

**IPLAYCO CORPORATION LTD.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**AND**

**MANAGEMENT PROXY CIRCULAR**

**to be held on**

**February 14, 2013**

# IPLAYCO CORPORATION LTD.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of IPLAYCO CORPORATION LTD. (the “**Corporation**”) will be held at #215 – 27353, 58th Crescent, Langley, British Columbia V4W 3W7 on Thursday February 14, 2013 at 10:00 a.m. (Pacific time) for the following purposes:

- 1) To receive the annual audited consolidated financial statements for the financial year ended September 30, 2012 and the auditors’ report thereon;
- 2) To determine the number of directors at four (4);
- 3) To elect directors for the ensuing year;
- 4) To appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix the auditors’ remuneration;
- 5) To consider and, if thought fit, to approve an ordinary resolution ratifying the Corporation’s previously approved 10% rolling Stock Option Plan, as more particularly described in the accompanying Management Proxy Circular; and
- 6) To transact such other business as may properly come before the said Meeting or any adjournment or adjournments thereof.

Accompanying this Notice are the Management Proxy Circular, the annual audited consolidated financial statements for the financial year ended September 30, 2012, Management’s Discussion and Analysis for the financial year ended September 30, 2012, a form of Proxy, and a Financial Statement Request Form. The accompanying Management Proxy Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice.

**Registered Shareholders:** Every registered shareholder of common shares (the “**Common Shares**”) at the close of business on the Record Date is entitled to receive notice of and to attend and vote such Common Shares at the Meeting. **Registered Shareholders who are unable to attend the Meeting in person and who wish to ensure that their Common Shares will be voted at the Meeting are requested to complete, sign and deliver the enclosed form of Proxy to Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, ON M5H 4H1, or by facsimile to (416) 595-9593, or online at <http://www.voteproxyonline.com>, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof. A form of Proxy is valid only at the Meeting in respect of which it is given or any adjournment of that Meeting.** Further instructions with respect to the voting by Proxy are provided in the form of Proxy and in the Management Proxy Circular accompanying this Notice.

**Non-Registered Shareholders:** Shareholders may beneficially own Common Shares that are registered in the name of a broker, another intermediary or an agent of that broker or intermediary (“**Non-Registered Shareholders**”). Without specific instructions, intermediaries are prohibited from voting shares for their clients. **If you are a Non-Registered Shareholder, it is vital that the voting instruction form provided to you by your broker, intermediary or its agent is returned according to their instructions, sufficiently in advance of the deadline specified by the broker, intermediary or agent, to ensure that they are able to provided voting instructions on your behalf.**

DATED at Langley, British Columbia, this 17<sup>th</sup> day of December, 2012.

By Order of the Board of Directors

“*Franco Aquila*”

---

Chief Executive Officer and Director

## TABLE OF CONTENTS

<b>PROXY RELATED INFORMATION .....</b>	<b>1</b>
SOLICITATION OF PROXIES .....	1
APPOINTMENT OF PROXYHOLDER.....	1
REVOCAION OF PROXIES.....	1
VOTING OF PROXIES .....	2
INFORMATION FOR NON-REGISTERED SHAREHOLDERS .....	2
VOTING SHARES AND PRINCIPAL SHAREHOLDERS .....	3
<b>PARTICULARS OF MATTERS TO BE ACTED UPON .....</b>	<b>4</b>
ELECTION OF DIRECTORS.....	4
APPOINTMENT OF AUDITORS .....	5
ANNUAL APPROVAL OF STOCK OPTION PLAN .....	5
<b>INFORMATION CONCERNING THE CORPORATION .....</b>	<b>6</b>
STATEMENT OF EXECUTIVE COMPENSATION .....	6
Compensation Discussion And Analysis .....	6
Competitive Compensation.....	7
Aligning the Interests of the NEOs with the Interests of the Corporation’s Shareholders .....	8
Base Salary .....	8
Non-Equity Annual Incentive Plan.....	9
Long Term Compensation .....	9
Pension Plan Benefits .....	10
Perquisites and Personal Benefits .....	10
Termination and Change of Control Benefits.....	10
Compensation Governance .....	13
Summary Compensation Table.....	13
Incentive Plan Awards .....	13
Director Compensation .....	13
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	14
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.....	14
CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES .....	16
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	17
MANAGEMENT CONTRACTS .....	18
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....	18
AUDIT COMMITTEE .....	18
STATEMENT OF CORPORATE GOVERNANCE PRACTICES .....	18
ADDITIONAL INFORMATION.....	18
<b>SCHEDULE A – AUDIT COMMITTEE DISCLOSURE .....</b>	<b>A-1</b>
<b>SCHEDULE B – STATEMENT OF CORPORATE GOVERNANCE PRACTICES .....</b>	<b>B-1</b>

All dollar figures expressed in this Management Proxy Circular and the attached Schedules are in Canadian Dollars unless otherwise indicated.

# IPLAYCO CORPORATION LTD.

## MANAGEMENT PROXY CIRCULAR

(containing information as at December 17, 2012 unless indicated otherwise)

### FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON FEBRUARY 14, 2013

---

#### **PROXY RELATED INFORMATION**

##### **SOLICITATION OF PROXIES**

This Management Proxy Circular is provided in connection with the solicitation of proxies by management of Iplayco Corporation Ltd. (the “**Corporation**”) for the 2013 Annual Meeting of shareholders of the Corporation (and any adjournment thereof) (the “**Meeting**”) to be held on February 14, 2013, at #215 - 27353, 58th Crescent, Langley, British Columbia at 10:00 a.m. (Pacific time).

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally, or by facsimile, or by telephone by the directors, officers and regular employees of the Corporation at a nominal cost. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Common Shares of the Corporation (“**Common Shares**”) held by such persons and the Corporation may reimburse such person for reasonable fees and disbursements incurred by them in doing so. All costs of solicitation will be borne by the Corporation.

The contents and the sending of this Management Proxy Circular have been approved by the directors of the Corporation.

##### **APPOINTMENT OF PROXYHOLDER**

The individuals named in the accompanying form of Proxy are directors and/or officers of the Corporation. **Shareholders have the right to appoint a nominee (who need not be a shareholder) to represent them at the Meeting other than the persons designated in the enclosed form of Proxy, and may do so by striking out the names of those persons named in the accompanying form of Proxy and inserting the name of the appointed representative in the blank space provided in the first page of the form of Proxy or by completing another form of Proxy.**

**A form of Proxy will not be valid for the Meeting or any adjournment of the Meeting unless it is completed and signed by the shareholder or by his attorney authorized in writing and received by Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, ON M5H 4H1, or by facsimile to (416) 595-9593, or online at <http://www.voteproxyonline.com>, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof. A Proxy is valid only at the Meeting in respect of which it is given or any adjournment of that Meeting.** Proxies delivered after that time will not be accepted.

##### **REVOCAION OF PROXIES**

In addition to revocation in any other manner permitted by law, a shareholder who has given a Proxy may revoke it by instrument in writing executed by the shareholder or by his attorney authorized in writing and deposited either at the head office of the Corporation, at #215 - 27353, 58th Crescent, Langley, British Columbia V4W 3W7 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which time the Proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment of the Meeting. A revocation of Proxy does not affect any matter on which a vote has been taken prior to the revocation.

## VOTING OF PROXIES

The persons named in the enclosed form of Proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as Proxy the shareholder who appoints them. Each shareholder may instruct his Proxy how to vote his Common Shares by completing the Proxy form.

The Common Shares represented by a properly executed Proxy in favour of persons proposed by management as proxyholders in the accompanying form of Proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be taken; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of Proxy, be voted in accordance with the specification made in such Proxy.

ON A POLL, SUCH SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED BY THE SHAREHOLDER.

**The enclosed form of Proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of the Management Proxy Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and the Management Proxy Circular. If any matters which are not now known to the directors and senior officers of the Corporation should properly come before the Meeting, the persons named in the accompanying form of Proxy will vote on such matters in accordance with their best judgment.

## INFORMATION FOR NON-REGISTERED SHAREHOLDERS

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are “non-registered” shareholders because the Common Shares they own are not registered in their names but are instead registered in the names of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their shares in their own name (referred to in this Management Proxy Circular as “Beneficial Shareholders”) should note that only registered shareholders may vote at the Meeting.** If shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those shares will not be registered in such shareholder’s name on the records of the Corporation. Such 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 shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees on behalf of a broker’s client can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting such shares for the broker’s clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person well in advance of the Meeting.**

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. Often, the form of Proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of Proxy provided by the Corporation to registered shareholders. However, its purpose is limited to instructing the registered shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions, Inc. (“**Broadridge**”). Broadridge

typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the Proxy forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of internet or telephone for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that form to vote such shares directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

This Management Proxy Circular and accompanying materials are being sent to both registered shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“**Objecting Beneficial Owners**”, or “**OBO’s**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**Non-Objecting Beneficial Owners**”, or “**NOBO’s**”). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBO’s from intermediaries via their transfer agents. Pursuant to NI 54-101, issuers may obtain and use the NOBO list for distribution of proxy-related materials directly (not via Broadridge) to such NOBO’s. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of such shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf.

The Corporation’s OBO’s can expect to be contacted by Broadridge or their brokers or their broker’s agents as set out above.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote his/her/its 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 enter their own names in the blank space on the Instrument of Proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.**

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

## **VOTING SHARES AND PRINCIPAL SHAREHOLDERS**

Authorized capital: unlimited number of Common Shares, and  
unlimited number of Preferred Shares

Issued and Outstanding: 10,220,187 Common Shares<sup>(1)</sup>  
Nil Preferred Shares<sup>(1)</sup>

(1) As at December 17, 2012.

Each Common Share entitles the holder of the Common Share to one vote on all matters to come before the Meeting. No group of shareholders has the right to elect a specified number of directors nor are there cumulative or similar voting rights attached to the Common Shares of the Corporation. The directors of the Corporation have fixed December 17, 2012 as the record date for determination of the persons entitled to receive notice of the Meeting.

The Preferred Shares may be issued in one or more series and the directors of the Corporation may fix the number of shares in each series and may, prior to the issuance of any Preferred Shares of a particular series, fix the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares

of each series, subject to certain restrictions. No Preferred Shares have been issued at the date of this Management Proxy Circular.

Shareholders as of the record date are entitled to vote their Common Shares except to the extent that they have transferred the ownership of any of their Common Shares after the record date. The transferees of those Common Shares must produce properly endorsed share certificates or otherwise establish that they own the Common Shares, and demand, not later than 10 days before the Meeting, that their name be included in the shareholder list before the Meeting, in which case the transferees are entitled to vote their Common Shares at the Meeting.

On a show of hands, every individual who is present and is entitled to vote as a shareholder or as a representative of one or more corporate shareholders, or who is holding a Proxy on behalf of a shareholder who is not present at the Meeting, will have one vote, and on a poll every shareholder present in person or represented by a Proxy and every person who is a representative of one or more corporate shareholders, will have one vote for each Common Share registered in his name on the list of shareholders, which is available for inspection during normal business hours at Equity Financial Trust Company and will be available at the Meeting. **Shareholders represented by proxyholders are not entitled to vote on a show of hands.**

To the knowledge of the directors and senior officers of the Corporation, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares as of the date of this Management Proxy Circular are:

Name	Number of Common Shares Owned or Controlled Directly or Indirectly	Percentage of Outstanding Common Shares
Hummingbird Capital, LLC	1,667,000 <sup>(1)</sup>	16.31%
David L. Wood	1,335,850 <sup>(2)</sup>	13.07%
Franco Aquila	1,320,228 <sup>(3)</sup>	12.92%

- (1) Hummingbird Capital, LLC is the general partner of, and investment manager to, Hummingbird Value Fund L.P. (“HVF”), The Tarsier Nanocap Value Fund, L.P. (“Tarsier”), Lynx Onshore Partners L.P. (“Lynx LP”), and Lynx Offshore Partners Ltd. (“Lynx Ltd.”). HVF, Tarsier, Lynx LP and Lynx Ltd. each hold, respectively, 119,750, 1,399,250, 55,988, and 92,012 Common Shares of the Corporation.
- (2) 515,500 Common Shares are held by Double Check Consulting Inc., a private entity whose principal securityholders are Mr. Wood and his spouse. In addition, 213,500 Common Shares are held by Zenith Appraisal & Land Consulting Ltd., a private entity whose principal securityholder is Mr. Wood.
- (3) 189,000 Common Shares are held by Pegasus Industries Ltd., a private entity whose principal securityholder is Mr. Aquila.

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

### **ELECTION OF DIRECTORS**

The Corporation’s board of directors (the “**Board**”) presently consists of six (6) directors and the Corporation intends to determine the number of directors for the ensuing year at four (4) and to elect four (4) directors to serve until the next Annual Meeting or until their successors are elected or appointed in accordance with the *Business Corporations Act* (Alberta) and By-law No. 1 of the Corporation.

The term of office of each of the present directors expires at the Meeting. The persons named below will be presented for election at the Meeting as management’s nominees and the persons named in the accompanying form of Proxy intend to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as a director. All of Management’s Nominees have consented to act as a director of the Corporation and management does not contemplate that any of such nominees will be unable to serve as directors. Each director elected, will hold office until the next annual meeting of the Corporation or until his successor is elected or appointed, unless his office

is earlier vacated in accordance with the Articles of the Corporation or the provisions of the *Business Corporations Act* (Alberta).

The following table indicates the names of the nominees for directors (a “**proposed director**”), the country in which he is ordinarily resident, the date each such person first became a director, the principal occupation of each such person, and the number of Common Shares of the Corporation beneficially owned or controlled (either directly or indirectly) by each such person.

Name, Position, Province and Country of Residence <sup>(1)</sup>	Principal Occupation <sup>(1)</sup>	Previous Service as a Director	Common Shares Beneficially Owned as at the Date Hereof <sup>(1)</sup>
Franco Aquila <sup>(2)</sup> British Columbia, Canada Chief Executive Officer and Director	Chief Executive Officer of the Corporation.	since 18-Aug-2003	1,320,228 <sup>(3)</sup>
Scott C. Forbes <sup>(4)</sup> British Columbia, Canada President & Director	President of the Corporation.	since 18-Aug-2003	985,228 <sup>(5)</sup>
David Perkins <sup>(4)(6)(7)</sup> British Columbia, Canada Chairman of the Board & Director	Designated Certified Financial Planner since 1998 with Assante Financial Management Ltd.	since 19-Feb-2007	223,000
Mark Neale <sup>(4)(6)(7)</sup> British Columbia, Canada Director	Regional Vice President, Western Canada, Dundee Wealth Management.	since 26-Aug-2006	164,000

- (1) The information as to residence, principal occupation and shareholdings by the nominees is not within the knowledge of management and has been furnished by the respective nominees.
- (2) The Board intends to appoint Franco Aquila to the Audit Committee subsequent to the Meeting to replace David L. Wood, as Mr. Wood is not standing for re-election as a director.
- (3) A total of 189,000 Common Shares are held by Pegasus Industries Ltd., the controlling shareholder of which is Mr. Aquila.
- (4) Denotes member of the Corporate Governance Committee, chaired by Mark Neale.
- (5) A total of 189,000 Common Shares are held by Coda Enterprises Inc., the controlling shareholder of which is Mr. Scott Forbes.
- (6) Denotes member of the Compensation Committee, currently chaired by David L. Wood. Mr. Wood is not standing for re-election as a director and as such, the Board intends to appoint Mark Neale as chair of the Compensation Committee subsequent to the Meeting.
- (7) Denotes member of the Audit Committee, chaired by David Perkins.

## APPOINTMENT OF AUDITORS

The management of the Corporation proposes to nominate the Corporation’s existing auditors, Deloitte & Touche LLP, Chartered Accountants, of Suite #225, 20316 – 56th Avenue, Langley, British Columbia, V3A 3Y7, as auditors for the Corporation until the next Annual Meeting of shareholders at remuneration to be fixed by the directors.

## ANNUAL APPROVAL OF STOCK OPTION PLAN

Effective March 9, 2007, the Corporation adopted a stock option plan (the “**Plan**”). The purpose of the Plan is to attract and motivate directors, officers, employees, consultants and others providing services to the Corporation and its subsidiaries, and thereby advance the Corporation’s interests, by affording such persons with an opportunity to acquire an equity interest in the Corporation through the issuance of stock options. The Corporation is currently listed on Tier 2 of the TSX Venture Exchange (the “**TSXV**”) and has adopted a “rolling” stock option plan as described in TSXV Policy 4.4, being a revolving plan under which options to purchase Common Shares not exceeding a fixed proportion (10%) of the issued and outstanding Common Shares of the Corporation at the time of the stock option grant may be reserved for issuance from time to time.

For a discussion of the terms of the Plan, see “Securities Authorized for Issuance Under Equity Compensation Plans – Stock Option Plan”.

The TSXV requires that “rolling” stock option plans receive annual approval by the shareholders of the subject corporation. Thereafter, notice of options granted under such plan must be given to the TSXV. Any amendments to the Plan must also be approved by the TSXV and, if necessary, by the “disinterested shareholders” of the Corporation prior to becoming effective.

Accordingly, shareholders will be asked to pass an ordinary resolution, in substantially the following form (subject to such changes as may be required by the TSXV) to re-approve the Plan:

“RESOLVED as an ordinary resolution that:

- 1) the Plan, as described in the Corporation’s Management Proxy Circular dated December 17, 2012 and, as available for review at the Corporation’s annual meeting to be held on February 14, 2013, be and is hereby ratified and approved;
- 2) the number of Common Shares of the Corporation reserved for issuance under the Plan shall be no more than 10% of the Corporation’s issued and outstanding share capital at the time of any stock option grant; and
- 3) the Board of Directors of the Corporation be authorized to make any changes to the Plan, if required by the TSX Venture Exchange.”

## **INFORMATION CONCERNING THE CORPORATION**

### **STATEMENT OF EXECUTIVE COMPENSATION**

For the purposes of this Management Proxy Circular, a Named Executive Officer (“NEO”) of the Corporation means each of the following individuals:

- (a) a chief executive officer (“CEO”) of the Corporation;
- (b) a chief financial officer (“CFO”) of the Corporation, or an individual who acted in a similar capacity during the most recently completed financial year, regardless of the amount of compensation;
- (c) each of the Corporation’s three most highly compensated executive officers, including any of its subsidiaries, 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 Form 51-102F6 - *Statement of Executive Compensation*, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

During the Corporation’s most recently completed financial year ended September 30, 2012, the Corporation had three NEOs: Franco Aquila, the CEO; Max Liszkowski, the CFO & Corporate Secretary; and Scott Forbes, the President of the Corporation.

### **Compensation Discussion And Analysis**

The Board is responsible for ensuring that the Corporation has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Corporation’s executive officers. The Board ensures that total compensation paid to its NEOs is fair and reasonable and is consistent with the Corporation’s compensation philosophy.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Corporation’s compensation philosophy is to foster

entrepreneurship at all levels of the organization by making long term equity-based incentives, through the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Common Share price over the long term is an important indicator of long term performance.

The Corporation's compensation philosophy is based on the following fundamental principles:

- 1) *Compensation programs align with shareholder interests* – the Corporation aligns the goals of executives with maximizing long term shareholder value;
- 2) *Performance sensitive* – compensation for executive officers should be linked to operating and market performance of the Corporation and fluctuate with the performance; and
- 3) *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of the compensation program in compensating all NEOs were developed based on the above-mentioned compensation philosophy and are as follows:

- to attract and retain highly qualified executive officers;
- to align the interests of executive officers with shareholders' interests and with the execution of the Corporation's business strategy;
- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and
- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

With respect to forms of compensation, historically these have been comprised of cash bonuses and incentive stock options. The Corporation has not granted share-based awards.

In 2010, the Corporation implemented a defined contribution pension plan in which NEOs and full-time employees are eligible to participate. For discussion of the terms of the pension plan, see "**Pension Plan Benefits**".

The Board has the discretion to pay bonuses to the executive officers, however, there is a bonus plan pursuant to which bonuses may be earned. For discussion of the terms of the bonus plan, see "**Non-Equity Annual Incentive Plan**".

The Corporation's process for determining executive compensation is done on a case by case basis and involves discussion by the Board of the factors the Board deems relevant to each case. There are no formally defined objectives, benchmarks criteria and analysis that are used in all cases.

The Board can exercise discretion, either to award compensation absent attainment of the relevant performance goal or similar condition or to reduce or increase the size of any award or payout. The Corporation has exercised such discretion and applied it to its NEOs.

### **Competitive Compensation**

Aggregate compensation for each NEO is designed to be competitive. The Board reviews compensation practices of similarly situated companies in determining compensation policy. Although the Board reviews each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the NEO's role within the Corporation, it is primarily focused on remaining competitive in the market with respect to total compensation.

The Board reviews data related to compensation levels and programs of TSXV listed companies in the Diversified Industries sector with quoted market values ranging between \$1 million and \$2 million prior to making its decisions. These companies are used as the Corporation's primary peer group because they

have similar business characteristics or because they compete with the Corporation for employees and investors. The Board also relies on the experience of its members as officers and/or directors at other companies in assessing compensation levels. The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and option based compensation for the Board's approval.

### **Aligning the Interests of the NEOs with the Interests of the Corporation's Shareholders**

The Corporation believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs.

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the 2012 financial year, the three basic components of executive officer compensation program were:

- fixed salary;
- variable compensation in the form of cash bonuses which may be earned pursuant to the Non-Equity Annual Incentive Plan; and
- defined contribution pension plan benefits.

Fixed salary and contribution to the pension plan comprise the total fixed cash-based compensation. Bonus and compensation represents compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on the Corporation's performance against revenue and earnings from operations targets.

To date, no specific formulae have been developed to assign a specific weighting to each of these components. Instead, the Board considers each target and the Corporation's performance and assigns compensation based on this assessment and the recommendations of the Board. In determining the total compensation of any NEO, the Board considers all elements of compensation in total rather than one element in isolation.

The Board does not expect to make any significant changes to its compensation policies and practices in the Corporation's next financial year.

### **Base Salary**

The Board approves the salary ranges for the NEOs, as applicable. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The Corporation's process for determining this component of an NEO's compensation is done on a case by case basis and involves discussion by the Board of the factors the Board deems relevant to each case. There are no formally defined objectives, benchmarks criteria and analysis that are used in all cases.

During the most recently completed financial year ended September 30, 2012, the base salaries of the Corporation's CEO and President increased by 3.2% pursuant to the CPI (cost of living index) adjustment provisions in their respective employment agreements. During the most recently completed financial year ended September 30, 2012, the Corporation awarded an increase of 3.2% in the base salary of its CFO, in response to the subjective assessment of his performance.

### **Non-Equity Annual Incentive Plan**

Incentive targets are an integral component of compensation that link and reinforce executive decision making and performance with the objectives of the Corporation.

For the most recently completed financial year ended September 30, 2012, the Board simplified the formula to determine cash bonuses for the Corporation's CEO and President. For 2012, the Corporation's CEO and President were each eligible to earn an annual cash bonus of up to 7.5% of the Corporation's annual income before tax.

The Board can exercise discretion to award an annual cash bonus to the Corporation's CFO in response to the subjective assessment of his performance.

### **Long Term Compensation**

The Corporation has no long-term incentive plans other than its incentive stock option plan (the "**Plan**"). The Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Plan aligns the interests of the NEOs with shareholders by linking a component of executive compensation to the longer term performance of the Common Shares.

Options are determined by the Board. In monitoring or adjusting the option allotments, the Board takes into account the level of options granted by TSXV listed companies in the Diversified Industries sector with quoted market values ranging between \$1 million and \$2 million, its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the NEOs. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. In addition, previous grant of options are taken into account when considering new grants.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- the NEOs and others who are eligible to participate in the Plan;
- the exercise price for each stock option granted;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Plan. The Board reviews and approves grants of options on an as required basis, but no less frequently than annually.

All NEOs are eligible to participate in the Corporation's Plan.

The Board and Compensation Committee has not considered the implications of the risks associated with the Corporation's compensation policies and practices.

NEOs and directors are not permitted to purchase 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 NEOs or directors.

No stock options were granted, vested, or earned, during the Corporation's most recently completed financial year, and no stock options were outstanding at the end of the Corporation's most recently completed financial year.

### Pension Plan Benefits

On July 1, 2010, the Corporation implemented a group registered retirement savings plan (“**Group Plan**”) in which NEOs and full-time employees are eligible to participate. The Group Plan provides for NEOs and eligible employees to receive matching contributions from the Corporation at pre-defined rates.

The following table sets forth all payments or benefits to the NEOs, at, following, or in connection with retirement, for the most recently completed financial year:

Name	Accumulated Value at Start of The Year <sup>(1)</sup> (\$)	Compensatory <sup>(2)</sup> (\$)	Non-Compensatory <sup>(3)</sup> (\$)	Accumulated Value at End of The Year <sup>(4)</sup> (\$)
Franco Aquila	34,011	10,000	16,015	60,026
Scott Forbes	26,119	10,000	11,145	47,264
Max Liszkowski	15,940	6,000	4,662	26,602

- (1) Represents the accumulated value at the beginning of the most recently completed financial year.
- (2) Represents the cash contributions made by the Corporation to the NEOs’ RRSPs, under the Group Plan, during the most recently completed financial year.
- (3) Represents the cash contributions made by the NEOs to their RRSPs, under the Group Plan, including all regular investment earnings/losses during the most recently completed financial year.
- (4) Represents the accumulated value at the end of the most recently completed financial year.

### Perquisites and Personal Benefits

As a junior issuer, the Corporation takes a conservative approach to perquisites; however the Corporation’s objective in awarding perquisites and other personal benefits is to grant competitive perquisites and benefits that allow the CEO and the President to focus on their daily responsibilities and the achievement of the Corporation’s objectives. The process that the Corporation follows in determining when to award perquisites is ad hoc in nature. The Corporation pays for health insurance premiums and related expenses of the CEO and President pursuant to insurance plans that are generally not made available to other employees. The Corporation’s CEO and President also receive car allowances.

### Termination and Change of Control Benefits

The Corporation has the following plans or arrangements in respect of remuneration received or that may be received by the Corporation’s CEO and President pursuant to employment agreements (the “**Employment Agreements**”) effective September 25, 2007 with Franco Aquila and Scott Forbes (collectively, hereinafter referred to as the “**Employees**”), in the Corporation’s most recently completed financial year or current financial year in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities:

#### *Triggering Events and Payments*

- 1) The Corporation has agreed that if the Employees are terminated “**Without Cause**” or resign for “**Good Cause**”, the Corporation will pay the Employees, as applicable (the “**Severance**”):
  - (a) the Employees’ remaining salary plus any accrued unpaid vacation or other compensation;
  - (b) an additional amount equal to 24 months of the Employees’ annual salary;
  - (c) the Employees’ current benefits will continue until the earlier of 24 months from the date of termination or resignation and receipt of similar benefits through other employment; and
  - (d) the Employees shall, in the event that they intend to sell their shares in the Corporation or any subsidiary of the Corporation, advise the Corporation of such intent within 30 days of the date of

termination, and the Corporation may, in its sole discretion, repurchase such shares at a price based on the average of the last 20 days of trading from the date such notification is received.

- 2) In the case of a “**Change of Control**”, the Employees have a special right to resign without Good Cause at any time within 6 months after a Change of Control, receive the Severance, and subject to any required approval of the TSXV: (i) upon the announcement of any form of transaction which if completed would constitute a Change of Control and under which shares of the Corporation are to be exchanged or acquired, including a takeover bid, all granted share options of the Employees which have not vested shall be deemed to be fully vested and exercisable so as to permit the Employees to exercise such options and participate in the Change of Control transaction in respect of the Common Shares thereby acquired; and (ii) on completion of any other form of Change of Control, all granted share options of the Employees which have not vested shall be deemed to be fully vested and exercisable.

The following table sets forth all estimated incremental compensation that the Corporation would pay to Franco Aquila and Scott Forbes assuming that the Triggering Event took place on the last business day of the Corporation’s most recently completed financial year ended September 30, 2012:

Name	Salary and Cash Bonus <sup>(1)</sup> (\$)	Vacation Entitlement <sup>(2)</sup> (\$)	24 Months of Annual Salary <sup>(3)</sup> (\$)	24 Months of Current Benefits <sup>(4)</sup> (\$)	24 Months of Pension Value <sup>(5)</sup> (\$)	Share Repurchase <sup>(6)</sup> (\$)	Total Compensation (\$)
Franco Aquila	42,430	24,127	386,340	32,326	20,000	N/A	505,223
Scott Forbes	42,430	28,956	386,340	31,680	20,000	N/A	509,406

- (1) Based on accrued salary of \$7,430 and accrued bonus of \$35,000 at September 30, 2012.  
 (2) Based accrued amounts for accumulated unused vacation entitlements at September 30, 2012.  
 (3) Based on 24 months of current annual salary of \$193,170 at September 30, 2012.  
 (4) Based on 24 months of health and life insurance and car allowance benefits paid during the Corporation’s most recently completed financial year ended September 30, 2012 of \$16,163 for Franco Aquila and \$15,840 for Scott Forbes.  
 (5) Based on 24 months of cash contributions that would be payable by the Corporation to the Registered Retirement Savings Plans (“**RRSPs**”) of Franco Aquila and Scott Forbes, under the Corporation’s Group Plan.  
 (6) Assumes the Corporation would not exercise its option to repurchase any shares that Franco Aquila or Scott Forbes would intend on selling within 30 days of the date of their termination.

**Definitions**

“**Good Cause**” means the occurrence of one of the following events without the Employees’ express written consent:

- (a) the assignment by the Corporation of any substantial new or different duties inconsistent with the Employees’ positions, duties, responsibilities and status with the Corporation immediately prior to such change in assigned duties;
- (b) a material reduction in the Employees’ responsibilities, except as a result of the Employees’ death, disability or retirement;
- (c) reduction by the Corporation in the Employees’ annual salary;
- (d) a change in the principal executive office of the Corporation to a location more than 50 kilometers from the then-current location of the principal executive office of the Corporation;
- (e) the requirement by the Corporation that the Employees’ be based anywhere other than within a 50 kilometers radius of the current location;
- (f) the failure by the Corporation to continue in effect, or a material change in the terms of Employees’ participation in benefits under any incentive plan or benefits plan (collectively, the “**Existing Plans**”), the effect of which would be to materially reduce the total value, in the

aggregate, of the Employees' benefits under the Existing Plans, or any reduction by the Corporation of the number of paid vacation days to which the Employees' are entitled; and

- (g) any other events or circumstances which would constitute a constructive dismissal at common law.

**“Without Cause”** The Corporation may terminate the Employment Agreements and the engagement of the Employees without cause at any time by notice in writing stating the last day of employment and the Corporation shall be obligated to provide the Employees with compensation as set out in the respective Employment Agreements.

**“Change of Control”** means:

- (a) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the *Securities Act* (British Columbia), of Common Shares which, when added to all other Common Shares at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the first time in the aggregate 50% or more of the outstanding Common Shares; or
- (b) the removal, by extraordinary resolution of the shareholders of the Corporation, of more than 51% of the then incumbent Board of the Corporation, or the election of a majority of Board to the Corporation's board who were not nominees of the Corporation's incumbent board at the time immediately preceding such election; or
- (c) consummation of a sale of all or substantially all of the assets of the Corporation; or
- (d) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as (a) to (c) above.

Except as described above, the Corporation has no plans or arrangements in respect of remuneration received or that may be received by the Named Executive Officers in respect of compensating such officer in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities.

***Significant Conditions or Obligations Attached to Payment and Benefits***

Pursuant to the terms of the respective Employment Agreements, the Employees have agreed:

- (a) to devote full time attention and ability to the business and affairs of the Corporation and its subsidiaries or affiliates as required to fulfill their duties;
- (b) in the event that a conflict of interest or interference with the Employees' duties should arise, the Employees agree to immediately discontinue such outside activities and give notice of resignation of any conflicting outside directorship, and will advise Corporation promptly in such regards;
- (c) not to, at any time, or in any manner, during the continuance of their employment or thereafter, divulge any of the confidential information or secrets of the Corporation ("**Confidential Information**") to any person or persons except as required to carry out the Employees' duties, without the previous consent in writing of the Board. During the continuation of their employment, the Employees shall not use or attempt to use any Confidential Information which the Employees may acquire in the course of their employment for their own benefit or that of any other person, directly or indirectly;
- (d) not to, without the written consent of the Corporation, during a period of two years following the date of termination for any reason, participate in the management of any competing or similar business operation or enterprise; and
- (e) during the term of employment, and for the period of one year following the termination of such employment for any reason, the Employees shall not without the written consent of the Corporation, directly or indirectly solicit for employment, or attempt to induce or influence any employee of the Corporation to terminate his or her employment with the Corporation.

## Compensation Governance

The Board has not adopted any formal policies and practices to determine the compensation for the Corporation’s directors and executive officers.

The Corporation has established a Compensation Committee. The name of each committee member and, in respect of each member, information on whether or not the member is independent (within the meaning of section 1.4 of National Instrument 52-110-*Audit Committees* (“**NI 52-110**”)), as well as the responsibilities, powers and operation of the Compensation Committee, are disclosed under the heading “Other Board Committees” and elsewhere in the attached Schedule “B” - *Statement Of Corporate Governance Practices*.

The Chairman of the Corporation’s Compensation Committee is regional vice-president of a national financial services company and has direct experience that is relevant to his responsibilities in executive compensation and possesses the skills and experience that enable the committee to make decisions on the suitability of the Corporation’s compensation policies and practices.

## Summary Compensation Table

The following table sets forth all direct and indirect compensation for, or in connection with, services provided to the Corporation and its subsidiaries for the three most recently completed financial years ended September 30, 2012, in respect of the NEOs:

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value <sup>(2)</sup> (\$)	All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(1)</sup>	Long-term Incentive Plans			
Franco Aquila CEO	2012	193,170	N/A	N/A	35,000	N/A	10,000	16,163	254,333
	2011	187,180	N/A	N/A	N/A	N/A	10,000	15,520	212,700
	2010	183,690	N/A	N/A	2,703	N/A	2,468	15,388	204,249
Scott Forbes President	2012	193,170	N/A	N/A	35,000	N/A	10,000	15,840	254,010
	2011	187,180	N/A	N/A	N/A	N/A	10,000	17,771	214,951
	2010	183,690	N/A	N/A	2,703	N/A	2,468	18,697	207,558
Max Liszkowski CFO	2012	136,224	N/A	N/A	N/A	N/A	6,000	N/A	142,224
	2011	132,000	N/A	N/A	N/A	N/A	6,000	N/A	138,000
	2010	120,000	N/A	N/A	N/A	N/A	1,250	N/A	121,250

- (1) Represents the cash bonuses earned and paid during the financial year.
- (2) Represents the cash contributions made by the Corporation to the NEOs’ Registered Retirement Savings Plans (“RRSPs”) under the Group Plan during the financial year.
- (3) Represents the payments for health and life insurance premiums and related expenses of \$6,098 and \$5,738, and car allowances of \$10,065 and \$10,102 for Messrs. Aquila and Forbes, respectively.

## Incentive Plan Awards

No stock options were granted, vested, or earned, during the Corporation’s most recently completed financial year, and no stock options were outstanding at the end of the Corporation’s most recently completed financial year.

## Director Compensation

The following table sets forth all amounts of compensation provided to the directors of the Corporation, who are not also NEOs, for the most recently completed financial year:

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Terence E. Forbes <sup>(1)</sup>	67,373 <sup>(2)</sup>	N/A	N/A	N/A	2,308 <sup>(3)</sup>	N/A	69,681
David Perkins	5,950	N/A	N/A	N/A	N/A	N/A	5,950
David L. Wood <sup>(1)</sup>	4,900	N/A	N/A	N/A	N/A	N/A	4,900
Mark Neale	4,950	N/A	N/A	N/A	N/A	N/A	4,950

- (1) Neither Terence E. Forbes nor David L. Wood are standing for re-election as a director of the Corporation at the Meeting.
- (2) Represents base salary of \$58,550 and sales commissions of \$8,823 as Executive Vice-President of the Corporation. No compensation was received as a director.
- (3) Represents the cash contributions made by the Corporation during the financial year to the non-registered retirement savings account of Mr. Forbes.

The Corporation has no arrangements, standard or otherwise, pursuant to which directors who are not NEOs were compensated by the Corporation for their services as directors, for committee participation, for involvement in special assignments or for services as consultant or expert during the most recently completed financial year, other than as noted above.

As disclosed elsewhere in this Management Proxy Circular, the Corporation has a stock option plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Corporation in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such persons to that of the shareholders.

No stock options were granted, vested, or earned, during the Corporation's most recently completed financial year, and no stock options were outstanding at the end of the Corporation's most recently completed financial year.

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

As at December 17, 2012, there was no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or its subsidiaries which is owing to the Corporation or its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

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

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation or its subsidiaries; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries, whether in relation to a securities purchase program or other program or otherwise.

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

The following number of securities of the Corporation is available for issuance as of the end of the Corporation's most recently completed financial year:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b> <b>(a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b> <b>(b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b> <b>(c)</b>
Equity Compensation Plans Approved by Securityholders	Nil	N/A	1,022,018
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
Total	Nil	N/A	1,022,018

### **Stock Option Plan**

Pursuant to Policy 4.4 of the TSXV, all TSXV listed companies are required to adopt a stock option plan prior to granting incentive stock options. On March 9, 2007, the Board established such a Plan. The purpose of the Plan is to attract and motivate directors, senior officers, employees, management employees, consultants and others providing services to the Corporation and its subsidiaries, and thereby advance the Corporation's interests, by affording such persons with an opportunity to acquire an equity interest in the Corporation through the issuance of stock options.

The Plan is a "rolling" stock option plan permitting the grant of incentive stock options to purchase up to the number of Common Shares that is equal to 10% of the issued Common Shares at the time of the stock option grant. As a "rolling" stock option plan, the Plan is required to be ratified by the shareholders each year at the Corporation's annual meeting and filed with the TSXV. Accordingly, the Plan was initially approved by the shareholders at the annual meeting held on March 9, 2007 and was ratified at the annual meetings held on March 7, 2008, March 13, 2009, March 12, 2010, February 3, 2011 and February 16, 2012. In accordance with the TSXV requirements, the Plan will be placed before the shareholders for ratification at the Meeting. The maximum number of options available to be granted under the Plan as at September 30, 2012 was 1,022,018.

The TSXV's Policy 4.4 and the terms of the Plan authorize the Board to grant stock options to optionees on the following terms:

- 1) The term of any options granted under the Plan will be fixed by the Board at the time such options are granted, provided that options will not be permitted to exceed a term of five years (or as permitted by the TSXV).
- 2) The exercise price of any options granted under the Plan will be determined by the Board, or a duly appointed committee thereof (the "**Committee**"), but shall not be less than the closing price of the Common Shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSXV to a minimum of \$0.10 per share.
- 3) Except as prescribed by TSXV policies and subject to the discretion of the directors or the Committee, no vesting requirements will apply to options granted under the Plan, however if options are granted at a discount to the market price, a four-month hold period will apply to all shares issued under each option, commencing from the date of grant.
- 4) Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period.
- 5) All options will be non-assignable and non-transferable.

- 6) No more than:
  - (i) 5% of the issued shares may be granted to any one individual in any 12 month period;
  - (ii) 2% of the issued shares may be granted to any one consultant in any 12 month period; and
  - (iii) an aggregate of 2% of the issued shares may be granted to all persons who perform investor relations services for the Corporation, as a group, in any 12 month period.
- 7) If the option holder ceases to be a director of the Corporation or ceases to be employed by the Corporation (other than by reason of death), as the case may be, then the option granted shall expire on the earlier of the expiry date or the 90<sup>th</sup> day following the date that the option holder ceases to be a director or ceases to be employed by the Corporation, subject to the terms and conditions set out in the Plan. However, if the option holder is engaged in providing investor relations services to the Corporation, as either an employee or a consultant, the options will expire on the earlier of the expiry date or the 30<sup>th</sup> day after the date the option holder ceases to be employed by, or a consultant to, the Corporation to provide investor relations services.
- 8) Upon the death of the option holder, the option shall terminate on the date determined by the Committee (or the Board) which date shall be the earlier of the expiry date and one year from the date of death.
- 9) Disinterested shareholder approval must be obtained for:
  - (i) any reduction in the exercise price of an outstanding option, if the option holder is an Insider;
  - (ii) any grant of options to Insiders, within a 12 month period, exceeding 10% of the Corporation's issued shares; and
  - (iii) any grant of options to any one Insider or an Associate of such Insider, within any 12 month period, which exceed 5% of the Corporation's issued shares.
- 10) Options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Common Shares.

The foregoing is only a summary of the salient features of the Plan and is qualified in its entirety by reference to the actual terms and conditions of the Plan.

The TSXV requires that "rolling" stock option plans such as the Corporation's Plan must receive annual approval by the shareholders. Thereafter, a notice of options granted under the Plan must be given to the TSXV.

### **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

None of the proposed directors (or any of their personal holding companies) of the Corporation:

- (a) is, or during ten years before the date of this Management Proxy Circular, a director, chief executive officer or chief financial officer of any entity, including the Corporation, that:
  - (i) was subject of a cease trade order or similar order or an order that denied the relevant access to any exemption under securities legislation, for a period of more than 30 consecutive days while that person was acting in the capacity as director, executive officer or chief financial officer; or
  - (ii) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation in each case for a period of 30 consecutive days, that was issued after the person ceased to be a director, chief executive officer or chief financial officer in the Corporation and which resulted from an event that occurred while that person was acting in the capacity as director, executive officer or chief financial officer; or
- (b) is as at the date of this Management Proxy Circular or has been within the 10 years before the date of this Management Proxy Circular, a director or executive officer of any entity, including

the Corporation, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (c) has, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager as trustee appointed to hold the assets of that individual.

None of the proposed directors (or any of their personal holding companies) 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; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

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

On November 17, 2011, the Corporation entered into a sales agreement of USD\$1,750,000 (or \$1,790,000 – approximate value in Canadian dollars at November 17, 2011) to design, manufacture and install a large indoor play structure for a corporate customer. In order to obtain this sales agreement, the Corporation was required to issue a performance bond of USD\$1,444,000 to the corporate customer (“**Performance Bond**”). As a condition of issuance of the Performance Bond, the Corporation was required to obtain an injection of \$300,000 to secure an irrevocable standby letter of credit in favour of the Performance Bond underwriter. On September 30, 2011, the Corporation entered into promissory note agreements with five of its directors, including the Corporation’s CEO, President and Executive Vice-President to borrow the aggregate principal amount of \$300,000 (collectively, the “**Notes Payable**”). The Notes Payable bear interest at a rate of 18.0% per annum, are unsecured, and interest and capital are payable upon expiry of the Performance Bond. The Performance Bond is to expire once the Corporation completes certain obligations under its contract with the corporate customer. At December 17, 2012, management estimates that the Corporation is expected to complete its obligations under this sales agreement on or before February 28, 2013, at which time the Performance Bond would expire and payment of interest and capital from the Notes Payable would become due.

On May 15, 2012, the Corporation entered into revolving loan agreements (collectively, the “**Loan Agreements**”) with four of its directors, including the Corporation’s CEO and President, and the Corporation’s CFO, to borrow the aggregate principal amount of \$410,000 (collectively, the “**Revolving Loans**”). The Revolving Loans bear interest at the rate of 15.0% per annum, are unsecured, mature on January 31, 2013 and can be renewed for additional six-month periods. Proceeds from the Revolving Loans were used to repay the Corporation’s existing \$500,000 operating loan facility with the Royal Bank of Canada (the “**Operating Facility**”) and to provide the Corporation with additional working capital. As of May 15, 2012, the Corporation had drawn \$195,000 of the Operating Facility. The Royal Bank of Canada advised the Corporation that it required increased security by way of \$500,000 in guarantees supported by term deposits and/or mortgage security in order to maintain the Operating Facility. The Corporation relied on the Operating Facility to fund a significant portion of its working capital requirements. To avoid financial hardship, the Corporation entered into the Revolving Loan Agreements. The Corporation closed the Operating Facility on May 17, 2012.

Except as indicated above, no informed person or proposed director of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Corporation.

## **MANAGEMENT CONTRACTS**

The management functions of the Corporation are substantially performed by the directors and officers of the Corporation, and not to any substantial degree by any other person with whom the Corporation has contracted.

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

Other than as set forth in this Management Proxy Circular, no person who has been a director or executive officer of the Corporation at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors or the appointment of auditors. Directors and executive officers may, however, be interested in the annual approval of the Corporation's stock option plan as detailed in "**Annual Approval of Stock Option Plan**".

## **AUDIT COMMITTEE**

Under NI 52-110, companies are required to provide disclosure with respect to their audit committee including the text of the audit committee's charter, composition of the audit committee and the fees paid to the external auditor. This information is set out in the attached Schedule "A".

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58-201**") sets out the guidelines on corporate governance disclosure for public companies and National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**") mandates disclosure of corporate governance practices for venture issuers in Form 58-101F2 - *Corporate Governance Disclosure (Venture Issuers)*. The Corporation's approach to corporate governance is set out in the attached Schedule "B".

## **ADDITIONAL INFORMATION**

The Corporation's annual audited financial statements for its most recently completed financial year ended September 30, 2012, and related management discussion and analysis, are included with this Management Proxy Circular. These documents and other additional information relating to the Corporation are available through the SEDAR website at [www.sedar.com/Profiles](http://www.sedar.com/Profiles) – "Iplayco Corporation Ltd."

The Corporation's financial information is provided in the Corporation's annual audited consolidated financial statements and related management discussion and analysis for its most recently completed financial year, and may be viewed on the SEDAR website at the location noted above. Shareholders of the Corporation may request copies of the Corporation's annual audited consolidated financial statements and related management discussion and analysis by contacting the Corporation's Chief Financial Officer at #215 – 27353, 58th Crescent, Langley, British Columbia V4W 3W7 (Phone: (604) 607-1111 or email: [ir@iplayco.com](mailto:ir@iplayco.com)).

**IPLAYCO CORPORATION LTD.**  
**Management Proxy Circular**  
**Dated December 17, 2012**

**Schedule “A”**

**AUDIT COMMITTEE DISCLOSURE**

**Composition of the Audit Committee**

Following the election of the directors pursuant to this Management Proxy Circular, the following will be the members of the Audit Committee:

Franco Aquila	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Mark Neale	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
David Perkins	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

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

**Relevant Education and Experience**

*Franco Aquila:* Mr. Aquila has over 25 years experience in the design, manufacturing and installation of play structures for children and has served as a director with another TSXV listed company.

*Mark Neale:* Mr. Neale has a Bachelor of Arts from the University of Western Ontario, holds his securities licence in addition to several financially related designations. Mr. Neale has over 25 years experience in the financial services industry and is active on the boards of charitable organizations.

*David Perkins:* Mr. Perkins holds a Certified Financial Planning designation and has over 15 years experience in the investment and financial planning industry.

In their positions with the Corporation and other public and private companies, the members of the Audit Committee have been responsible for receiving information relating to other companies and obtaining an understanding of statements of financial position, operations and cash flows, and assessing the financial condition of companies and their operating results.

Each member has an understanding of the business of the Corporation and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Corporation's financial disclosures and internal control systems.

**Charter of the Audit Committee**

The following is the text of the Audit Committee's Charter.

***Mandate***

- To perform such duties as may be required by:
  - The *Business Corporations Act* (Alberta); and
  - Other applicable legislation and regulations including those of the British Columbia Securities Commission, Alberta Securities Commission, and the TSXV.

- To assist the Board in fulfilling its oversight responsibilities for:
  - The integrity of the Corporation's consolidated financial statements;
  - The Corporation's compliance with legal and regulatory requirements relating to financial disclosure;
  - The external auditors' qualifications, independence and performance;
  - Identification and monitoring of principal risks that could impact the financial reporting of the Corporation;
  - The system of internal control for financial reporting; and
  - To perform such other duties as may from time to time be assigned to the Audit Committee by the Board.

### ***Audit Committee Composition***

The Audit Committee shall be composed of three or more directors, appointed by the Board, a majority of which should not be officers, employees or control persons of the Corporation or any associate or affiliate of the Corporation. Applicable laws and regulations will be followed in evaluating a member's independence.

All members of the Audit Committee shall be financially literate (able 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 issues that can be reasonably expected to be raised by the Corporation's financial statements). A member of the Board who is not financially literate may be appointed to the Audit Committee provided that the member becomes financially literate within four months following his or her appointment, subject to the Board determining that this appointment will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the other requirements of this mandate.

Members are reappointed annually by the Board, with such appointments to take effect immediately following the Annual Meeting of Shareholders, members shall hold office until the earlier of the time which their successors are appointed or they cease to be directors of the Corporation. Vacancies of members of the Audit Committee may be filled for the remainder of the current term of appointment by the Board, upon recommendation of the Corporate Governance Committee.

The Board shall appoint from the Audit Committee membership a Chair for the Audit Committee to preside at its meetings. The Chair must be independent, in the absence of the Chair, one of the other members of the Audit Committee present shall be chosen by the Audit Committee to preside at the meeting.

### ***Authority***

- The Audit Committee has the authority to:
  - Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
  - At the Corporation's expense, as determined by the Audit Committee, retain independent counsel, accountants or others to advise the Audit Committee or assist in carrying out its duties or assist in the conduct of an investigation;
  - Meet with Management, external auditors or outside counsel as necessary; and
  - Call a meeting of the Board to consider any matter of concern to the Audit Committee.

***Meetings***

- The Audit Committee shall meet quarterly or more frequently as circumstances dictate. Meetings of the Audit Committee may be called by:
  - The Chair;
  - Any member of the Audit Committee; or
  - The external auditors.
- The external auditors may be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Audit Committee without the presence of Management at each meeting and minutes of the Audit Committee shall be recorded and maintained.

***Responsibilities***

- As required by the Board, the external auditor reports directly to the Audit Committee.
- The Audit Committee must recommend to the Board:
  - the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
  - The compensation of the external auditor.
- The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditors' Report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation external auditor. The Audit Committee has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.
  - De minimis non-audit services satisfy the pre-approval requirement provided:
    - the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total audit fees paid by the Corporation and its subsidiaries to the Corporation external auditor during the fiscal year in which the services are provided;
    - the Corporation or subsidiaries of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
    - the services are promptly brought to the attention of the Audit Committee of the Corporation and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.
- The Audit Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.
- The Audit Committee reviews and recommends to the Board approval of the Corporation financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information. It also ensures that adequate procedures are in place for the review of financial information extracted or derived from the Corporation financial statements, contained in the Corporation other financial disclosures, and must periodically assesses the adequacy of those procedures.

- The Audit Committee must establish procedures for:
  - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- The Audit Committee must review and approve the Corporation hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- The Audit Committee shall review the certificate issued and process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with National Instrument 52-109.
- The Audit Committee shall report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee’s recommendations at the next regularly scheduled Board meeting.
- The Audit Committee shall review the Form 52-110F1, disclosure required in the Corporation’s Management Proxy Circular or Annual Information Form, if any.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Pre Approval Policies and Procedures**

The Audit Committee is authorized by the Board to review the performance of the Corporation’s external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work that the Chairman of the Audit Committee deems as necessary who will notify the other members of the Audit Committee of such non-audit or additional work.

### **External Auditor Service Fees (By Category)**

The aggregate fees billed by the Corporation’s external auditors in each of the last two financial years are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees<sup>(3)</sup></b>	<b>All Other Fees<sup>(4)</sup></b>
2012	\$53,500	N/A	\$1,500	N/A
2011	\$52,000	\$7,500	\$1,500	N/A

- (1) Fees for the audit of the Corporation’s consolidated financial statements as at and for the financial years ended September 30, 2012 and 2011.
- (2) Fees for services that are reasonably related to the performance of the audit or review of the Corporation’s consolidated financial statements that are not included under the heading “Audit Fees”.
- (3) Fees for tax compliance, tax advice, and tax planning services.
- (4) Fees for services other than as set out under the headings “Audit Fees”, “Audit Related Fees” and “Tax Fees”.

**Reliance on Exemption in Section 6.1 of NI 52-110**

The Corporation has relied upon the exemption provided by Section 6.1 of NI 52-110 which exempts venture issuers from the requirement to comply with the restrictions on the composition of its audit committee and the disclosure requirements of its audit committee in an annual information form as prescribed by NI 52-110.

**IPLAYCO CORPORATION LTD.**  
**Management Proxy Circular**  
**Dated December 17, 2012**  
**Schedule “B”**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. National Policy 58-201 - *Corporate Governance Guidelines* (“NP 58-201”) establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Corporation’s practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Corporation at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices for venture issuers in Form 58-101F2, which disclosure is set out below.

**Board of Directors**

***Structure and Compensation***

The Board is currently composed of six (6) directors, of which three (3) are independent directors (as defined below), namely David Perkins, David L. Wood and Mark Neale, and three (3) are not independent by reason of being members of management of the Corporation, namely Franco Aquila, Scott C. Forbes and Terence E. Forbes. At the Meeting, the Corporation will ask the shareholders to determine the number of directors for the ensuing year at four (4) and propose four (4) current directors of the Corporation as nominees for election. Messrs. Terence E. Forbes and David L. Wood will not stand for re-election as directors at the Meeting.

Form 58-101F2 suggests that the board of directors of every listed Corporation should be constituted with a majority of individuals who qualify as “independent” directors under National Instrument 52-110 – *Audit Committees* (“NI 52-110”), which provides that a director is independent if he or she has no direct or indirect “material relationship” with the Corporation. “Material relationship” is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. Of the proposed nominees, Franco Aquila (Chief Executive Officer) and Scott Forbes (President) are considered “inside” or management directors and, accordingly, are not considered “independent”. The remaining current directors are considered by the Board to be “independent” within the meaning of s.1.4 of NI 52-110. In assessing the guidelines of NP 58-201 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

If all of the proposed directors nominated by management are elected at the Meeting, David Perkins and Mark Neale will be the independent directors of the Corporation. The independent directors exercise their responsibilities for independent oversight of management, and are provided with leadership through their position on the Board and ability to meet independently of management whenever deemed necessary.

The quantity and quality of the Board compensation is reviewed on an annual basis. At present, the Board is satisfied that the current Board compensation arrangements adequately reflect the responsibilities and risks involved in being an effective director of the Corporation. However, the CEO and the President

received \$254,333 and \$254,010, respectively, in total compensation referred to in the Management Proxy Circular. The number of options to be granted is determined by the Board and/or Compensation Committee thereby providing the independent directors with input into compensation decisions.

### ***Mandate of the Board***

The mandate of the Board, as prescribed by the *Business Corporations Act* (Alberta), is to manage or supervise the management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation. In doing so, the Board oversees the management of the Corporation's affairs directly and through its committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Corporation's overall business strategies and its annual business plan, reviewing and approving the annual corporate budget and forecast, reviewing and approving significant capital investments outside the approved budget; reviewing major strategic initiatives to ensure that the Corporation's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against approved business plans and industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Corporation's capital resources. The Board also takes responsibility for identifying the principal risks of the Corporation's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable.

In keeping with its overall responsibility for the stewardship of the Corporation, the Board is responsible for the integrity of the Corporation's internal control and management information systems and for the Corporation's policies respecting corporate disclosure and communications.

Each member of the Board understands that he is entitled to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances.

The Board believes the Corporation is well serviced and the independence of the Board from management is not compromised. The Board does not, and does not consider it necessary to, have any formal structures or procedures in place to ensure that the Board can function independently of management. The Board believes that its proposed composition, in which only two of four directors is a member of management, is sufficient to ensure that the Board can function independently of management. However, the Board would eventually like to be in a position where a majority of directors are independent.

### ***Nomination of Directors and Assessments***

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and the President and Chief Executive Officer. The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions.

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Corporation's size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis. The current size of the Board is such that the entire Board takes responsibility for selecting new directors and assessing current directors. Proposed directors' credentials are reviewed in advance of a Board Meeting with one or more members of the Board prior to the proposed director's nomination.

### ***Orientation and Continuing Education***

New directors are provided with an information package about the Corporation and are briefed on strategic plans, short, medium and long term corporate objectives, business risks and mitigation strategies, corporate governance guidelines and existing Corporation policies.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed required, with the exception of financial literacy training relating to International Financial Reporting Standards for the Directors who are members of the Audit Committee. The Board is comprised of individuals with varying backgrounds. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management's assistance. Board members have full access to the Corporation's records. Reference is made to the table under the heading "Election of Directors" for a description of the current principal occupations of the Corporation's Board.

### ***Expectations of Management and Ethical Business Conduct***

The Board expects management to operate the business of the Corporation in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Corporation's business plan and to meet performance goals and objectives. To date, the Board has not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of the Corporation's operations and the small number of officers and employees allow the independent members of the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Corporation grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### ***Board Committees***

Committees of the Board are an integral part of the Corporation's governance structure. At the present time, the Board has three committees: the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

***Audit Committee.*** The Audit Committee currently consists of three (3) independent directors, namely Messrs. David L. Wood, Mark Neale and David Perkins, and one (1) non-independent director, namely Mr. Terence E. Forbes. Disclosure with respect to the Audit Committee, as required by NI 52-110, is contained in this Management Proxy Circular. If all of the proposed directors nominated by management are elected at the Meeting, the Board intends to appoint Messrs. Perkins (as Chair) and Neale to the Audit Committee, both of whom will be independent, and Mr. Franco Aquila, who will not be independent.

***Compensation Committee.*** The Compensation Committee currently consists of three (3) independent directors, namely Messrs. David L. Wood, Mark Neale and David Perkins, and one (1) non-independent director, namely Mr. Franco Aquila. The Compensation Committee has responsibility for determining the appropriate levels of compensation for management and for determining related compensatory matters such as the granting of incentive stock options, however, the Board as a whole reviews the compensation for management and directors. The Compensation Committee meets at least annually. If all of the proposed directors nominated by management are elected at the Meeting, the Board intends to appoint Messrs. Neale (as Chair) and Perkins to the Compensation Committee, both of whom will be independent.

***Corporate Governance Committee.*** The Corporate Governance Committee currently consists of three (3) independent directors, namely Messrs. David Wood, Mark Neale and David Perkins and one (1) non-independent director, namely Mr. Scott Forbes. The Corporate Governance Committee has responsibility for reviewing the governance policies and practices of the Corporation and their conformity to the Guidelines. This Committee also has been given responsibility for assessment of the performance of the Board and its members, nominees for elections as director, assessment of the orientation and education of

new Board members, review of directors' compensation and insurance, and review of the mandate of the Board, its committees and management. The Corporate Governance Committee also will determine if it is appropriate for individual directors to engage outside advisers in any situation. Through the Corporate Governance Committee, the Board will continue to assess its policies and practices and the effectiveness of management and the Board members in carrying out their respective duties. If all of the proposed directors nominated by management are elected at the Meeting, the Board intends to appoint Messrs. Neale (as Chair) and Perkins to the Corporate Governance Committee, both of whom will be independent, and Mr. Scott Forbes, who will not be independent.