention of these individuals. It is generally recognized that stock option plans aid in attracting, retaining and encouraging these individuals due to the opportunity offered to them to acquire a proprietary interest in the Company.

The Committee determined the ranges of stock option grants for each level of executive officer, the key employees to whom it recommends that grants be made, and the terms and conditions of the options forming part of such grants, and made recommendations to the Board accordingly. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of the position and contribution to the Company. The existing number and terms of the outstanding options are taken into account when granting new options.

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

approval. Details of the Company's Stock Option Plan are provided below under "Particulars of Matters to be Acted Upon."

### Pension Plan Benefits

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by the Company and none are proposed at this time.

### Use of Financial Instruments

The Company does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director. However, management is not aware of any Named Executive or director purchasing such an instrument.

### Summary Compensation Table

The following table sets forth particulars of all compensation paid to the Named Executive Officers during the years ended February 28, 2014, February 28, 2013 and February 29, 2012.

Name and principal position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Erich Rauguth <sup>(1)</sup>	2014	91,000	Nil	47,109 <sup>(6)</sup>	Nil	Nil	Nil	6,386 <sup>(8)</sup>	144,495
	2013	158,000 <sup>(5)</sup>	Nil	60,689 <sup>(7)</sup>	Nil	Nil	Nil	3,000 <sup>(9)</sup>	221,689
	2012	21,000	Nil	Nil	Nil	Nil	Nil	Nil	21,000
Alan Campbell <sup>(2)</sup>	2014	77,000	Nil	23,554 <sup>(6)</sup>	Nil	Nil	Nil	9,500 <sup>(9)</sup>	110,054
	2013	84,000	Nil	60,689 <sup>(7)</sup>	Nil	Nil	Nil	10,500 <sup>(9)</sup>	155,189
	2012	53,100	Nil	Nil	Nil	Nil	Nil	Nil	53,100
Peter Tallman <sup>(3)</sup>	2014	Nil	Nil	Nil	Nil	Nil	Nil	23,000 <sup>(10)</sup>	23,000
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jeremy Crichton <sup>(4)</sup>	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Erich Rauguth served as the President, Chief Executive Officer and a director of the Company from November 1, 2011 to December 4, 2013.
- (2) Alan Campbell served as the Chief Financial Officer and a director of the Company from August 22, 2006 to December 4, 2013.
- (3) Peter Tallman has served as the President, Chief Executive Officer and a director of the Company since December 4, 2013.
- (4) Jeremy Crichton has served as the Chief Financial Officer of the Company since December 4, 2013.
- (5) Of this amount, \$62,000 salary was paid to Erich Rauguth by the Company and \$96,000 was paid to Erich Rauguth by Lonestar Gold Inc. ("Lonestar"), a wholly owned subsidiary of the Company, in accordance with the June 1, 2011 Employment Agreement between Erich Rauguth and Lonestar.



- (6) On April 12, 2013, the Company granted options to each of Erich Rauguth and Alan Campbell (as to 1,000,000 pre-consolidated options and 500,000 pre-consolidated options, respectively,) exercisable at a price of \$0.10 per pre-consolidated share exercisable for a period of 3 years. The methodology used to calculate these amounts was the Black-Scholes model. The Company chose this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. The Black-Scholes assumptions used by the Company for these stock options were: i) exercise price per pre-consolidated share of \$0.10; ii) expected share price volatility of 113%; iii) risk free interest rate of 1.12%; and iv) no dividend yield which is consistent with the accounting values used in the Company's financial statements. See "NEO Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards" for the aggregate number of post-consolidation options outstanding at year end.
- (7) On March 1, 2012, the Company granted pre-consolidated 400,000 options to each of Erich Rauguth and Alan Campbell at a price of \$0.20 per pre-consolidated share exercisable until February 28, 2017. The methodology used to calculate these amounts was the Black-Scholes model. The Black-Scholes assumptions used by the Company for these pre-consolidated stock options were: i) exercise price per pre-consolidated share of \$0.20; ii) expected share price volatility of 136%; iii) risk free interest rate of 1.45%; and iv) no dividend yield which is consistent with the accounting values used in the Company's financial statements.
- (8) This amount represents rent paid to Erich Rauguth in accordance with the June 1, 2011 Employment Agreement between Erich Rauguth and Lonestar.
- (9) Directors fees.
- (10) Paid to Atlantic Zinc Resources Limited, a company wholly-owned by Peter Tallman, pursuant to the December 1, 2013 Consulting Agreement with the Company (see "Termination and Change of Control Benefits" below).

## **NEO INCENTIVE PLAN AWARDS**

### **Common Share Purchase Plan**

The Company has in effect the Stock Option Plan in order to provide effective incentives to directors, officers, senior management personnel and employees of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Company's Shareholders. The Company has no equity compensation plans other than the Stock Option Plan.

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

The following table sets forth particulars of all outstanding share-based and option-based awards granted to the Named Executive Officers and which were outstanding at February 28, 2014:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Erich Rauguth	40,000	\$ 2.00	March 4/14	Nil	N/A	N/A	N/A
	100,000	\$ 1.00	March 4/14	Nil	N/A	N/A	N/A
Alan Campbell	40,000	\$ 2.00	Dec. 31/14	Nil	N/A	N/A	N/A
	3,333	\$ 15.00	Dec. 31/14	Nil	N/A	N/A	N/A
	50,000	\$ 1.00	Dec. 31/14	Nil	N/A	N/A	N/A
Peter Tallman	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Jeremy Crichton	Nil	N/A	N/A	N/A	N/A	N/A	N/A

Note:

- (1) *The Company completed a share consolidation on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares on July 28, 2014. All figures reflect the post-share consolidation amounts.*
- (2) *Based on the difference between the exercise price of the options and the closing price of the Company's pre-consolidated common shares on the TSX Venture Exchange on February 28, 2014 of \$0.03 (\$0.30 per post-consolidated common share).*

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

Although an aggregate of 150,000 post-consolidated stock options were granted to the aforesaid Named Executive Officers during the year ended February 28, 2014, the market price of the common shares on the date of grant did not exceed the exercise price and, accordingly, the value vested or earned was nil. None of the Named Executive Officers exercised their stock options during the year ended February 28, 2014.

### **NARRATIVE DISCUSSION**

The only plan based award program that the Company currently operates with is its Stock Option Plan. The Company's current Stock Option Plan was approved by shareholders of the Company on February 18, 2014. The purpose of the Stock Option Plan is to advance the interests of the Company, through the grant of options, by (1) providing an incentive mechanism to foster the interest of directors, officers, employees and consultants in the success of the Company; (2) encouraging directors, officers, employees and consultants to remain with the Company; and (3) attracting new directors, officers, employees and consultants.

The Stock Option Plan is administered by the Board or the Compensation Committee established by the Board for the purpose of administering the Stock Option Plan. At the present time, option grants are approved by the Board. It is the responsibility of the granting party to determine:

- (a) persons entitled to receive the option grant;
- (b) the number of options to be granted;
- (c) the exercise price, which shall not be less than market price for the Company's common shares at the date of grant;
- (d) an expiry date of no more than ten (10) years after the date of the grant; and
- (e) the manner, if any, in which the option shall vest and become exercisable.

### **TERMINATION AND CHANGE OF CONTROL BENEFITS**

During the year ended February 28, 2014, the Company did not have any contracts, agreements, plans or arrangements in place with any NEO that provides for payment following or in connection with any termination, resignation, retirement, a change of control of the Company or a change in a NEO's responsibilities other than the Consulting Agreement (the "Agreement") between the Company and Atlantic Zinc Resources Limited ("AZRL") and Peter Tallman, the President, Chief Executive Officer and a director of the Company, namely:

1. If the Company terminates the Agreement at any time without cause or reason by written notice to AZRL (the "Termination Notice"), the Company terminates the engagement of AZRL pursuant to the Agreement on or after December 1, 2014, the Company will pay AZRL CDN\$11,500 plus GST thereon for the six months following the termination of the Agreement, being \$69,000 plus GST thereon, or the remainder of the term of the Agreement, whichever is less, within ten business days from the date of the Termination Notice; and
2. In the event that during the term of the Agreement there is a successful takeover bid of the Company or a change of control in the Company resulting from a merger by way of an amalgamation or plan of arrangement or if any shareholder except existing shareholders acquires in excess of 50% of the common shares of the Company, then AZRL at any time within 120 days of such event will be entitled to terminate the Agreement and to receive aggregate cash compensation equivalent to CDN\$69,000.

## **DIRECTOR COMPENSATION**

During the financial year ended February 28, 2014, the board of directors elected to pay fees of \$1,000 per meeting of the board to each attending director, \$5,000 per annum to each member of the Audit Committee, and \$2,500 per annum to each member of the compensation committee. These payments ceased effective December 4, 2013 when new management came into existence.

During the financial year ended February 28, 2014, the Company had nine directors. Three of those directors, namely Peter Tallman, Erich Rauguth and Alan Campbell were NEOs. Compensation for the NEOs has been discussed above. The following table sets forth particulars of all compensation paid to directors who were not NEOs during the year ended February 28, 2014.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-based Awards (\$)</b>	<b>Option-based Awards (\$)</b>	<b>Non-equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All other Compensation (\$)</b>	<b>Total (\$)</b>
Manfred Peschke <sup>(1)</sup>	14,289 <sup>(6)</sup>	Nil	23,554 <sup>(8)</sup>	Nil	Nil	Nil	37,843
Steven Chan <sup>(2)</sup>	6,000 <sup>(7)</sup>	Nil	23,554 <sup>(8)</sup>	Nil	Nil	Nil	29,554
Richard Hughes <sup>(3)</sup>	Nil	Nil	23,554 <sup>(8)</sup>	Nil	Nil	19,910 <sup>(9)</sup>	43,464
Gordon Keep <sup>(4)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
John Pallot <sup>(4)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Steven Brunelle <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) *Manfred Peschke served as a director of the Company from November 8, 2011 to February 18, 2014.*
- (2) *Steven Chan served as a director of the Company from May 2, 2011 to December 4, 2013.*
- (3) *Richard Hughes served as a director of the Company from August 19, 1997 to May 13, 2013 and as the President of the Company from August 23, 2002 to November 4, 2011.*
- (4) *Gordon Keep and John Pallot have each served as a director of the Company since December 4, 2013.*
- (5) *Steven Brunelle has served as a director of the Company since February 18, 2014.*
- (6) *Of this amount, \$9,500 is directors fees paid to Manfred Peschke by the Company. The remaining \$4,789 was paid to Manfred Peschke by Lonestar in accordance with the June 1, 2011 Employment Agreement between Manfred Peschke and Lonestar.*
- (7) *Directors fees.*
- (8) *On April 12, 2013, the Company granted 500,000 pre-consolidated options to each of Manfred Peschke, Steven Chan and Richard Hughes exercisable at a price of \$0.10 per pre-consolidated share for a period of three years. The methodology used to calculate these options was the Black-Scholes model. The Black-Scholes assumptions used by the Company for these stock options were: i) exercise price per pre-consolidated share of \$0.10; ii) expected share price volatility of 113%; iii) risk free interest rate of 1.12%; and iv) no dividend yield which is consistent with the accounting values used in the Company's financial statements.*
- (9) *Paid to Hastings Management Corp., a management company wholly-owned by Richard Hughes, for administration fees (\$18,050) and rent (\$1,860). See "Management Contracts" below.*

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

The following table sets forth particulars of all outstanding share-based and option-based awards granted to the directors who were not NEOs and which were outstanding at February 28, 2014:

Option-Based Awards					Share-Based Awards		
Name	Number of Securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of un-exercised in-the-money-options (\$) <sup>(2)</sup>	Number of share or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Manfred Peschke	35,000	\$ 2.00	May 18/14	Nil	Nil	N/A	N/A
	50,000	\$ 1.00	May 18/14	Nil	Nil	N/A	N/A
Steven Chan	35,000	\$ 2.00	Mar. 4/14	Nil	Nil	N/A	N/A
	50,000	\$ 1.00	Mar. 4/14	Nil	Nil	N/A	N/A
Richard Hughes	Nil	Nil	N/A	Nil	Nil	N/A	N/A
Gordon Keep	Nil	Nil	N/A	Nil	Nil	N/A	N/A
John Pallot	Nil	Nil	N/A	Nil	Nil	N/A	N/A
Steven Brunelle	Nil	Nil	N/A	Nil	Nil	N/A	N/A

Note:

- (1) The Company completed a share consolidation on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares on July 28, 2014. All figures reflect the post-share consolidation amounts.
- (2) Based on the difference between the exercise price of the options and the closing price of the Company's pre-consolidated common shares on the TSX Venture Exchange on February 28, 2014 of \$0.03 (\$0.30 per post-consolidated common share).

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

Although an aggregate of 170,000 post-consolidated stock options were granted to the aforesaid directors who were not NEOs during the year ended February 28, 2014, the market price of the common shares on the date of grant did not exceed the exercise price and, accordingly, the value vested or earned was nil. None of the directors exercised their stock options during the year ended February 28, 2014.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION

The following table sets forth information with respect to all compensation plans under which equity securities are authorized for issuance as of February 28, 2014.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) <sup>(1)</sup>
	(A)	(B)	(C)
Equity compensation plans <sup>(2)</sup> approved by security holders	6,392,667	\$0.16	5,250,833

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) <sup>(1)</sup>
	(A)	(B)	(C)
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>TOTAL</b>	<b>6,392,667</b>	<b>\$0.16</b>	<b>5,250,833</b>

Notes:

- (1) *The Company subsequently completed a share consolidation on the basis of one post-consolidation common share for every ten pre-consolidation common shares on July 28, 2014. These figures reflect the pre-share consolidation amounts.*
- (2) *Represents the Stock Option Plan of the Company. As at February 28, 2014, the Stock Option Plan reserved shares equal to a maximum of 10% of the issued and outstanding common shares of the Company from time to time for issue pursuant to the Stock Option Plan.*

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

Other than indebtedness that has been entirely repaid on or before the date of this Circular, "routine indebtedness" (as defined in Form 51-102F5 – Information Circular, of the Canadian Securities Administrators) or otherwise as disclosed hereunder, none of the Directors, Senior Officers, proposed nominees for election as directors or their associates have been indebted to the Company since the beginning of the last completed financial year.

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

None of:

- (a) the directors or senior officers of the Company at any time since the beginning of the last financial year of the Company;
- (b) the proposed nominees for election as a Director of the Company; or
- (c) 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 matters to be acted upon at the Meeting exclusive of the election of directors or the appointment of auditors.

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

For purposes of the following discussion, "**Informed Person**" means (a) a Director or Executive Officer of the Company; (b) a Director or Executive Officer of a person or company that is itself an Informed Person or a subsidiary of the Company; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Company, other than the voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company itself if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

Except as disclosed elsewhere herein or in the Notes to the Company's financial statements for the financial year ended February 28, 2014, none of:

- (a) the Informed Persons of the Company;
- (b) the proposed nominees for election as a Director of the Company; or
- (c) any associate or affiliate of the foregoing persons,

has any material interest, direct or indirect, in any transaction since the commencement of the last financial year of the Company or in a proposed transaction which has materially affected or would materially affect the Company or any subsidiary of the Company.

### **FINANCIAL STATEMENTS**

The audited financial statements of the Company for the period ended February 28, 2014 (the "Financial Statements"), together with the Auditor's Report thereon, will be presented to Shareholders at the Meeting. The Financial Statements, together with the Auditor's Report thereon and the Management Discussion and Analysis, are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Notice of Annual General and Special Meeting, Information Circular, Request for Financial Statement (NI 51-102) and form of Proxy will be available from the Company's Registrar and Transfer Agent, Computershare Investor Services Inc., 510 Burrard Street, 2<sup>nd</sup> Floor, Vancouver, British Columbia, V6C 3B9, or from the Company's head office located at Suite 3123, 595 Burrard Street, PO Box 49139, Vancouver, British Columbia, V7X 1J1.

### **REQUEST FOR FINANCIAL STATEMENTS**

National Instrument 51-102 "Continuous Disclosure Obligations" sets out the procedures for a shareholder to receive financial statements. If you wish to receive financial statements, you may use the enclosed form or provide instructions in any other written format. Registered shareholders must also provide written instructions in order to receive the financial statements.

### **ELECTION OF DIRECTORS AND FIXING THE NUMBER OF DIRECTORS**

The persons named in the enclosed Instrument of Proxy intend to vote in favour of fixing the number of Directors at four (4).

Each Director of the Company is elected annually and holds office until the next Annual General Meeting of Shareholders or until his successor is duly elected, if his office is earlier vacated, in accordance with the Articles of the Company.

In the absence of instructions to the contrary, the shares represented by Proxy will be voted for the nominees herein listed. Management does not contemplate that any of the nominees will be unable to serve as a Director.

### **INFORMATION CONCERNING NOMINEES SUBMITTED BY MANAGEMENT**

The following table sets out the names of the persons proposed to be nominated by Management for election as a Director, the province or state and country in which he is ordinarily resident, the positions and offices which each presently holds with the Company, the period of time for which he has been a Director of the Company, the respective principal occupations or employment during the past five years if such nominee is not presently an elected Director and the number of shares of the Company which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Information Circular. All of the nominees are currently Directors of the Company.

Name, Province and Country of Residence and Positions Held with the Company	Present Principal Occupation of Each Existing Director and Principal Occupations, Businesses or Employments of each Proposed Director Within the Five Preceding Years <sup>(1)</sup>	Date First Became a Director	No. of Shares Beneficially Owned, Directly or Indirectly <sup>(1)</sup>
<b>PETER TALLMAN</b> President, Chief Executive Officer and a Director British Columbia, Canada	Geologist; Director, Red Mile Minerals Corp.	December 4, 2013	624,000
<b>GORDON KEEP</b> Director British Columbia, Canada	CEO of Fiore Management and Advisory Corp. (private financial advisory firm).	December 4, 2013	807,861
<b>JOHN PALLOT</b> Director British Columbia, Canada	Retired businessman.	December 4, 2013	Nil
<b>STEVEN BRUNELLE</b> Director Ontario, Canada	Geologist; Director of Eagle Graphite Corporation since January 2011; Director of Duran Ventures Inc. since July 2010; Director of Rio Silver Inc. since April 2006.	February 18, 2014	Nil

Note:

- (1) *The information as to principal occupation, business or employment and common shares beneficially owned or controlled is not within the knowledge of management of the Company and has been furnished by the respective nominees.*

**CEASE TRADE ORDERS, CORPORATE AND PERSONAL BANKRUPTCIES, PENALTIES AND SANCTIONS**

Other than as set out below, no proposed director (including any personal holding company of a proposed director):

- (1) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:
- (A) was the subject of a cease trade order (including a management cease trade order which applies to directors or executive officers), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued while such person was acting in the capacity as director, chief executive officer or chief financial officer;
  - (B) was subject to an order that was issued after such person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer;
- (2) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, 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;
- (3) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or

- (4) has been subject to:
- (A) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority since December 31, 2000 or before December 31, 2000 the disclosure of which would likely be important to a reasonable security holder in deciding whether to vote for a proposed director; or
  - (B) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Gordon Keep is a director of Rusoro Mining Ltd. ("Rusoro"). On May 21, 2013, the British Columbia Securities Commission ("BCSC") issued a cease trade order against Rusoro for failure to file its audited financial statements for the year ended December 31, 2012 and related MD&A. On June 5, 2013 and June 7, 2013 respectively, similar cease trade orders were issued against Rusoro by the Ontario Securities Commission ("OSC") and the Autorité des Marchés Financiers ("AMF"). On August 19, 2013 Rusoro filed its December 31, 2012 financial statements and related MD&A. On August 21, 2013, (BCSC), August 28, 2013 (AMF) and on September 4, 2013 (OSC) granted full revocations of the cease trade order issued by each of them. Rusoro was unable to file its December 31, 2012 financial statements and MD&A by the required filing deadline because it experienced significant delays in preparing them due to the nationalization by the Venezuelan government of Rusoro's gold mining assets in Venezuela.

John Pallot, was the President of Westward Explorations Ltd. from July 2002 to March 2011 and its CEO from February 2005 to March 2011, which company filed, in October 2006, a Notice of Intention to Make a Proposal pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada), and which obtained, in March 2007, approval from the courts of an amended proposal whereby claims of general creditors were discharged.

#### **AUDIT COMMITTEE DISCLOSURE**

The charter of the Company's audit committee and the other information required to be disclosed by Form 52-110F2 is attached to this Information Circular as Schedule "A".

#### **APPOINTMENT AND REMUNERATION OF AUDITORS**

Management recommends the re-appointment of Morgan LLP, Chartered Accountants, of Vancouver, British Columbia, as auditors for the Company, to hold office until the next Annual General Meeting of the Shareholders and the remuneration to be fixed by the Board of Directors, and the persons named in the enclosed Proxy intend to vote in favour of such re-appointment.

#### **CORPORATE GOVERNANCE**

The information required to be disclosed by National Instrument 58-101 *Disclosure of Corporate Governance Practices* is attached to this Information Circular as Schedule "B".

#### **MANAGEMENT CONTRACTS**

Management functions of the Company are, and since the beginning of the financial year ended February 28, 2014 have been, performed by the directors and senior officers of the Company and are not to any substantial degree performed by any other person or company other than:

1. Hastings Management Corp. ("HMC"), a management company wholly owned by Richard W. Hughes, a former director of the Company, was paid \$19,910 during the year ended February 28, 2014 (2013: \$180,000) pursuant to its administrative services contract with the Company for services including providing access to full accounting services, secretarial services, providing office furniture, boardroom facilities, access to photocopier, fax and such other amenities normally associated with executive offices. This contract was terminated effective August 31, 2014.



2. Pursuant to the November 1, 2013 corporate administration and financial advisory services agreement with Fiore Management & Advisory Corp. ("Fiore") of Vancouver, British Columbia, Fiore is being paid a monthly work fee of \$10,000. The term of this agreement is for a period of twelve months and shall continue thereafter on a month-to-month basis, subject to termination on 30 days written notice.

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

### **A. RE-APPROVAL OF STOCK OPTION PLAN**

At last year's annual general and special meeting, the Company proposed and its Shareholders adopted and approved its amended 10% "rolling" stock option plan. Under the policies of the Exchange, a rolling stock option plan must be re-approved on a yearly basis by Shareholders. Shareholders will be asked to pass an ordinary resolution re-approving the Company's "rolling" stock option plan (the "**Option Plan**"). Some of the key provisions of the Option Plan are as follows:

- (a) the Option Plan reserves, for issuance pursuant to the exercise of stock options, a maximum number of common shares of the Company equal to up to a maximum of 10% of the issued common shares of the Company at the time of any stock option grant;
- (b) under Exchange policy, an Optionee must either be an Eligible Charitable Organization or a Director, Employee or Consultant of the Company at the time the option is granted in order to be eligible for the grant of a stock option to the Optionee;
- (c) the aggregate number of options granted to any one Person (and companies wholly owned by that Person) in a 12 month period must not exceed 5% of the issued common shares of the Company calculated on the date an option is granted to the Person (unless the Company has obtained the requisite Disinterested Shareholder Approval);
- (d) the aggregate number of options granted to any one Consultant in a 12 month period must not exceed 2% of the issued common shares of the Company, calculated at the date an option is granted to the Consultant;
- (e) the aggregate number of options granted to all Persons retained to provide Investor Relations Activities must not exceed 2% of the issued shares of the Company in any 12 month period, calculated at the date an option is granted to any such Person;
- (f) options issued to Persons retained to provide Investor Relations Activities must vest in stages over a period of not less than 12 months with no more than 1/4 of the options vesting in any 3 month period;
- (g) the minimum exercise price per common share of a stock option must not be less than the Market Price of the common shares of the Company, subject to a minimum exercise price of \$0.05;
- (h) options can be exercisable for a maximum of 10 years from the date of grant (subject to extension where the expiry date falls within a "blackout period" (see (o) below);
- (i) stock options (other than options held by a person involved in investor relations activities) will cease to be exercisable 90 days after the optionee ceases to be a Director (which term includes a senior officer), Employee, Consultant, Eligible Charitable Organization or Management Company Employee otherwise than by death, or for a "reasonable period" after the optionee ceases to serve in such capacity, as determined by the board of directors of the Company. Stock options granted to persons involved in Investor Relations Activities will cease to be exercisable 30 days after the optionee ceases to serve in such capacity otherwise than by death, or for a "reasonable period" after the optionee ceases to serve in such capacity, as determined by the board of directors of the Company;
- (j) all options are non-assignable and non-transferable;
- (k) Disinterested Shareholder Approval will be obtained for any reduction in the exercise price of a stock option if the Optionee is an Insider of the Company at the time of the proposed amendment;
- (l) the Amended Option Plan contains provisions for adjustment in the number of common shares or other property issuable on exercise of a stock option in the event of a share consolidation, split, reclassification or other capital reorganization, or a stock dividend, amalgamation, merger or other relevant corporate transaction, or any other relevant change in or event affecting the common shares;

- (m) upon the occurrence of an Accelerated Vesting Event (as defined in the Amended Option Plan), the Board will have the power, at its sole discretion and without being required to obtain the approval of shareholders or the holder of any stock option, to make such changes to the terms of stock options as it considers fair and appropriate in the circumstances, including but not limited to: (a) accelerating the vesting of stock options, conditionally or unconditionally; (b) terminating every stock option if under the transaction giving rise to the Accelerated Vesting Event, options in replacement of the stock options are proposed to be granted to or exchanged with the holders of stock options, which replacement options treat the holders of stock options in a manner which the Board considers fair and appropriate in the circumstances having regard to the treatment of holders of common shares under such transaction; (c) otherwise modifying the terms of any stock option to assist the holder to tender into any take-over bid or other transaction constituting an Accelerated Vesting Event; or (d) following the successful completion of such Accelerated Vesting Event, terminating any stock option to the extent it has not been exercised prior to successful completion of the Accelerated Vesting Event. The determination of the Board in respect of any such Accelerated Vesting Event shall for the purposes of the Option Plan be final, conclusive and binding;
- (n) in connection with the exercise of an Option, as a condition to such exercise the Company shall require the optionee to pay to the Company an amount as necessary so as to ensure that the Company is in compliance with the applicable provisions of any federal, provincial or local laws relating to the withholding of tax or other required deductions relating to the exercise of such Option; and
- (o) an Option will be automatically extended past its expiry date if such expiry date falls within a blackout period during which the Company prohibits optionees from exercising their options, subject to the following requirements: (a) the blackout period must (i) be formally imposed by the Company pursuant to its internal trading policies; and (ii) must expire upon the general disclosure of undisclosed Material Information; and (b) the automatic extension of an optionee's Option will not be permitted where the optionee or the Company is subject to a cease trade order (or similar order under Securities Laws) in respect of the Company's securities.

"Consultant", "Director", "Disinterested Shareholder Approval", "Eligible Charitable Organization", "Employee", "Investor Relations Activities", "Management Company Employee", "Market Price", "Material Information", "Person" and "Securities Laws" all have the same definition as in the policies of the TSX Venture Exchange.

Management recommends, and the persons named in the enclosed form of Proxy intend to vote in favour of, the re-approval of the Option Plan.

The text of the resolution to be passed is as follows. In order to be passed, a majority of the votes cast at the Meeting in person or by proxy must be voted in favour of the resolution.

**"BE IT RESOLVED THAT** the Company's Option Plan, be and is hereby ratified, confirmed and approved with such additional provisions and amendments, provided that such are not inconsistent with the policies of the TSX Venture Exchange, as the directors of the Company may deem necessary or advisable."

## **B. APPROVAL OF CREATION OF NEW CONTROL PERSON**

### **Details of the Private Placement**

On November 20, 2014, the Company announced the closing of a private placement of 3,125,000 flow-through shares at a price of \$0.20 each for proceeds of \$625,000 and 9,568,082 non flow-through units (the "**Units**") at a price of \$0.18 each for gross proceeds of \$2,347,255 (the "**Private Placement**"). Each Unit was comprised of one common share and one common share purchase warrant (the "**Warrant**"). Each Warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per common share until November 17, 2017.

Pursuant to the Private Placement, Fiore Financial Corporation, a company owned and controlled by Frank Giustra, acquired ownership and control of 1,580,389 Units, representing 4.93% of the issued and outstanding common shares of the Company. The Radcliffe Foundation, a charitable organization controlled by Frank Giustra, acquired control of 887,239 Units, representing 2.77% of the issued and outstanding common shares of the Company. As a result of this acquisition and as of the date of this information circular, Fiore Financial Corporation, The Radcliffe Foundation, and Frank Giustra personally, hold in aggregate 5,677,378 common shares of the Company, representing 16.79% of the current issued and outstanding shares of the Company and would own 8,145,006 common shares of the Company, representing 22.45% on a partially diluted basis assuming exercise of the 2,467,628 warrants held by Fiore Financial Corporation and the Radcliffe Foundation.

### **Creation of a New Control Person**

The TSX Venture Exchange's final acceptance of the Private Placement was granted on December 16, 2014. In connection with obtaining such approval, each of Fiore Financial Corporation and The Radcliffe Foundation provided an undertaking to the TSX Venture Exchange that it would not exercise options or warrants held by it at any time when such exercise would increase its ownership of common shares to 20% or more of the Company's then issued and outstanding common shares prior to receiving shareholder approval. The undertaking was provided to address the TSX Venture Exchange's policy that disinterested shareholder approval be obtained where securities issued pursuant to a private placement result, or could result following conversion of convertible securities, in the creation of a new "Control Person".

A Control Person is any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company, except where there is evidence showing that the holder of those securities does not materially affect the control of the Company.

In the event that all of the 2,467,628 Warrants held by Fiore Financial Corporation and The Radcliffe Foundation were exercised, Fiore Financial Corporation, The Radcliffe Foundation and Frank Giustra personally will together own 8,145,006 common shares of the Company, representing 22.45% of the voting securities of the Company, and as such they would jointly become a new Control Person of the Company.

Frank Giustra is President and CEO of Fiore Financial Corporation, a private firm managing a broad portfolio of private equity investments. Mr. Giustra is a strong believer in philanthropy, and devotes much of his time to a variety of causes. In 1997, he established The Radcliffe Foundation; which supports a wide variety of international and local charities.

Mr. Giustra is a board member of Lionsgate Entertainment, Endeavour Mining Corporation, Petromanas Energy Inc., and Thunderbird Films. In addition, he sits on boards of the Clinton Giustra Enterprise Partnership, The Bill, Hillary and Chelsea Foundation, International Crisis Group, and Streethome Foundation.

By providing the undertaking, each of Fiore Financial Corporation and The Radcliffe Foundation allowed the Company to close the Private Placement without requiring the Company to incur the additional expenses associated with calling a special meeting of shareholders in advance of the next regularly scheduled annual meeting of shareholders. This Meeting being the next regularly scheduled annual meeting of shareholders of the Company following the Private Placement, the Company is now seeking disinterested shareholder approval to ratify the issuance of securities to Fiore Financial Corporation and The Radcliffe Foundation to the extent that such issuance could result in the creation of a new Control Person.

### **Disinterested Shareholder Approval**

Disinterested shareholder approval, as required by the policies of the TSX Venture Exchange, means shareholder approval obtained by ordinary resolution; provided that, in connection with the approval of the creation of a new Control Person, the votes attached to the shares held by the new Control Person, and any associates or affiliates thereof, are excluded from the calculation of such approval.

Pursuant to the policies of the TSX Venture Exchange and in connection with the undertaking provided to the TSX Venture Exchange by each of Fiore Financial Corporation and The Radcliffe Foundation, disinterested shareholders will be asked at the Meeting to approve the following resolution (the "**Control Person Resolution**"):

#### **"BE IT RESOLVED THAT:**

1. the possibility of Frank Giustra and organizations controlled by him becoming a new Control Person of the Company (as such term is defined in the TSX Venture Exchange Corporate Finance Manual), as more particularly described in the management information circular of the Company dated March 30, 2015, be and the same is hereby ratified, authorized and approved and, for greater certainty, Fiore Financial Corporation, The Radcliffe Foundation, other organizations controlled by Frank Giustra and Frank Giustra personally shall hereafter be entitled to exercise the warrants held by them and to purchase further securities of the Company notwithstanding that such exercise or purchase would, or could possibly, increase their ownership of Common Shares to 20% or more of the then issued and outstanding Common Shares; and

2. any one or more of the directors and officers of the Company be authorized and directed to perform all such acts, deeds and things and execute, under the seal of the Company or otherwise, all such documents and other writings, including treasury orders, stock exchange and securities commissions forms, as may be required to give effect to the true intent of this resolution."

In order to be effected, the Control Person Resolution must be approved by a majority of the votes cast by disinterested shareholders.

If disinterested shareholder approval of the Control Person Resolution is not obtained at the Meeting, Fiore Financial Corporation and The Radcliffe Foundation will each be precluded from exercising the warrants held by it at any time when such exercise would increase its ownership of Common Shares to 20% or more of the then issued and outstanding Common Shares.

### **Directors' Approval and Recommendation**

By way of directors' consent resolutions in writing dated March 30, 2015, the Board approved the submission of the Control Person Resolution to the shareholders for approval. The Board unanimously concluded that the sale of the units to each of Fiore Financial Corporation and The Radcliffe Foundation, in accordance with the terms of the Private Placement, is in the best interests of the Company and the shareholders, and recommends to shareholders that they vote in favour of approval of the Control Person Resolution.

### **OTHER MATTERS**

As of the date of this information circular, management knows of no other matters to be acted upon at this Meeting. However, should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the shares represented by the proxy.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the Company's Financial Statements and Management Discussion and Analysis may be obtained without charge upon request from the Company at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J1, or by telephone: (604) 609-6110 and such documents will be sent by mail or electronically by email as may be specified at the time of the request.

### **DIRECTOR APPROVAL**

The contents of this Information Circular and the sending thereof to the Shareholders of the Company have been approved by the Board of Directors.

DATED at Vancouver, British Columbia, this 30th day of March, 2015.

*"Peter Tallman"*

---

Peter Tallman  
Chief Executive Officer, President & Director

**KLONDIKE GOLD CORP.**  
**(the "Company")**

**SCHEDULE "A"**  
**FORM 52-110F2**

**AUDIT COMMITTEE DISCLOSURE**

---

**ITEM 1: THE AUDIT COMMITTEE'S CHARTER**

***Purpose***

The overall purpose of the Audit Committee (the "Committee") of Klondike Gold Corp. (the "Company") is to ensure that the Company's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Company, and to review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. It is the intention of the Board that through the involvement of the Committee, the external audit will be conducted independently of the Company's Management to ensure that the independent auditors serve the interests of Shareholders rather than the interests of Management of the Company. The Committee will act as a liaison to provide better communication between the Board and the external auditors. The Committee will monitor the independence and performance of the Company's independent auditors.

***Composition, Procedures and Organization***

1. The Committee shall consist of at least three members of the Board of Directors (the "Board").
2. At least two (2) members of the Committee shall be independent and the Committee shall endeavour to appoint a majority of independent directors to the Committee, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members' independent judgment. At least one (1) member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices applicable to the Company. For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
5. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
6. The Committee shall have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
7. Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
  - (c) management representatives may be invited to attend all meetings except private sessions with the external auditors.
8. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

***Roles and Responsibilities***

1. The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements and related financial disclosure;
  - (b) to establish and maintain a direct line of communication with the Company's internal and external auditors and assess their performance;
  - (c) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
  - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
  - (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - (c) review the audit plan of the external auditors prior to the commencement of the audit;
  - (d) to review with the external auditors, upon completion of their audit:
    - (i) contents of their report;
    - (ii) scope and quality of the audit work performed;
    - (iii) adequacy of the Company's financial and auditing personnel;
    - (iv) co-operation received from the Company's personnel during the audit;
    - (v) internal resources used;
    - (vi) significant transactions outside of the normal business of the Company;
    - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
    - (viii) the non-audit services provided by the external auditors;

- (e) to discuss with the external auditors the quality and not just the acceptability of the Company's accounting principles; and
  - (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.
3. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:
- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - (b) review compliance under the Company's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
  - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company; and
  - (d) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
4. The Committee is also charged with the responsibility to:
- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
  - (b) review and approve the financial sections of:
    - (i) the annual report to Shareholders;
    - (ii) the annual information form, if required;
    - (iii) annual and interim MD&A;
    - (iv) prospectuses;
    - (v) news releases discussing financial results of the Company; and
    - (vi) other public reports of a financial nature requiring approval by the Board,and report to the Board with respect thereto;
  - (c) review regulatory filings and decisions as they relate to the Company's consolidated financial statements;
  - (d) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - (e) review and report on the integrity of the Company's consolidated financial statements;
  - (f) review the minutes of any audit committee meeting of subsidiary companies;

- (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
- (h) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
- (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.

5. The Committee shall have the authority:

- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
- (b) to set and pay the compensation for any advisors employed by the Committee; and
- (c) to communicate directly with the internal and external auditors.

#### **ITEM 2: COMPOSITION OF THE AUDIT COMMITTEE**

The current members of the Committee are Gordon Keep, John Pallot and Steven Brunelle. All of the members are financially literate and all are independent except for Gordon Keep. "Independent" and "Financially Literate" have the meaning used in National Instrument 52-110 ("NI 52-110") of the Canadian Securities Administrators.

#### **ITEM 3: RELEVANT EDUCATION AND EXPERIENCE**

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

All of the members of the Company's audit committee are financially literate as that term is defined in NI 52-110.

The relevant education and/or experience of each member of the Audit Committee is as follows:

***Gordon Keep*** - Mr. Keep has a Master of Business Administration degree from the University of British Columbia and many years' experience in the capacities of director, officer and audit committee member of public companies operating in the natural resource sector.

***John Pallot*** – Mr. Pallot has over 25 years' experience in the telecommunications industry. He has served as the President and a Director of several other public companies since 1993. These junior resource companies have been focused primarily on resource exploration throughout Canada and South America.

***Steven Brunelle*** – Mr. Brunelle has been an officer and/or director of numerous public resource companies over his 35 year career. He has been instrumental as a founder and large shareholder of several of these companies, sitting upon audit and other committees, keeping his corporate governance and fiduciary responsibilities foremost in the business of these companies.

#### **ITEM 4: AUDIT COMMITTEE OVERSIGHT**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor (currently, Morgan LLP, Chartered Accountants) not adopted by the Board.



**ITEM 5: RELIANCE ON CERTAIN EXEMPTIONS**

Since the effective date of NI 52-110, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

**ITEM 6: PRE-APPROVAL POLICIES AND PROCEDURES**

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors, and where applicable by the Audit Committee, on a case by case basis.

**ITEM 7: EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)**

The aggregate fees charged to the Company by the external auditor in each of the last two fiscal years are as follows

	<u>FYE 2013</u>	<u>FYE 2014</u>
Audit fees	\$ 35,500	\$ 26,775
Audit related fees	Nil	Nil
Tax Fees	5,400	2,625
All other fees	Nil	10,175
Total Fees:	\$ 40,900	\$ 39,575

**ITEM 8: EXEMPTION**

In respect of the most recently completed financial year, the Company is relying on the exemption set out in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**KLONDIKE GOLD CORP.**  
**(the "Company")**

**SCHEDULE "B"**  
**CORPORATE GOVERNANCE**

---

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* the Company is required to and hereby discloses its corporate governance practices as follows.

**ITEM 1. BOARD OF DIRECTORS**

The board of directors (the "Board") is comprised of four (4) directors. Three of the directors are independent and one is not independent. The Board considers that John Pallot, Steven Brunelle and Gordon Keep are independent directors and that Peter Tallman is not an independent director. The Board of Directors of the Company facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

John Pallot, Steven Brunelle and Gordon Keep are each "independent" in that they are each independent and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholdings.

Peter Tallman is not an independent director because of his positions as Chief Executive Officer and President of the Company.

The Board is responsible for determining whether or not each director is an independent director. To do this, the Board analyzes all the relationships of the directors with the Company and its subsidiaries. Those directors who do not meet the meaning of independence as provided in NI 58-101 were deemed to not be independent directors. More information about each director can be found in this Circular.

**ITEM 2. DIRECTORSHIPS**

The directors of the Company are currently directors of the following other reporting issuers:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
Peter Tallman	Red Mile Minerals Corp.
Gordon Keep	Catalyst Copper Corp. Eastern Platinum Limited Encanto Potash Corp. Oceanic Iron Ore Corp. Peregrine Diamonds Ltd. Petromanas Energy Inc. Renaissance Oil Corp. Rusoro Mining Ltd. Uracan Resources Ltd.
John Pallot	Manera Capital Corp.
Steven Brunelle	Duran Ventures Inc. Eagle Graphite Corporation Rio Silver Inc.

**ITEM 3.           ORIENTATION AND CONTINUING EDUCATION**

The Board of Directors of the Company brief all new directors with the policies of the Board of Directors, and other relevant corporate and business information.

**ITEM 4.           ETHICAL BUSINESS CONDUCT**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under the corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction. The director must then abstain from voting on the contract or transaction unless the contract or transaction (i) relates primarily to their remuneration as a director, officer, employee or agent of the Company or an affiliate of the Company, (ii) is for indemnity or insurance for the benefit of the director in connection with the Company, or (iii) is with an affiliate of the Company. If the director abstains from voting after disclosure of their interest, the directors approve the contract or transaction and the contract or transaction was reasonable and fair to the Company at the time it was entered into, the contract or transaction is not invalid and the director is not accountable to the Company for any profit realized from the contract or transaction. Otherwise, the director must have acted honestly and in good faith, the contract or transaction must have been reasonable and fair to the Company and the contract or transaction be approved by the shareholders by a special resolution after receiving full disclosure of its terms in order for the director to avoid such liability or the contract or transaction being invalid.

**ITEM 5.           NOMINATION OF DIRECTORS**

The Board of Directors is responsible for identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of the shareholders.

New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required, shown support for the Company's mission and strategic objectives, and a willingness to serve.

**ITEM 6.           COMPENSATION**

The Board of Directors conducts reviews with regard to directors' and officers' compensation once a year. To make its recommendation on directors' and officers' compensation, the Board of Directors relies solely on the experience and knowledge of its members.

**ITEM 7.           OTHER BOARD COMMITTEES**

The Board of Directors has no other committees other than the Audit Committee.

**ITEM 8.           ASSESSMENTS**

The Board of Directors monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and committees.