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**MANAGEMENT INFORMATION CIRCULAR**  
containing information as at **May 15, 2012** unless otherwise noted

## **SOLICITATION OF PROXIES**

### **Solicitation of Proxies by Management**

This Management Information Circular (“**Circular**”) is furnished in connection with the solicitation of proxies by the management of American Vanadium Corp. (“**Company**”) for use at the Annual and Special General Meeting of the shareholders of the Company to be held on Friday, June 15, 2012 (“**Meeting**”) at the time and place and for the purposes set out in the accompanying Notice of Meeting and any adjournment or postponement thereof.

### **Cost and Manner of Solicitation**

While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone, facsimile or electronically by the directors and regular employees of the Company or other proxy solicitation services. In accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI-54-101**”), arrangements have been made to forward proxy solicitation materials to the beneficial owners of common shares of the Company (the “**Common shares**”). All costs of solicitation will be borne by the Company.

## **APPOINTMENT AND REVOCATION OF PROXIES**

### **Appointment of Proxy**

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

The individuals named in the enclosed form of proxy are William J. Radvak, President and Chief Executive Officer (“**CEO**”), or failing him, Sandra Lee, Corporate Secretary of the Company (together, the “**Management Designees**”). **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO BY INSERTING SUCH PERSON’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKING OUT THE NAMES OF THE MANAGEMENT DESIGNEES OR BY COMPLETING ANOTHER FORM OF PROXY.**

A proxy will not be valid unless the completed, dated and signed form of proxy is deposited with Computershare Investor Services Inc., not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment or postponement thereof. **Proxies may be deposited with Computershare Investor Services Inc. using one of the following methods:**

<b>BY MAIL:</b>	Computershare Investor Services Inc. 9th Floor, 100 University Avenue Toronto, Ontario M5J 2Y1
<b>OR IF YOU HAVE A CONTROL NUMBER, A HOLDER ACCOUNT NUMBER AND AN ACCESS NUMBER ON THE FACE OF THE PROXY, YOU ARE ALTERNATIVELY ABLE TO VOTE:</b>	
<b>BY TELEPHONE:</b>	1-866-732-8683, or
<b>BY INTERNET:</b>	<a href="http://www.investorvote.com">www.investorvote.com</a>

### **Revocation of Proxy**

A shareholder who has given a proxy may revoke it by an instrument in writing duly executed by the shareholder or by the shareholder's attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Company, Suite 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7, at any time up to and including the last business day preceding the day of the Meeting, or if adjourned or postponed, any reconvening thereof, or to the chair of the Meeting on the day of the Meeting or, if adjourned or postponed, any reconvening thereof or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

In addition, a proxy may be revoked by a shareholder properly executing another form of proxy bearing a later date and depositing the same at the offices of **Computershare Investor Services Inc.** within the time period and in the manner set out under the heading "**Appointment of Proxy**" above or by the shareholder personally attending the Meeting, withdrawing his or her proxy and voting the shares.

### **Voting of Proxies and Exercise of Discretion by Proxyholders**

Except for the Stock Option Plan Renewal Resolution (see the "**Continuance of Stock Option Plan**" section below), unless a ballot is called for or required by law, voting at the Meeting will be by way of show of hands. Common shares represented by a properly completed, executed and deposited proxy are only entitled to be voted on any poll, and where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will, on a poll, be voted or withheld from voting in accordance with the specification so made.

**IF A CHOICE WITH RESPECT TO ANY MATTER IS NOT CLEARLY SPECIFIED IN THE PROXY, THE MANAGEMENT DESIGNEES WILL VOTE THE COMMON SHARES REPRESENTED BY THE PROXY "FOR" EACH SUCH MATTER.**

**The enclosed form of proxy when properly executed and deposited and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting.** In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the Management Designees to vote in accordance with their best judgment on such matters or business. At the date of this Circular, management knows of no such amendment, variation or other matter which may be presented to the Meeting.

## Advice to Beneficial Holders of Common Shares

Only registered holders of Common shares of the Company or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common shares beneficially owned by a person (“**Non-Registered Holder**”) are registered either: (i) in the name of an intermediary (“**Intermediary**”) (including banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) that the Non-Registered Holder deals with in respect of the shares, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant.

### *Distribution to “Non-Objecting Beneficial Owners” (“NOBOs”)*

In accordance with the requirements of the Canadian Securities Administrators and NI 54-101, the Company will have caused its agent to distribute copies of the Notice of Meeting and this Circular (collectively, “**meeting materials**”) as well as a Voting Instruction Form directly to those Non-Registered Holders who have provided instructions to an Intermediary that such Non-Registered Holder does not object to the Intermediary disclosing ownership information about the beneficial owner.

*These meeting materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.*

*By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for Voting Instruction Form enclosed with mailings to NOBOs.*

The meeting materials distributed by the Company’s agent to NOBOs include a Voting Instruction Form. Please carefully review the instructions on the Voting Instruction Form for completion and deposit.

### *Distribution to “Objecting Beneficial Owner” (“OBOs”)*

In addition, the Company will have caused its agent to deliver copies of the meeting materials to the clearing agencies and Intermediaries for onward distribution to those Non-Registered Holders who have provided instructions to an Intermediary that the beneficial owner objects to the Intermediary disclosing ownership information about the beneficial owner.

Intermediaries are required to forward the meeting materials to OBOs unless an OBO has waived his or her right to receive them. Intermediaries often use service companies such as Broadridge (formerly ADP) to forward the meeting materials to OBOs. Generally, those OBOs who have not waived the right to receive meeting materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile stamped signature), which is restricted as to the number of shares beneficially owned by the OBO, but which is otherwise uncompleted. This form of proxy need not be signed by the OBO. In this case, the OBO who wishes to submit a proxy should properly complete the form of proxy and deposit it with Computershare Investor Services Inc. in the manner set out in the proxy, with respect to the Common shares beneficially owned by such OBO, in accordance with the instructions elsewhere in this Circular; **OR**
- (b) more typically, be given a voting registration form which is not signed by the Intermediary and which, when properly completed and signed by the OBO and returned to the Intermediary or its service company, will constitute authority and instructions (often called a “**proxy authorization form**”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of

instructions which contains a removable label containing a bar-code or other information. In order for the form of proxy to validly constitute a proxy authorization form, the OBO must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit the OBO to direct the voting of the shares he or she beneficially owns.

**Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the persons named in the form and insert the Non-Registered Holder's name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

### Voting Securities

The Company's authorized share structure consists of an unlimited number of Common shares without par value. As at the record date of **April 17, 2012**, the Company has issued and outstanding 27,543,397 fully paid and non-assessable Common shares, each Common share carrying the right to one vote. **The Company has no other classes of securities.** The Common shares have attached thereto the following preferences, rights, conditions, restrictions, limitations, or prohibitions:

#### *Voting*

The holders of Common shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Company and shall, in respect of each Common share held, be entitled to vote at any meeting of the shareholders of the Company and have one vote in respect of each Common share held by them.

#### *Dividends*

The holders of Common shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board of directors of the Company (the "**Board**" or "**Board of Directors**") out of funds or assets properly applicable to the payment of dividends, in such amount and in such form as the Board of Directors may from time to time determine.

### **Record Date**

The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed at the close of business on **April 17, 2012** ("**Record Date**").

Every shareholder of record at the Record Date who either personally attends the Meeting or who has submitted a properly executed and deposited form of proxy in the manner and subject to the provisions described above and which has not been revoked shall be entitled to vote or to have his or her shares voted at the Meeting or any adjournment or postponement thereof.

### Principal Holders

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

<u>Name</u>	<u>No. of Shares</u>	<u>Percentage</u>
George T. Hawes	3,265,166	11.85%

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

Other than as disclosed elsewhere in this Circular, none of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last completed financial year and no associate or affiliate or any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

### ELECTION OF DIRECTORS

The Board of Directors presently consists of seven directors and it is intended that six directors be elected for the ensuing year. Mr. Brian McAlister will not be standing for re-election to the Board of Directors for the ensuing year.

The term of office of each of the present seven directors expires at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees and unless such authority is withheld, the Management Designees 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. However, if it shall occur for any reason prior to the Meeting, the Management Designees reserve the right to vote of another nominee or nominees at his discretion. Each director elected will hold office until the next annual meeting of the Company or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the Bylaws of the Company, or with the provisions of the *Canada Business Corporations Act*. No class of shareholders of the Company has the right to elect a specified number of directors or to cumulate their votes for directors.

The Board of Directors has not appointed an Executive Committee. The members of the Company's audit committee (the "**Audit Committee**") as at the date hereof are George T. Hawes (Chair), Brian J. McAlister and Brian E. Bayley.

The following table sets out the names of the nominees for election as directors, the province and country in which each is ordinarily resident, all offices of the Company now held by each of them, their principal occupation, business or employment, the period of time for which each has been a director of the Company, and the number of Common shares of the Company beneficially owned, or controlled or directed, directly or indirectly, by any proposed director, as at the date of this Circular:

<b>Name, Present Office and Province and Country of Residence<sup>(1)</sup></b>	<b>Present Principal Occupation, Business or Employment<sup>(1)</sup></b>	<b>Date First Appointed as a Director</b>	<b>No. of Common Shares Beneficially Held or Controlled<sup>(1)(2)(3)</sup></b>
<b>WILLIAM J. RADVAK</b> <i>Director, President &amp; CEO British Columbia, Canada</i>	Professional Engineer, Mining; President & CEO of the Company; President, Chief Executive Officer and a director of Regency Gold Corp. (TSX-V Nex Board).	January 21, 2010	213,334
<b>RONALD J. MAC DONALD</b> <i>Executive Chairman British Columbia, Canada</i>	President of Cansource International Enterprises Inc., a private consulting company since January 2007.	August 2, 2011	Nil
<b>ALAN D. BRANHAM</b> <i>Director Montana, United States of America</i>	President and Chief Executive Officer of American Innovative Minerals LLC, a private exploration and development company in the Western U.S.	March 28, 2006	805,900
<b>BRIAN E. BAYLEY</b> <i>Director British Columbia, Canada</i>	Director since June 2003 and Resource Lending Advisor since September 2010 of Sprott Resource Lending Corp. (TSX and NYSE Amex) a resource lending company. President and a director of Ionic Management Corp., a private management company. Mr. Bayley is also a director and/or officer of numerous other public companies.	March 28, 2006	400,000
<b>GEORGE T. HAWES</b> <i>Director New York, United States of America</i>	President of G.T. Hawes & Co., a private New York real estate and investment company.	March 28, 2006	3,265,166
<b>DR. E. KELLY HYSLOP</b> <i>Director Gollen, West Cork, Ireland</i>	Retired	March 28, 2006	2,246,768

## Notes:

- (1) The information as to residence, present principal occupation, business or employment, and the number of Common shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. The participation of the directors in other reporting issuers is described in Appendix 1 to this Circular.
- (2) In addition, as at May 15, 2012, the nominees hold the following stock options to purchase Common shares:

<b><u>Option Holder</u></b>	<b><u>Number of Shares</u></b>	<b><u>Exercise Price</u></b>	<b><u>Expiry Date</u></b>
William J. Radvak	450,000	\$0.35	January 21, 2015
	175,000	\$0.70	November 2, 2015
Cansource International Enterprises Inc. (Ronald J. Mac Donald)	300,000	\$1.53	March 23, 2016
Brian E. Bayley	100,000	\$1.34	July 19, 2016
Alan D. Branham	100,000	\$0.35	January 21, 2015
George T. Hawes	100,000	\$0.35	January 21, 2015
Dr. E. Kelly Hyslop	100,000	\$0.35	January 21, 2015

- (3) 10,000 of William J. Radvak's shares are held indirectly through Westcorp Management Ltd.

## Cease Trade Orders or Bankruptcies

To the Company's knowledge except as disclosed in this Circular, no proposed director of the Company:

- (a) is, as at the date of the Circular, or has been within 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company (including the Company and any personal holding companies) that,
  - (i) was subject to a cease trade or similar order or an order that denied the relevant company access to an exemption under securities legislation, that was in effect for a period of more than thirty consecutive days (an "Order") and was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date of the Circular, or has been within 10 years before the date of the Circular, a director or executive officer of any company (including the Company and any personal holding companies) 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 the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### **Brian E. Bayley**

**Esperanza Silver Corp. ("Esperanza") (TSX-V listed; a director from December 14, 1999 to present):** Esperanza became aware in early 2003 (it was known as Reliant Ventures Ltd. at that time) that it was subject to outstanding cease trade orders issued by the Alberta Securities Commission ("ASC") (issued on September 17, 1998) and l'Autorité des marchés financiers("AMF")(issued on August 12, 1997) from its failure (when neither Mr. Bayley nor any of the other current directors and officers of Esperanza were directors or officers of Esperanza) to file financial statements and pay filing fees within their prescribed times. Esperanza subsequently filed the financial statements and paid the filing fees and the ASC revoked the order on August 1, 2003 and AMF revoked the order on May 21, 2003.

**American Natural Energy Corp. ("American") (TSX-V listed; a director from June 15, 2001 to Nov. 2010):** In June 2003, each of the AMF, British Columbia Securities Commission ("BCSC") and Manitoba Securities Commission ("MSC") issued cease trade orders against American for failure to file its financial statements within the prescribed times. The cease trade orders were rescinded in August and September 2003. Subsequently, during the period between May 2007 and March 2008, each of the BCSC, MSC, Ontario Securities Commission, ASC and AMF issued cease trade orders against American for failure to file its financial statements within the prescribed times. The cease trade orders were rescinded in October 2008.

## Sanctions and Penalties

To the Company's knowledge except as disclosed in this Circular, no proposed director or personal holding companies of any proposed director of the Company 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.

**PetroFalcon Corporation ("PetroFalcon") (now Etrion Corp.) (TSX listed; a director from November 28, 2001 to June 2008) and Quest Ventures Ltd. (private company; Brian E. Bayley – director and officer from January 1997 to January 2005):** On February 27, 2002, the BCSC issued an order regarding a private placement of PetroFalcon to Quest Ventures Ltd., a private company in which Brian E. Bayley was a director. The BCSC considered it to be in the public interest to remove the applicability of certain exemptions from the prospectus and registration requirements of the *Securities Act* (British Columbia) for PetroFalcon until a shareholders meeting of PetroFalcon was held. In addition, the BCSC removed the applicability of the same exemptions for Quest Ventures Ltd. in respect of the common shares received pursuant to the private placement. Approval of shareholders was received on May 23, 2002 and the BCSC reinstated the applicability of the exemptions from the prospectus and registration requirements for both companies shortly thereafter.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") set out a series of guidelines for effective corporate governance. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. NI 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

### Board of Directors

The Board of Directors is currently composed of seven directors, though it is intended that six directors be elected at the Meeting, as Brian J. McAlister is not standing for re-election to the Board at the Meeting. The Board believes that a membership of six is an appropriate number for the Company, in that it is small enough to facilitate effective decision-making and large enough to provide the necessary breadth of experience. The Board has determined that Brian E. Bayley, George T. Hawes and Dr. E. Kelly Hyslop are independent based on the test for independence set out in National Instrument 52-110 *Audit Committees* ("NI 52-110"). William J. Radvak is not independent as he is a senior officer of the Company. Ron Mac Donald is not independent as he is the executive chairman of the Board of Directors. Alan Branham is not independent as he was an employee of the Company's subsidiary, American Vanadium US Inc., during the year ended December 31, 2011<sup>1</sup>.

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<sup>1</sup> In October 2011, the Company changed its year end from February 28 to December 31. The Company filed audited annual financial statements as at and for the ten months ended December 31, 2011. Please refer to SEDAR at [www.sedar.com](http://www.sedar.com) for a copy of the Notice of Change in Year-End and a copy of the annual financial statements for the ten months ended December 31, 2011.

### **Management Supervision by Board**

Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent Board members. The independent directors are however able to meet at any time without any members of management including the non-independent directors being present.

Further supervision is performed through the Audit Committee, which is composed of a majority of independent directors who meet with the Company's auditors without management being in attendance.

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

The participation of the directors in other reporting issuers is described in Appendix 1 to this Circular.

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with access to publicly filed documents of the Company, technical reports, if applicable, internal financial information, management and technical experts and consultants, and a summary of significant securities disclosure obligations.

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 and to attend related industry seminars and visit the Company's operations.

Board members have full access to the Company's records.

### **Ethical Business Conduct**

Corporate governance is the structure and process used to direct and manage the business and affairs of a corporation with the objective of enhancing shareholder value. The Board of Directors believes that the Company has in place corporate governance practices that are both effective and appropriate to the Company's size and its relatively uncomplicated business operations. Because of its size and composition, the Board does not find it necessary to appoint many committees or to have in place many formal processes in order to ensure effective corporate governance.

For these reasons the Board has not adopted a formal Code of Conduct.

### **Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors.

### **Compensation of Directors and Chief Executive Officer**

The independent directors are Brian E. Bayley, George T. Hawes and Dr. E. Kelly Hyslop. These directors have the responsibility for determining compensation for the directors and senior management. See "Executive Compensation - Compensation Governance" below regarding the process for determining compensation.

### **Other Board Committees**

The Board of Directors has an Audit Committee and a compensation committee (the "**Compensation Committee**"). The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal control and management information systems and external auditors. The Audit Committee also reviews the annual financial statements and interim unaudited financial statements before those statements are approved by the Board. See "**Audit Committee**" below for the composition of and further particulars of the Audit Committee.

The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's executive officers and the directors of the Company, executive compensation disclosure and oversight of the compensation structure and benefit plans and programs of the Company. Among other things, the Compensation Committee establishes and administers the Company's policies, programs and procedures for compensating and incentivizing its executive officers.

As of the date of this Circular, the Board has seven members and is well able to assess the effectiveness of the Board as a whole and the contributions made by the individual directors without instituting any formal process for that purpose. In addition, as the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development.

### **Assessments**

The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and of its Audit Committee.

## **AUDIT COMMITTEE**

### **Overview**

The Audit Committee of the Board of Directors is principally responsible for:

- recommending to the Board of Directors the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company's annual and interim financial statements, Management Discussion & Analysis (MD&A) and press releases regarding earnings before they are reviewed and approved by the Board of Directors and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures and disclosure controls to ensure adequate procedures are in place for the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.

### **The Audit Committee's Charter**

As of the date of this Circular, the Board of Directors has adopted a Charter for the Audit Committee ("**Audit Committee Charter**"), which sets out the Audit Committee's mandate, organization, powers and responsibilities, a copy of which is attached as Appendix 2 to this Circular and is available online at [www.sedar.com](http://www.sedar.com).

### **Composition of the Audit Committee**

The Audit Committee consists of three directors: George T. Hawes, Brian J. McAlister and Brian E. Bayley. Mr. McAlister is not standing for re-election to the Board at the Meeting.

The following table sets out their names and whether they are “independent” and “financially literate”.

<u>Name of Member</u>	<u>Independent<sup>(1)</sup></u>	<u>Financially Literate<sup>(2)</sup></u>
George T. Hawes	Yes	Yes
Brian J. McAlister	No	Yes
Brian E. Bayley	Yes	Yes

Notes:

- (1) To be considered to be independent, a member of the Audit Committee must not have any direct or indirect ‘material relationship’ with the Company. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member’s independent judgment. NI 52-110 exempts the members of the Company’s Audit Committee from being independent and financially literate since the Company is a “**venture issuer**” as defined therein.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

### **Relevant Education and Experience**

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member are set out below:

*George T. Hawes*

Mr. Hawes graduated in 1968 from the University of Notre Dame with a degree in Accountancy. From 1968 to 1972, Mr. Hawes worked for the public accounting firm of Hurdman and Cranstoun (now part of KPMG LLP). He received his CPA designation in 1971. Previously, he was the Chairman of the audit committee of Gentry Resources, Ltd. and was on the audit committee of Midway Gold Corp. Currently, he is Chairman of the Company’s Audit Committee.

*Brian J. McAlister*

Mr. McAlister graduated in 1979 from the University of Denver with a Bachelor of Science degree in Business with a major in Finance. He passed the Canadian Securities Course in 1980 and has been a director of numerous public companies.

*Brian E. Bayley*

Mr. Bayley graduated in 1977 from the University of Victoria with a B.A. (Hon). He received his MBA from Queen’s University in 1979 and is currently an officer and director and audit committee member of numerous public companies.

### **Audit Committee Oversight**

Since the commencement of the Company’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on: (a) the exemption in section 2.4 (De Minimis Non-audit Services), or (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

## Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section (aa) in “**Accounting Systems, Internal Controls and Procedures**” of the Audit Committee Charter.

## External Auditor Service Fees (By Category)

The fees paid by the Company to its auditors in each of the last three fiscal years, by category, are as follows:

<u>Financial Period Ending</u>	<u>Audit Fees<sup>(1)</sup></u>	<u>Audit Related Fees<sup>(2)</sup></u>	<u>Tax Fees<sup>(3)</sup></u>	<u>All Other Fees<sup>(4)</sup></u>
December 2011 <sup>(5)</sup>	\$30,600	\$25,500	\$3,181	Nil
February 2011	\$23,400	Nil	Nil	Nil
February 2010	\$20,800	Nil	\$3,500	Nil

### Notes:

- (1) The aggregate fees billed by the Company’s auditors for audit fees.
- (2) The aggregate fees billed for assurance and related services by the Company’s auditor that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not disclosed in the ‘Audit Fees’ column.
- (3) The aggregate fees billed for professional services rendered by the Company’s auditor for tax compliance, tax advice, and tax planning.
- (4) The aggregate fees billed for professional services rendered by the Company’s auditor for the preliminary prospectus.
- (5) The Company changed its year end from February 28 to December 31. The Company filed audited annual financial statements as at and for the ten months ended December 31, 2011. Please see SEDAR at [www.sedar.com](http://www.sedar.com) for a copy of the Notice of Change in Year-End and the financial statements.

## Exemption for Venture Issuers

As a venture issuer, the Company is exempt from the provisions of NI 52-110 that would otherwise require its audit committee to be constituted in accordance with Part 3 of NI 52-110, and the Company to provide comprehensive disclosure about the members of its Audit Committee.

## STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Circular:

- (a) “**Chief Executive Officer**” or “**CEO**” of the Company means each individual who served as Chief Executive Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.
- (b) “**Chief Financial Officer**” or “**CFO**” of the Company means each individual who served as Chief Financial Officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year.
- (c) “**equity incentive plan**” means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of International Financial Reporting Standards 2 *Share-based Payment*;
- (d) “**Named Executive Officer**” or “**NEO**” means:
  - (i) a CEO;
  - (ii) a CFO;

- (iii) each of the three most highly compensated executive officers of the Company, 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
  - (iv) any individuals who would be an NEO under paragraph (iii) but for the fact that the individual was neither serving as an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.
- (e) **“non-equity incentive plan”** means an incentive plan or portion of an incentive plan that is not an equity incentive plan.
  - (f) **“option-based award”** means an award under an equity incentive plan of options, including for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features.
  - (g) **“share-based award”** means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

## Compensation Discussion and Analysis

### *Compensation Philosophy*

All employees of the Company receive compensation based on market value for the type of role they perform. Additional consideration is given to internal pay equity and performance. The compensation payable to employees consists of two main elements: base salary and long-term incentive by way of the grant of stock options in accordance with the policies of the TSX Venture Exchange (“**TSX-V**”) and the Company’s Stock Option Plan (the “**Stock Option Plan**” or the “**Plan**”) as long-term incentives.

### *Base Salary*

In setting salaries, the Compensation Committee does not rely solely upon benchmarking, mathematical formulas or hierarchy. Salary levels for NEOs are based on the executive’s qualifications, experience and responsibilities within the Company, and are intended to be competitive with salaries paid to others in comparable positions within the same industry.

In reviewing comparative data, the directors do not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level and does not compare its compensation to a specific peer group of companies.

The Company is a development stage mining company and will not be generating revenues from operations for a significant period of time. As a result, the use of traditional performance standards, such as corporate profitability and earnings per share, are not considered by the directors to be relevant in the evaluation of corporate or NEO performance. The salary element of compensation is designed to ensure the Company’s access to skilled employees necessary to achieve its corporate objectives.

### *Long-Term Incentive*

The Company provides a long-term incentive by granting stock options to executive officers in accordance with the policies of the TSX-V. See the “**Stock Option Plan**” section. The objective of granting options is to encourage executive officers to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive for such executive officer to consider the long-term interests of the Company and its shareholders.

When determining the number of stock options to be granted to an executive officer, the Compensation Committee takes into account the number and terms of outstanding stock options, including vesting provisions, in order to determine whether or not new stock option grants should be made to such executive officer. In addition, the Compensation Committee seeks the views of the Company’s CEO when reviewing compensation for other executive officers because of his day-to-day involvement with these officers. The Compensation Committee believes that the CEO is in the best position to assess the performance of such individuals and to provide valuable input regarding salary adjustments, level of payment of short-term incentives, as well as levels of grants of long-term incentives, when applicable. The Compensation Committee also asks, and expects the CEO to provide comments, based on his judgment and deep knowledge of the strategic goals of the Company, on the design of any new compensation program that is implemented. The Compensation Committee takes into consideration information it receives from management, but makes independent recommendations to the Board on all executive compensation matters.

The Compensation Committee considers the implications and risks of the Company’s compensation policies and practices as factors in assisting the Board in approving and monitoring guidelines and practices regarding the compensation and benefits of officers, as well as administering the Company’s Stock Option Plan. The Company’s compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging short-term goals at the expense of long-term sustainability.

The Company does not have a formal policy prohibiting a NEO or director from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation and held, directly or indirectly, by the NEO or director. However, there is an understanding that the Company’s NEOs and directors will not purchase such financial instruments, and the Company is not aware of any NEO or director having entered into this type of transaction as at the date of this Circular.

### **Share-based and Option-based Awards**

The Company does not grant share-based awards pursuant to an equity incentive plan.

During the fiscal year ended December 31, 2011, the Company approved the issuance, in four tranches, of up to 500,000 of the Company’s Common shares (“**performance shares**”) to Mike Doyle, Executive Vice President, Operations. The performance shares will be issued upon the achievement of certain milestones linked to the completion of a feasibility study and permitting, and upon the Company’s achieving economic production at its Gibellini Mine. To date, 75,000 performance shares have been issued to Mr. Doyle.

The process the Company uses to grant option-based awards to executive officers is described under “Statement of Executive Compensation - Compensation Discussion and Analysis - Long-Term Incentive”.

### **Compensation Governance**

To determine compensation payable, the independent directors review compensation paid for directors and Chief Executive Officers of companies of similar size and stage of development and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. During the fiscal year ended December 31, 2011, the Board of Directors did not hire an independent consulting firm to determine the remuneration of Named Executive Officers.

The Compensation Committee discharges the Board’s responsibilities relating to compensation of the Company’s executive officers and the directors of the Company, executive compensation disclosure and oversight of the

compensation structure and benefit plans and programs of the Company. Among other things, the Compensation Committee establishes and administers the Company's policies, programs and procedures for compensating and incentivizing its executive officers.

The Compensation Committee consists of Brian Bayley, Alan Branham and Dr. E. Kelly Hyslop, where Brian Bayley and Dr. E. Kelly Hyslop are independent based on the test for independence set out in NI 52-110.

### Summary Compensation Table

The table below sets out all compensation paid by the Company and/or its subsidiaries for each NEO in the most recently completed financial year, for each of the Company's three most recently completed financial years that end on or after December 31, 2008. There were no other persons serving as NEOs of the Company as at December 31, 2011 whose total salary and bonus exceeded \$150,000.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
<b>WILLIAM J. RADVAK</b> <sup>(2)</sup> <i>President &amp; CEO</i>	2011 <sup>(3a)</sup>	126,000	Nil	Nil	N/A	N/A	N/A	Nil	126,000
	2011 <sup>(3b)</sup>	125,000	Nil	90,583	N/A	N/A	N/A	Nil	215,583
	2010	11,015	Nil	Nil	N/A	N/A	N/A	Nil	11,015
<b>K. PETER MILLER</b> <sup>(4)</sup> <i>Former CFO</i>	2011 <sup>(3a)</sup>	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2011 <sup>(3b)</sup>	Nil	Nil	5,838	N/A	N/A	N/A	Nil	5,838
	2010	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
<b>JOHN DOWNES</b> <sup>(5)</sup> <i>CFO</i>	2011 <sup>(3a)</sup>	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
<b>MIKE DOYLE</b> <sup>(6)</sup> <i>Executive Vice President, Operations</i>	2011 <sup>(3a)</sup>	Nil	78,750	Nil	N/A	N/A	N/A	121,000 <sup>(7)</sup>	199,750
	2011 <sup>(3b)</sup>	Nil	Nil	113,885	N/A	N/A	N/A	Nil	113,885
	2010	N/A	NA	N/A	N/A	N/A	N/A	N/A	N/A

#### Notes:

- Options were granted pursuant to the Stock Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Common share price, expected dividend yield and risk free interest rate. The amount presented in the table represents the value of the vested and unvested portion of the options issued during the year. For accounting purposes, the fair value of the award is amortized over the applicable vesting period and recognized as a compensation expense.
- William J. Radvak was appointed President and CEO on January 21, 2010.
- In October, 2011, the Company changed its year end from February 28 to December 31. The Company filed audited annual financial statements as at and for the ten months ended December 31, 2011. The ten-month period ended December 31, 2011 is denoted by reference 3a and the year ended February 28, 2011 is denoted by reference 3b.  
Please see SEDAR at [www.sedar.com](http://www.sedar.com) for a copy of the Notice of Change in Year-End and the financial statements.
- K. Peter Miller was CFO of the Company from March 28, 2006 to August 23, 2011.
- John Downes was appointed CFO of the Company on August 23, 2011.
- Mike Doyle was appointed Executive Vice President, Operations on February 7, 2011.
- Pursuant to an Amended and Restated Consulting Services Agreement dated June 16, 2011, Mike Doyle is paid US\$1,000 per day with a minimum retainer of US\$5,000 per month for consulting services rendered as Executive Vice President, Operations.

### Incentive Plan Awards

The following table sets out all awards outstanding for each NEO at the end of the financial year ending December 31, 2011 (including awards granted before the most recently completed financial year):

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

Name	Option-based Awards <sup>(1)</sup>				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>WILLIAM J. RADVAK</b> <i>President &amp; CEO</i>	450,000 175,000	\$0.35 \$0.70	January 21, 2015 November 2, 2015	193,500 14,000	Nil Nil	N/A N/A	N/A N/A
<b>K. PETER MILLER<sup>(3)</sup></b> <i>Former CFO</i>	Nil	N/A	N/A	N/A	N/A	N/A	N/A
<b>JOHN DOWNES<sup>(4)</sup></b> <i>CFO</i>	Nil	N/A	N/A	N/A	N/A	N/A	N/A
<b>MIKE DOYLE<sup>(5)</sup></b> <i>Executive Vice President, Operations</i>	100,000	\$1.56	February 7, 2016	Nil	425,000	N/A	N/A

Notes:

- (1) The Company has in place a “rolling” Stock Option Plan whereby the maximum number of Common shares that may be reserved for issuance pursuant to the Plan will not exceed 10% of the issued shares of the Company at the time of the stock option grant.
- (2) The value of unexercised “in-the-money” options refers to the aggregate of the difference between the market value of the Common shares as at December 30, 2011 (being the last day the Common shares traded in the most recently completed financial year, being \$0.78) and the exercise price of the options granted (including vested and unvested).
- (3) K. Peter Miller was CFO of the Company from March 28, 2006 to August 23, 2011.
- (4) John Downes was appointed CFO of the Company on August 23, 2011.
- (5) Mike Doyle was appointed Executive Vice President, Operations on February 7, 2011.

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

The following table sets out the value of option-based awards and share-based awards which vested or were earned during the most completed financial year ended December 31, 2011 for each NEO:

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
(a)	(b)	(c)	(d)
<b>WILLIAM J. RADVAK</b> <i>President &amp; CEO</i>	64,083	Nil	Nil

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
(a)	(b)	(c)	(d)
<b>K. PETER MILLER</b> <i>Former CFO</i>	Nil	Nil	Nil
<b>JOHN DOWNES</b> <i>CFO</i>	Nil	Nil	Nil
<b>MIKE DOYLE</b> <i>Executive Vice President, Operations</i>	74,780	105,818	Nil

The Stock Option Plan was adopted by the Board of Directors on May 31, 2007, as amended on January 13, 2009 to comply with the policies of the TSX-V. See “**Stock Option Plan**” below for a summary of the material terms of the Plan. The Company has no other form of compensation plan under which equity securities of the Company are authorized for issuance to employees or non-employees in exchange for consideration in the form of goods or services.

Stock options are granted by the Board of Directors pursuant to the Stock Option Plan. Under the terms of the Stock Option Plan, any options will terminate 90 days after the optionee ceases to be a director, senior officer, employee or consultant of the Company or a subsidiary (except for persons providing investor relations services which terminate 30 days after cessation), except by reason of the death of the optionee, in which case the optionee’s personal representative may exercise the options by the earlier of one year following the date of death or the expiry date of the stock option. See “**Stock Option Plan**” below.

#### **Pension Plan Benefits**

The Company does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

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

Under an executive employment agreement (“**Executive Employment Agreement**”) dated January 21, 2010 between the Company and William Radvak, the Company employed Mr. Radvak as President and Chief Executive Officer for a two year term, at an annual salary of \$150,000. The Executive Employment Agreement expired in January 2012; however, Mr. Radvak is still employed by the Company at the same salary until the terms of a new employment agreement, including provisions with respect to termination and change of control payments, are finalized.

By an Amended and Restated Consulting Services Agreement dated June 16, 2011 between American Vanadium US Inc. (“**AVC US**”) and Mike Doyle, Mr. Doyle provided consulting services as Executive Vice President, Operations to AVC US Inc. and the Company. AVC US will pay Mr. Doyle or such other entity as Mr. Doyle so chooses, at a unit rate of US\$1,000 per day with a minimum retainer of US\$5,000 per month for services rendered. Mr. Doyle will receive 500,000 Common shares of the Company as follows:

- i) 75,000 Common shares upon the completion of both the feasibility study and technical reports with the milestone being the acceptance of the report and filing on SEDAR. These Common shares were earned by and issued to Mr. Doyle in the financial year ended December 31, 2011;
- ii) 75,000 Common shares upon the completion of project permitting with the milestone being a letter to proceed with the project from the Bureau of Land Management;

iii) 100,000 Common shares upon the completion of detail design and construction of the plant pad and facilities with the milestone being the application of solution to the pad; and

iv) 250,000 Common shares upon achieving economic production with the milestone being public disclosure of economic production from the Gibellini project.

In the event of a takeover or merger with another arm's length company, any unearned shares would be issuable to Mr. Doyle if both events in (i) and (ii), above, have been earned and the deemed price of the Company's shares exchanged in the transaction is \$1.50 per share or greater.

Except as set out above, the Company has no contract, agreement, plan or arrangement with the Named Executive Officers at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities where, in respect of the NEOs, the value of such compensation exceeds \$50,000.

### Director Compensation

The following table sets out details of all amounts of compensation provided to the directors of the Company other than the NEOs ("**Other Directors**") for the financial year ended December 31, 2011:

<b>Director Compensation Table</b>							
Name	Fees earned (\$)	Share- based awards (\$)	Option- based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>BRIAN J. MCALISTER</b>	Nil	Nil	Nil	N/A	N/A	Nil	Nil
<b>BRIAN E. BAYLEY</b>	Nil	Nil	Nil	N/A	N/A	Nil	Nil
<b>ALAN D. BRANHAM</b>	Nil	Nil	Nil	N/A	N/A	Nil	Nil
<b>GEORGE T. HAWES</b>	Nil	Nil	Nil	N/A	N/A	Nil	Nil
<b>DR. E. KELLY HYSLOP</b>	Nil	Nil	Nil	N/A	N/A	Nil	Nil
<b>RONALD J. MAC DONALD<sup>(2)</sup></b>	Nil	Nil	Nil	N/A	N/A	50,000 <sup>(3)</sup>	50,000

Notes:

- (1) The options were granted pursuant to the Stock Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Common share price, expected dividend yield and risk free interest rate. The amounts presented in the table represent the value of the vested and unvested portion of the options issued during the applicable financial year. For accounting purposes, the fair value of the award is amortized over the applicable vesting period and recognized as a compensation expense.
- (2) Mr. Mac Donald was appointed as a director of the company on August 4, 2011. In addition to his role as a director, Mr. Mac Donald provides business development consulting services to the Company through Cansource International Enterprises Inc., a company which he holds 50% ownership.
- (3) Pursuant to a Consulting Agreement dated February 3, 2011, Cansource International Enterprises Inc. was paid a monthly fee of \$10,000. Effective January 1, 2012, the monthly fee was increased to \$15,000. Only cash and equity-settled payments made to Mr. Mac Donald or Cansource International Enterprises Inc. after August 4, 2011 are included in the table above.

### Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation

The following table sets out all awards outstanding for each Other Director at the end of the financial year ending December 31, 2011 (including awards granted before the most recently completed financial year):

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

Name	Number of securities underlying unexercised options (#)	Option-based Awards <sup>(1)</sup>			Share-based Awards		
		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<b>BRIAN J. MCALISTER</b>	Nil	N/A	N/A	N/A	Nil	N/A	N/A
<b>BRIAN E. BAYLEY</b>	100,000	\$0.35	January 21, 2015	43,000	Nil	N/A	N/A
<b>ALAN D. BRANHAM</b>	100,000	\$0.35	January 21, 2015	43,000	Nil	N/A	N/A
<b>GEORGE T. HAWES</b>	100,000	\$0.35	January 21, 2015	43,000	Nil	N/A	N/A
<b>DR. E. KELLY HYSLOP</b>	100,000	\$0.35	January 21, 2015	43,000	Nil	N/A	N/A
<b>RONALD J. MAC DONALD</b>	300,000 <sup>(3)</sup> 100,000 <sup>(3)</sup>	\$1.53 \$1.34	March 23, 2016 July 19, 2016	Nil Nil	Nil	N/A	N/A

Notes:

- (1) The Company has in place a “rolling” Stock Option Plan whereby the maximum number of Common shares that may be reserved for issuance pursuant to the Plan will not exceed 10% of the issued shares of the Company at the time of the stock option grant.
- (2) The value of unexercised “in-the-money” options refers to the aggregate of the difference between the market value of the Common shares as at December 30, 2011 (being the last day the Common shares traded in the most recently completed financial year, being \$0.78) and the exercise price of the options granted (including vested and unvested).
- (3) Options attributed to Mr. Mac Donald were granted to Cansource International Enterprises Inc. for consulting services. Mr. Mac Donald owns 50% of Cansource International Enterprises Inc. These options were granted prior to Mr. Mac Donald being named a director on August 4, 2011.

The following table sets out the value of option-based awards and share-based awards which vested or were earned during the most completed financial year ended December 31, 2011 for each Other Director:

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

Name	Option-based awards - Value vested during the year (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
(a)	(b)	(c)	(d)
<b>BRIAN J. MCALISTER</b>	Nil	Nil	N/A
<b>BRIAN E. BAYLEY</b>	Nil	Nil	N/A
<b>ALAN D. BRANHAM</b>	Nil	Nil	N/A
<b>GEORGE T. HAWES</b>	Nil	Nil	N/A
<b>DR. E. KELLY HYSLOP</b>	Nil	Nil	N/A
<b>RONALD J. MAC DONALD <sup>(1)</sup></b>	171,899	Nil	N/A

Note:

- (1) Options attributed to Mr. Mac Donald were granted to Cansource International Enterprises Inc. for consulting services. Mr. Mac Donald owns 50% of Cansource International Enterprises Inc. These options were granted prior to Mr. Mac Donald being named a director on August 4, 2011, but vested thereafter.

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

**Equity Compensation Plan Information**

The following table sets out details of the Company's compensation plans under which equity securities of the Company are authorized for issuance as at December 31, 2011:

<u>Plan Category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(1)</sup> (c)
Equity compensation plans approved by securityholders	2,325,500	\$0.88	418,839
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>2,325,500</b>	<b>\$0.88</b>	<b>418,883</b>

Note:

- (1) Stock Option Plan limitation of 10% of the issued and outstanding Common shares as at December 31, 2011 less issued options as listed in column (a).

## STOCK OPTION PLAN

### **Purpose of the Plan**

The purpose of the Plan is to provide an incentive to the Company's directors, senior officers, employees and consultants and to management company employees to continue their involvement with the Company, to increase their efforts on the Company's behalf and to attract qualified new personnel. The Company decided to implement the Plan to provide additional incentive in attracting, retaining and motivating directors, officers, employees and consultants of the Company and of its affiliates.

### **General Description/TSX-V Policies**

The Plan is administered by the Board of Directors. A copy of the Plan is available online at [www.sedar.com](http://www.sedar.com)

The Plan provides that, subject to the requirements of the TSX-V, the aggregate number of securities reserved for issuance will be 10% of the number of the Common shares issued and outstanding from time to time. The Stock Option Plan will be administered by the Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

The Stock Option Plan has been prepared so as to meet TSX-V requirements. Options may be granted under the Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the Common shares on the TSX-V less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common shares on a yearly basis. Subject to earlier termination and in the event of dismissal for cause, termination other than for cause or in the event of death, all options granted under the Stock Option Plan will expire not later than the date that is five years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No executive officer, director, employee or former executive officer director or employee or any of their respective associates or affiliates or is or has been at any time since the beginning of the last completed financial year, indebted to the Company or any of its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Company or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular, no informed person of the Company, proposed nominee for election as a director, or any associate or affiliate of the foregoing, has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction, which has materially affected or would materially affect the Company or any of its subsidiaries.

## APPOINTMENT OF AUDITORS

The shareholders of the Company will be asked to vote for the re-appointment of Davidson & Company LLP, Chartered Accountants, as auditors of the Company for the ensuing year to hold office until the close of the next annual meeting of shareholders or until the firm of Davidson & Company LLP, Chartered Accountants is removed from office or resigns. The shareholders will also be asked to approve and adopt an ordinary resolution authorizing the Board of Directors to fix the compensation of the auditors for the ensuing year. Davidson & Company LLP, Chartered Accountants, have been the auditors of the Company since June 1, 2007.

## MANAGEMENT CONTRACTS

The Company has retained the services of Ionic Management Corp. (“**Ionic**”) to provide various consulting, administrative, management and related corporate services in consideration for a monthly fee of \$6,500 commencing November 2011 (prior to this date, a fee of \$4,000 was charged), plus reasonable expenses incurred in the performance of its services. Ionic’s head office is located at Suite 1028 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5. Ionic is a private company. Brian E. Bayley, a director of the Company, is President and a director of Ionic.

Ionic’s informed persons, as defined by National Instrument 51-102 *Continuous Disclosure Obligations* and their provinces of residences are: Brian E. Bayley (British Columbia), Sandra Lee (British Columbia), K. Peter Miller (British Columbia) and John Downes (British Columbia) (together, the “**Ionic Informed Persons**”).

Neither Ionic nor any of the Ionic Informed Persons, or their associates or affiliates, is or was since the start of the Company’s most recently completed financial year indebted to the Company or its subsidiaries or entered into any transactions or arrangements with the Company or its subsidiaries.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### **Continuance of Stock Option Plan**

In accordance with the TSX-V’s policy governing stock options, all issuers are required to adopt a share option plan pursuant to which stock options may be granted.

The Company currently has a Plan as previously adopted by the Board of Directors on May 31, 2007, as amended on January 13, 2009, to comply with the requirements of TSX-V Policy 4.4 for Tier 1 issuers. The Plan provides for the issuance of stock options to acquire up to 10% of the Company’s issued and outstanding capital as at the date of grant. This is a “**rolling**” plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company’s issued and outstanding share capital increases. The TSX-V policy requires that such Plans be approved by shareholders annually, at the Company’s annual general meeting. Continuation of the Plan is subject to the approval of the shareholders of the Company and acceptance by the TSX-V. For other principal features of the Plan, see “**Stock Option Plan**” above. A copy of the Plan will be available at the Meeting for review by the shareholders. In addition, a copy of the Plan, as amended on January 13, 2009, is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company’s profile as a “**Material document**” filed on May 28, 2009 or, upon request, shareholders may obtain a copy of the Plan from the Company prior to the Meeting.

Accordingly, shareholders will be requested at the Meeting to pass an ordinary resolution (“**Stock Option Plan Renewal Resolution**”) in the following terms:

“RESOLVED that:

- (1) the Company’s share option plan (“**Plan**”), as described in the Management Information Circular of the Company dated May 15, 2012, be and is hereby ratified, confirmed and approved, subject to acceptance by the TSX Venture Exchange;
- (2) the Company be authorized to grant stock options pursuant and subject to the terms and conditions of the Plan, entitling the option holders to purchase up to that number of Common shares that is equal to 10% of the issued and outstanding capital of the Company at the time of the grant;
- (3) the outstanding stock options which have been granted prior to the renewal of the Plan shall, for the purpose of calculating the number of stock options that may be granted under the Plan, be treated as options granted under the Plan; and
- (4) any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents,

instruments and assurances as may be necessary or desirable to give effect to the foregoing resolutions and to complete all transactions in connection with the continuation of the Plan.”

### **Issuance of Compensation Shares to Directors and Officers**

On May 14 2012, the Board of Directors, on the recommendation of the Compensation Committee, approved, subject to acceptance by the TSX-V and disinterested shareholder approval, the issuance of up to an aggregate 2,600,000 common shares of the Company (the “**Compensation Shares**”) to certain directors and officers of the Company upon the Company’s achieving certain key milestones in the development of the proposed vanadium flow battery business, as well as under certain other circumstances, as described below.

The Compensation Shares were awarded to William J. Radvak, director, President and CEO of the Company, and Cansource International Enterprises Inc. (“**Cansource**”), a private company in which Ronald J. Mac Donald, director and Executive Chairman of the Board of the Company, holds 50% ownership, partly in connection with the Company’s intention to pursue a vanadium flow battery (“**VFB**”) business, as proposed and to be led by Messrs. Radvak and Mac Donald. The Compensation Shares will be issued to Mr. Radvak and Cansource, if approved by the TSX-V and by the disinterested shareholders of the Company at the Meeting, subject to the achievement of certain performance milestones and fulfilment of other conditions referred to below.

#### *The Commercial Need for Energy Storage and VFBs*

The Company is currently developing its 100% controlled Gibellini project in Nevada along with several adjacent vanadium properties, while evaluating strategic vanadium market related opportunities. Vanadium is growing in importance as an alloying metal used to strengthen steel as well as its emerging uses with lithium vanadium batteries and storage cells for renewable energy. With virtually all world mining production of vanadium coming from China, South Africa and Russia, the Gibellini project, because of its location in Nevada, provides the Company the opportunity to become North America’s only primary producer of vanadium.

Conventionally, vanadium has been used as a steel additive. It is a strategic metal that is an important strengthening agent for steel. Applications of vanadium can be found today in machinery and tools but its greatest demand is in construction and transportation (automotive, aviation and aerospace).

Vanadium has begun to play a pivotal role in the advancement of battery technology, especially in commercialization of renewable energy. Renewable energy supplies such as wind and solar continue to emerge while meeting an increasing percentage of today’s electricity demands. However, renewable energy’s biggest challenge has been the absence of efficient mass storage. As historically, electric power grids were not designed to handle the intermittent power supplies that clean energies represent, the easiest and most cost-effective solution is to store whatever renewable energy is created, and then release it to the grid at the optimum time to avoid both shortfalls and overloads. Moreover, energy storage is necessary for the efficient operation of mission-critical power facilities such as microgrids (integrated energy systems consisting of distributed energy resources and multiple electrical loads operating as a single, autonomous grid either in parallel to or islanded from the existing utility power grid).

VFBs, such as vanadium-based batteries, are regarded as one of the leading energy storage systems. The VFB is chemically and structurally different from any other battery. It has a lifespan of tens of thousands of cycles, does not self-discharge while idle or generate high amounts of heat when charging, can charge and discharge simultaneously, and can release huge amounts of electricity instantly. In its March 2012 forecast, Lux Research Inc. of Boston, MA, estimated that grid storage demand will be \$113 billion by 2017, at which time VFBs are expected to become the battery leader with a 33% market share.

As Messrs. Radvak and Mac Donald foresee a significant opportunity for increased vanadium demand on top of the growing conventional demand from the recovering steel industry, they have proposed to the Board of Directors a plan to develop business opportunities in the VFB market. The two main segments of the VFB business would be (i) the development and construction of clean energy microgrids that will require VFBs; and (ii) the development of joint venture partnerships with third parties for the manufacturing, sale and operation of VFBs for remote and integrated microgrid applications (the “**Battery Business**”).

*Key Milestones for Issuance of Compensation Shares*

The table below summarizes how the Compensation Shares will be issued to each of Mr. Radvak and Cansource, provided that these share issuances are approved by the TSX-V and by the disinterested shareholders of the Company at the Meeting.

Part I of the table sets out the identified key milestones relating to the development of the proposed VFB business. Compensation Shares are issuable to each of Mr. Radvak and Cansource upon the achievement of each of the stated milestones; and in the case of the Battery Business, up to a certain number of Compensation Shares (as specified in the table below) are issuable following the determination of additional milestones in a Board-approved business plan(s) to be developed.

Part II sets out the circumstance in which Compensation Shares will also be issuable to each of Mr. Radvak and Cansource (at such times to be determined at the discretion of the Company's Compensation Committee and Board) in order to reward and provide an incentive for the ongoing efforts of Messrs. Radvak and Mac Donald towards developing the Company's offtake business. The number of Compensation Shares to be issued in respect of each offtake agreement entered into between the Company and a third party vanadium purchaser, will be a percentage of the maximum number of Compensation Shares issuable for this milestone (as set forth in the table below) as is equal to the equivalent percentage that the planned production from such offtake agreement represents of the total production anticipated for the Gibellini project, as estimated in the Company's National Instrument 43-101 feasibility study technical report (the "**Feasibility Study**"). However, at no time will the aggregate number of Compensation Shares issued pursuant to Parts I and II exceed the maximums stated in the notes to the table below.

In addition to the milestones relating to the development of the VFB and offtake businesses, Compensation Shares will also be issued to each of Mr. Radvak and Cansource in the event that either/both of Messrs. Radvak and Mac Donald source additional financing for the Gibellini project (Part III of the table below). Such potential project financing would include issuances by the Company of equity or debt securities, as well as the advancement of funds from strategic or joint venture partners. Compensation Shares issued in these circumstances would be issued upon completion of the financing transaction and receipt by the Company of the applicable funds. The number of Compensation Shares to be issued in respect of each financing will be a percentage of the maximum number of Compensation Shares issuable for this "Project Finance" milestone (as set forth in the table below) as is equal to the equivalent percentage that the proceeds from the financing represent of the total working capital and project development costs of the Gibellini project, as estimated in the Feasibility Study and the project's final design cost estimates.

Compensation Shares will also be issued to Mr. Radvak upon the achievement of certain other milestones relating specifically to the Gibellini project (and as set forth in Part IV of the table below).

Issuance of the Compensation Shares will be subject to the further condition that not more than 25% of the Compensation Shares allocable to each of the performance milestones set out in the table below shall be issued in each of the first four years (calculated from May 1, 2012) and provided that on or after the attainment of such milestones, the Company's 30 day volume-weighted average stock price is at least \$0.75 per share, if issuable in year one, \$1.00 per share, if issuable in year two, \$1.50 per share, if issuable in year three, and \$2.00 per share, if issuable in year four or later. None of the unissued Compensation Shares will be issuable to Mr. Radvak or to Cansource in the event of termination of their respective employment or consulting agreements with the Company, other than in the event of a change of control of the Company at a value of at least \$1.50 per share (fully diluted), in which case any unissued Compensation Shares will be deemed to have been earned and will be issuable forthwith.

	<b>Number of Compensation Shares to be Issued</b>	
<b>Milestone</b>	<b><u>William J. Radvak</u> (<u>Director, President and</u> <u>CEO</u>)</b>	<b><u>Cansource (50% owned by</u> <u>Ronald J. Mac Donald,</u> <u>Director and Executive</u> <u>Chairman of the Board)</u></b>
<b>Part I - The VFB Business</b>		
<b><i>Construction and Demonstration of a Clean Energy Microgrid</i></b>		
Execution of a definitive agreement with a clean energy (wind/solar) and VFB company	50,000	100,000
Company Board approval of the commencement of construction of a microgrid (following attainment of all necessary detailed engineering, design plan, permitting and financing requirements)	25,000	50,000
Demonstration that the VFB has performed a complete charge/discharge cycle using energy from renewable sources	25,000	50,000
<b><i>Battery Business</i></b>		
Execution of a definitive agreement with a joint venture partner	50,000	200,000
Such other milestones to be identified in a Board-approved business plan(s) to be developed	Up to 100,000	Up to 400,000
<b>Part II - The Offtake Business</b>		
Such milestones to be determined at the discretion of the Company's Board (following commissioning and commencement of commercial production from the Gibellini Mine and upon the recommendation of the Compensation Committee)	Up to 250,000 <sup>1</sup>	Up to 800,000 <sup>2</sup>
<b>Part III - Project Finance</b>		
Completion of successive financings equal to the aggregate working capital and project development costs of the Gibellini Mine, sourced by Mr. Radvak and/or Mr. Mac Donald, with each share release prorated on the basis of that proportion that such financing represents of the most recent estimate of the total of such costs	Up to 500,000	Up to 800,000
<b>Part IV - Gibellini Project</b>		
Completion of project permitting and receipt of letter to proceed from U.S. Bureau of Land Management	75,000	N/A
Completion of detail design and construction of plant pad and facilities, with the application of solution to pad	75,000	N/A
Public announcement of economic production	100,000	N/A

	<b>Number of Compensation Shares to be Issued</b>	
<b><u>Milestone</u></b>	<b><u>William J. Radvak (Director, President and CEO)</u></b>	<b><u>Cansource (50% owned by Ronald J. Mac Donald, Director and Executive Chairman of the Board)</u></b>
<b>Total</b>	<b>Up to 1,000,000</b>	<b>Up to 1,600,000</b>

Note:

- (1) The aggregate number of Compensation Shares issuable to Mr. Radvak in connection with the milestones under the headings “Construction and Demonstration of a Clean Energy Microgrid”, “Battery Business” and “The Offtake Business” will at no time exceed 250,000.
- (2) The aggregate number of Compensation Shares issuable to Cansource in connection with the milestones under the headings “Construction and Demonstration of a Clean Energy Microgrid”, “Battery Business” and “The Offtake Business” will at no time exceed 800,000.

The issuance of the Compensation Shares is subject to acceptance by the TSX-V and approval by the shareholders of the Company other than Messrs. Radvak and Mac Donald. Accordingly, disinterested shareholders (being Company shareholders other than Messrs. Radvak and Mac Donald, and shareholders related to them) will be asked to consider and, if thought fit, to pass the following ordinary resolution authorizing and approving the issuance of the Compensation Shares to each of Mr. Radvak and Cansource, subject to regulatory approval:

“RESOLVED, as an ordinary resolution of the disinterested shareholders, that:

- (1) the issuance of up to an aggregate of 2,600,000 common shares in the capital of the Company (the “**Compensation Shares**”) to William J. Radvak and Cansource International Enterprises Inc. (50% owned by Ronald J. Mac Donald), on the basis and subject to the terms and conditions more particularly described in the Management Information Circular dated May 15, 2012, be and is hereby authorized, confirmed and approved; and
- (2) any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances as may be necessary or desirable to give effect to the foregoing resolution and to complete all transactions in connection with the issuance of the Compensation Shares.”

### **OTHER BUSINESS**

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

### **GENERAL**

**Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolutions set out herein.** All ordinary resolutions require, for the passing of the same, a simple majority (50% + 1) of the votes cast at the Meeting by the holders of Common shares.

### **SHAREHOLDER PROPOSALS**

Pursuant to Section 137 of the *Canada Business Corporations Act*, any notice of a shareholder proposal intended to be raised at the 2013 annual general meeting of the Company must be submitted to the Company at its registered office, to the attention of the Corporate Secretary, at least 90 days before the anniversary date of the notice of meeting sent to the shareholders in connection with the Meeting.

It is the position of the Company that shareholder proposals need be recognized only if made in accordance with the procedures set out in the *Canada Business Corporations Act*.

#### **ADDITIONAL INFORMATION**

Additional information concerning the Company is available online at [www.sedar.com](http://www.sedar.com). Financial information concerning the Company is provided in the Company's Financial Statements and Management's Discussion and Analysis for the financial period ended December 31, 2011.

Shareholders wishing to obtain a copy of the Company's Financial Statements and Management's Discussion and Analysis may contact the Company as follows:

American Vanadium Corp.  
Suite 1028, 550 Burrard Street  
P.O. Box 61  
Vancouver, British Columbia V6C 2B5  
Canada  
Telephone: (604) 689-1428  
Facsimile: (604) 681-4692  
Website: [www.americanvanadium.com](http://www.americanvanadium.com)

#### **DIRECTORS' APPROVAL**

The contents and sending of this Circular have been approved by the Directors of the Company.

#### **BY ORDER OF THE BOARD**

(signed) "*William J. Radvak*"  
William J. Radvak,  
President and Chief Executive Officer and Director

Vancouver, British Columbia  
May 15, 2012



## Appendix 2

### **AMERICAN VANADIUM CORP. (the “Company”)**

#### **Audit Committee Charter**

##### Composition and Process

- (a) The Audit Committee shall be composed of a minimum of three members of the Board of Directors, a majority of whom are independent. An independent director, as defined in National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”) is a director who has no direct or indirect material relationship which could, in the view of the Company’s Board of Directors, be reasonably expected to interfere with the exercise of a members independent judgment or as otherwise determined to be independent in accordance with NI 52-110.
- (b) Members shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
- (c) The Chairperson shall be appointed by the Board of Directors for a one-year term, and may serve any number of consecutive terms.
- (d) All members of the Audit Committee shall be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity comparable to the Company’s financial statements.
- (e) The Chairperson shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Audit Committee. The Audit Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
- (f) The Audit Committee shall meet at least once per year and may call special meetings as required. A quorum at meetings of the Audit Committee shall be its Chairperson and one of its other members or the Chairman of the Board of Directors. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone conference if this is deemed appropriate.
- (g) The minutes of the Audit Committee meetings shall accurately record the decisions reached and shall be distributed to Audit Committee members with copies to the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
- (h) The Audit Committee reviews, prior to their presentation to the Board of Directors and their release, all material financial information required by securities legislation and policies.

- (i) The Audit Committee enquires about potential claims, assessments and other contingent liabilities.
- (j) The Audit Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.
- (k) The Charter of the Audit Committee shall be reviewed by the Board of Directors on an annual basis.

#### Authority

- (l) Appointed by the Board of Directors pursuant to the provisions of the *Canada Business Corporations Act* and the by-laws of the Company.
- (m) Primary responsibility for the Company's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board of Directors. The Audit Committee is a standing committee of the Board of Directors established to assist it in fulfilling its responsibilities in this regard. The Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.
- (n) In fulfilling its responsibilities, the Audit Committee shall have unrestricted access to the Company's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- (o) The Audit Committee shall have direct communication channels with the internal auditor (if any) and the external auditor to discuss and review specific issues, as appropriate.
- (p) The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.
- (q) The Audit Committee shall establish the compensation to be paid to any advisors employed by the Audit Committee and such compensation shall be paid by the Company as directed by the Audit Committee.

#### Relationship with External Auditors

- (r) An external auditor must report directly to the Audit Committee.
- (s) The Audit Committee is directly responsible for overseeing the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (t) The Audit Committee shall implement structures and procedures to ensure that it meets with the external auditor on at least annually in the absence of management.

Accounting Systems, Internal Controls and Procedures

- (u) Obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Company and its subsidiaries and affiliates.
- (v) The Audit Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.
- (w) Direct the external auditor's examinations to particular areas.
- (x) Review control weaknesses identified by the external auditor, together with management's response.
- (y) Review with the external auditor its view of the qualifications and performance of the key financial and accounting executives.
- (z) In order to preserve the independence of the external auditor the Audit Committee will:
  - (i) recommend to the Board of Directors the external auditor to be nominated; and
  - (ii) recommend to the Board of Directors the compensation of the external auditor's engagement;
- (aa) The Audit Committee shall review and pre-approve any engagements for non-audit services to be provided by the external auditor or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.
- (bb) Review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
- (cc) The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and most recent former external auditor of the Company.
- (dd) The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (ee) The Audit Committee shall on an annual basis, prior to public disclosure of its annual financial statements, ensure that the external auditor has entered into a participation agreement and has not had its participant status terminated, or, if its participant status was terminated, has been reinstated in accordance with the Canadian Public Accountability Board ("CPAB") bylaws and is in compliance with any restriction or sanction imposed by the CPAB.

### Statutory and Regulatory Responsibilities

- (ff) Annual Financial Information - review the annual audited financial statements and related management's discussion and analysis ("MD&A"), including any letter to shareholders and related press releases, and recommend their approval to the Board of Directors, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.
- (gg) Annual Report - review the management MD&A section and all other relevant sections of the annual report, if prepared, to ensure consistency of all financial information included in the annual report.
- (hh) Interim Financial Statements - review the quarterly interim financial statements and related MD&A, including any letter to shareholders and related press releases and recommend their approval to the Board of Directors.
- (ii) Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements.
- (jj) Review the Company's financial statements, MD&A and earnings press releases before the Company publicly discloses this information.

### Reporting

- (kk) Report, through the Chairperson of the Audit Committee, to the Board of Directors following each meeting on the major discussions and decisions made by the Audit Committee.
- (ll) Report annually to the Board of Directors on the Audit Committee's responsibilities and how it has discharged them.
- (mm) Review the Audit Committee's Charter annually and recommend the approval of any proposed amendments to the Board of Directors.

### Other Responsibilities

- (nn) Investigating fraud, illegal acts or conflicts of interest.
- (oo) Discussing selected issues with corporate counsel or the external auditor or management.

Approved and adopted by the Board effective April 24, 2008.