

**CONTINENTAL NICKEL LIMITED**

**NOTICE OF**

**ANNUAL AND SPECIAL MEETING**

**OF**

**SHAREHOLDERS**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

September 10, 2009

## **CONTINENTAL NICKEL LIMITED**

### **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting of the shareholders of Continental Nickel Limited (the "Corporation") will be held at Toronto Board of Trade, First Canadian Place, 77 Adelaide Street West, 3rd Floor, Ketchum Room, Toronto, Ontario, M5X 1C1 on Tuesday, October 27, 2009, at the hour of 9:00 o'clock in the morning, (Toronto time) for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Corporation for the fiscal year ended June 30, 2009, together with a report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration;
4. To consider and if thought fit, approve an ordinary resolution granting annual approval of the stock option plan for directors, officers, employees and consultants of the Corporation and its subsidiaries (the "Stock Option Plan"), as more particularly described in the attached management information circular (the full texts of the Stock Option Plan and the proposed ordinary resolution are attached to the management information circular as Schedules "A" and "B", respectively); and
5. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

This notice is accompanied by a form of proxy, a management information circular and the audited financial statements of the Corporation for the fiscal year ended June 30, 2009. Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the meeting.

**DATED** at Toronto, Ontario this 10th day of September, 2009.

**BY ORDER OF THE BOARD**

**(Signed): "Craig MacDougall"**

**CRAIG MACDOUGALL, PRESIDENT  
AND CHIEF EXECUTIVE OFFICER**

# **CONTINENTAL NICKEL LIMITED**

67 Yonge Street, Suite 1500  
Toronto, Ontario  
M5E 1J8

## **MANAGEMENT INFORMATION CIRCULAR**

This Management Information Circular is furnished in connection with the Annual and Special Meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") of Continental Nickel Limited ("CNI" or the "Corporation") to be held on Tuesday, October 27, 2009, at the hour of 9:00 o'clock in the morning, (Toronto time) at Toronto Board of Trade, First Canadian Place, 77 Adelaide Street West, 3rd Floor, Ketchum Room, Toronto, Ontario, M5X 1C1, and at any continuation thereof after an adjournment.

The information contained herein is given as of September 10, 2009, except as otherwise stated.

## **SECTION I - VOTING INFORMATION**

### **Solicitation of Proxies**

The enclosed proxy is being solicited by or on behalf of the management of the Corporation. The mailing to Shareholders of this Circular will be on or about September 25, 2009. The cost of soliciting proxies will be borne by the Corporation. While most proxies will be solicited by mail only, regular employees of the Corporation may also solicit proxies by telephone or in person. Such employees will receive no additional compensation for these services other than their regular salaries, but will be reimbursed for their reasonable expenses.

The Corporation will provide proxy materials to brokers, custodians, nominees and fiduciaries and will request that such materials be promptly forwarded to the beneficial owners of Common Shares registered in the names of such brokers, custodians, nominees and fiduciaries. The Corporation will reimburse brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses incurred in forwarding proxy materials to beneficial owners of Common Shares.

### **Voting Common Shares**

The Board of Directors of CNI has fixed September 9, 2009 as the record date for the purpose of determining Shareholders entitled to receive Notice of the Meeting (the "Meeting Record Date").

The Corporation will prepare, no later than ten (10) days following the Meeting Record Date, a list of Shareholders entitled to vote as of the Meeting Record Date, showing the number of Common Shares held by each such Shareholder. Each person named on the list of Shareholders is entitled to one (1) vote for each Common Share held, except to the extent that: (i) the Shareholder has transferred any Common Shares after the Meeting Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes ownership of those Common Shares and requests not later than ten (10) days before the date of the Meeting that the transferee's name be included on such list before the Meeting, in which case the transferee is entitled to vote those Common Shares at the Meeting.

## **Registered Shareholders**

Registered Shareholders are Shareholders whose Common Shares are held in their own name and they will have received a proxy form in their own name.

## **Non-Registered/Beneficial Shareholders**

Beneficial Shareholders are Shareholders who do not hold their Common Shares in their own name, but rather in the name of a nominee - this could be a bank, trust company, securities broker or other financial institution (and is known as holding in "street form").

If you are a non-registered Shareholder, there are two (2) ways you can vote your Common Shares held by your nominee. Your nominee is required to seek voting instructions from you in advance of the Meeting in accordance with securities laws, and so you will receive, or will have already received from your nominee, a request for voting instructions or a proxy form for the number of Common Shares you hold. Every nominee has its own mailing procedures and provides its own signing and return instructions. Therefore, please follow them in order to make sure that your Common Shares are voted.

Alternatively, if you wish to vote in person at the Meeting, please insert your own name in the space provided on the "Request for Voting Instructions" or proxy form to appoint yourself as proxy holder and follow the signing and return instructions of your nominee. Non-registered Shareholders who appoint themselves as proxy holders should, at the Meeting, present themselves to a representative of Equity Transfer & Trust Company.

## **Appointment of Proxy Holders**

The persons named in the enclosed form of proxy are directors and/or officers of CNI. A Shareholder has the right to appoint some other person (who need not be a Shareholder) to attend and to act for and on behalf of such Shareholder at the Meeting. To exercise this right, the Shareholder must either insert the name of the desired person in the blank space provided in the proxy and strike out the other names or submit another proper form of proxy and, in either case, deliver the completed proxy by post or other form of delivery to CNI at 67 Yonge Street, Suite 1500, Toronto, Ontario, M5E 1J8 or to the transfer agent for the Common Shares, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1, in either case to be received not later than the close of business on October 22, 2009 or, in the event of an adjournment, not later than two (2) business days preceding the day to which the Meeting is adjourned.

All Common Shares represented by a properly executed and deposited proxy will be voted or withheld from voting on the matters identified in the Notice of Meeting in accordance with the instructions of the Shareholder as specified thereon.

**If you have appointed a person who was designated by CNI to vote on your behalf as provided in the enclosed form of proxy and you do not provide any instructions concerning any matter identified in the Notice of Meeting, the Common Shares represented by such proxy will be voted:**

- (1) FOR the election of the persons nominated for election as directors of CNI;
- (2) FOR the re-appointment of McGovern, Hurley, Cunningham, LLP, Chartered Accountants, as auditors of CNI and to authorize the Board of Directors to fix the remuneration of the auditors; and
- (3) FOR annual approval of a Stock Option Plan for directors, officers, employees and consultants of the Corporation and its subsidiaries under which the maximum number of Common Shares

that may be reserved shall be 10% of the Corporation's issued and outstanding common shares at the time of the grant.

The enclosed form of proxy, when properly signed, confers discretionary authority on the person or persons named to vote on any amendment to matters identified in the Notice of Meeting and on any other matter properly coming before the Meeting. Management is not aware of any such matter; however, if such matter properly comes before the Meeting, the proxies will be voted at the discretion of the person or persons named therein. The persons named in the form of proxy are either officers or directors of CNI.

### **Revocability of Proxies**

A Shareholder executing the enclosed form of proxy has the right to revoke it at any time before it is exercised. Relevant provisions of the *Canada Business Corporations Act* (the "CBCA") provide that a Shareholder may revoke a proxy by depositing an instrument in writing, executed by the Shareholder or by an attorney authorized in writing, at, or by transmitting, by telephonic or electronic means or any other manner permitted by law, a revocation to, the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or by depositing such instrument with the Chairperson of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law.

### **Voting Shares and Principal Shareholders**

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of September 9, 2009, there were 30,132,395 Common Shares outstanding. Each Common Share carries the right to one (1) vote on any matter properly coming before the Meeting. A quorum for the meeting of Shareholders must have two (2) persons entitled to vote present in person or by proxy.

The following table shows, as of the date of this Circular, each person who is known to the Corporation, or its directors and officers, to beneficially own, directly or indirectly, or to exercise control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Corporation entitled to be voted at the meeting.

Name of Shareholder	Securities Owned, Controlled or Directed	Percentage of Class of Outstanding Voting Securities of the Corporation <sup>(1)</sup>
IMX Resources Limited (formerly, Goldstream Mining NL)	14,283,000	47.4%

Notes:

(1) Based on 30,132,395 Common Shares issued and outstanding as at the date hereof.

## **SECTION II - BUSINESS OF THE MEETING**

### **1. Financial Statements and Auditor's Report**

The Management's Discussion and Analysis, including the audited financial statements of CNI for the fiscal year ended June 30, 2009 and the auditor's report on those financial statements, are included with the mailing of this Circular. Additional copies may be obtained from CNI upon request.

### **2. Election of Directors**

The articles of CNI provide that the board of directors of CNI (the "Board of Directors") shall consist of a minimum of three (3) and a maximum of ten (10) directors. The Board of Directors has set the number of directors to be elected at the Meeting at five (5). At the Meeting, the five persons named hereunder will

be proposed for election as directors of the Corporation (the “Nominees”). **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of the Nominees.** Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority will be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any Nominee or Nominees unable to serve.

The persons proposed for election are, in the opinion of the Board of Directors and management, well qualified to act as directors for the forthcoming year.

Such Nominees, if elected, will serve until the next Annual Meeting of Shareholders or until his successor is duly elected or appointed. Management has been informed that each Nominee is willing to serve as a director, if elected. Management recommends a vote for all Nominees for election as directors of the Corporation.

**Majority Voting for Directors.** The Board of Directors has adopted a policy stipulating that if the votes in favour of the election of a director nominee at a shareholders’ meeting represent less than a majority of the shares voted and withheld, the nominee will submit his or her resignation promptly after the meeting, for the Nominating and Corporate Governance Committee’s consideration. The Nominating and Corporate Governance Committee will make a recommendation to the Board of Directors after reviewing the matter, and the decision of the Board of Directors to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any Nominating and Corporate Governance Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

The table below sets out the names of the five (5) Nominees, their principal occupation or employment and the year from which each has continually served as a director of CNI. The table also sets out, as of September 10, 2009, the number of Common Shares owned by each of them or over which control or direction is exercised by each of them, and the number of stock options which they hold in CNI.

#### **NOMINEES FOR ELECTION AS DIRECTORS**

<b><u>Name, Position with the Corporation and/or Principal Occupation</u></b>	<b><u>Common Shares</u></b>	<b><u>Stock Options</u></b>
Jon W. North <sup>(1)(2)(3)</sup> Resident of Ontario, Canada President and CEO of Northquest Ltd. Director of CNI since May 2007	Nil	205,000
Paul D. Martin <sup>(1)(2)(3)</sup> Resident of Ontario, Canada Chief Financial Officer of Detour Gold Corporation Director of CNI since May 2007	10,000	205,000
Craig MacDougall Resident of Ontario, Canada President and Chief Executive Officer of CNI Director of CNI since May 2007	10,000	687,500
Elaine Ellingham Resident of Ontario, Canada Principal of Ellingham Consulting Ltd. Director of CNI since November, 2006	10,000	205,000

C. Bruce Burton <sup>(1)(2)(3)</sup> Resident of Ontario, Canada Private Investor Director of CNI since October, 2008	50,000	175,000
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Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Nominating and Corporate Governance Committee.
- (3) Member of the Compensation Committee.

The Corporation does not have an executive committee.

The Corporation has an Audit Committee, as required by the CBCA, and its members are Paul D. Martin (Chair), Jon W. North and C. Bruce Burton. See "Section IV - Corporate Governance - Committees of the Board of Directors - Audit Committee".

Paul D. Martin (Chair), Jon W. North and C. Bruce Burton comprise the Nominating and Corporate Governance Committee of the Board of Directors. See "Section IV – Corporate Governance – Committees of the Board of Directors - Nominating and Corporate Governance Committee".

Jon W. North (Chair), Paul D. Martin and C. Bruce Burton comprise the Compensation Committee of the Board of Directors. See "Section IV - Corporate Governance - Committees of the Board of Directors - Compensation Committee".

### **3. Re-Appointment of Auditor**

The Board of Directors recommends that McGovern, Hurley, Cunningham, LLP, Chartered Accountants, be re-appointed as CNI's auditor to hold office until the close of the next Annual Meeting and that the Board of Directors be authorized to fix their remuneration as such. McGovern, Hurley, Cunningham, LLP, Chartered Accountants, have been the auditors of the Corporation since incorporation in 2006. See "Section III - Executive Compensation and Other Information - Disclosure of Auditor Fees".

### **4. Approval of Stock Option Plan**

The Corporation maintains a stock option plan (the "Stock Option Plan") for directors, officers, employees and consultants of the Corporation and its subsidiaries which was originally approved by TSX Venture Exchange on June 11, 2007 and has subsequently been approved annually. In accordance with requirements of the TSX Venture Exchange, shareholders are being asked to provide annual approval for the Stock Option Plan. Such approval will be obtained if a majority of the votes cast (i.e. 50% +1) are in favour.

The purpose of the Stock Option Plan is to encourage ownership of common shares of the Corporation by the persons who are primarily responsible for the management and profitable growth of the Corporation's business, as well as provide additional incentive for superior performance by such persons and attract and retain valued personnel. The Stock Option Plan provides that eligible persons thereunder include any director, officer, employee or consultant of the Corporation. A consultant is defined as an individual who possesses technical, business or management expertise of value to the Corporation and has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation, is engaged by the Corporation, under a written contract, to provide services on an ongoing basis and spends a significant amount of time on the Corporation's business and affairs. The definition of consultant also includes an individual whose services are engaged through a personal holding corporation.

The Stock Option Plan is administered by the board of directors of the Corporation, who have the

authority to determine, among other things, subject to the terms of the Stock Option Plan and the requirements of regulatory authorities having jurisdiction, the terms, limitations, restrictions and conditions respecting the grant of options thereunder.

The Stock Option Plan allows for the issuance of stock options on a “rolling” basis whereby up to a maximum of 10% of the issued and outstanding shares of the Corporation may be reserved for granting under the Stock Option Plan with no vesting provisions. The plan also provides that the maximum number of common shares that may be reserved for issuance to categories of grantees as noted below under the plan or any other share compensation arrangement within a one-year period shall not exceed the specified percentage of the common shares outstanding at the time of grant (on a non-diluted basis):

<u>Category of Grantee</u>	<u>Specified Percentage</u>
Insiders as a group	10%
Single Insider	5%
Single Consultant	2%
Persons providing investor relations services as a group	2%

The board of directors of the Corporation has the authority under the Stock Option Plan to establish the option price at the time each option is granted, which price shall not be less than the market price of the common shares at the time of grant. Options granted under the Stock Option Plan are exercisable over a period not exceeding ten (10) years from the date of grant, subject to earlier termination if the optionee ceases to be an eligible person by reason of termination of employment or death. The options granted under the plan are not transferable or assignable other than by will or the laws of descent and distribution, and expire 90 days after the holder is no longer an officer, director, employee or consultant, unless that person provides investor relations services, whereupon the options expire 30 days after the holder ceases to provide such services.

The following table sets forth details with respect to options to purchase common shares which are outstanding under the Stock Option Plan as of September 10, 2009:

<u>Holder</u>	<u>Date of Grant</u>	<u>Common Shares Under Option (#)</u>	<u>Exercise Price (\$/share)</u>	<u>Expiry Date</u>	<u>Market Price on Date prior to Grant<sup>(1)</sup></u>
<i>Executive Officers as a group</i>	Aug 2, 2007	1,000,000	\$1.50	Aug 7, 2012	\$1.50
	Feb 12, 2008	100,000	\$2.35	Feb 12, 2013	\$2.35
	May 13, 2008	267,500	\$2.18	May 13, 2013	\$2.18
	Sep 10, 2009	275,000	\$0.98	Sep 10, 2014	\$0.98
<i>Directors who are not also executive officers, as a group</i>	Aug 2, 2007	300,000	\$1.50	Aug 7, 2012	\$1.50
	May 13, 2008	60,000	\$2.18	May 13, 2013	\$2.18
	Oct 30, 2008	100,000	\$1.50	Oct 30, 2013	\$0.75
	Dec 03, 2008	50,000	\$1.50	Oct 30, 2013	\$0.89
	Sep 10, 2009	75,000	\$0.98	Sep 10, 2014	\$0.98
<i>Employees</i>	Aug 2, 2007	50,000	\$1.50	Aug 7, 2012	\$1.50
	Feb 12, 2008	25,000	\$2.35	Feb 12, 2013	\$2.35
	May 13, 2008	52,500	\$2.18	May 13, 2013	\$2.18
	May 13, 2008	50,000	\$2.18	Oct 29, 2009	\$2.18
	Oct 30, 2008	75,000	\$1.50	Oct 30, 2013	\$0.75
	Sep 10, 2009	57,500	\$0.98	Sep 10, 2014	\$0.98
<i>Consultants</i>	Aug 2, 2007	150,000	\$1.50	Mar 31, 2010	\$1.50
	May 13, 2008	30,000	\$2.18	May 13, 2013	\$2.18

**Notes:**

- (1) In accordance with the terms of the Stock Option Plan, on the basis of the market price, where market price shall mean the prior trading day closing price of the common shares, or last trading price on the prior trading day, and where there is no such closing price or trade on the prior trading day, market price shall mean the average volume weighted average pricing of the five previous trading days.

The following table sets forth, as of June 30, 2009, additional information concerning securities authorized for issue under the Stock Option Plan, which is the only equity compensation plan of the Corporation.

	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>	<b>Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders (the only such plan is the Stock Option Plan)	2,310,000	\$1.68	N/A
Equity compensation plans not approved by security holders (the Corporation does not have any such plan)	N/A	N/A	N/A

### **SECTION III - EXECUTIVE COMPENSATION AND OTHER INFORMATION**

National Instrument 51-102 – *Continuous Disclosure Obligations* requires the Corporation to disclose its executive compensation by providing in the Circular the disclosure required by Form 51-102F6. The disclosure of executive compensation below is being made in accordance with Form 51-102F6.

#### **Named Executive Officers**

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

- (a) a chief executive officer (“CEO”) of the Corporation;
- (b) a chief financial officer (“CFO”) of the Corporation;
- (c) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

The Corporation currently has the following three NEOs: Craig MacDougall, President and Chief Executive Officer; Gary Hill, Chief Financial Officer; and, Patricia Tirschmann, Vice President, Exploration.

## **Compensation Discussion and Analysis**

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

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Corporation's compensation philosophy is to foster entrepreneurship at all levels of the organization through, among other things, the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Common Share price over the long term is an important indicator of long term performance.

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

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

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

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

### ***Competitive Compensation***

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

The Compensation Committee reviews data related to compensation levels and programs of various companies that are similar in size to the Corporation and operate within the mining exploration and development industry, prior to making its decisions. These companies are used as the Corporation's

primary peer group because they have similar business characteristics or because they compete with the Corporation for employees and investors. The Compensation Committee also relies on the experience of its members as officers and/or directors at other companies in similar lines of business as the Corporation in assessing compensation levels. These other companies are identified under the heading “Statement of Corporate Governance Practices – Directorships”.

The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and short-term and long-term incentive awards for the Compensation Committee’s approval.

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

The Corporation believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. The Corporation’s objective is to establish benchmarks and targets for its NEOs which, if achieved, will enhance shareholder value.

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the 2009 financial year, the three basic components of executive officer compensation program were:

- fixed salary;
- annual incentives (cash bonus); and
- option based compensation.

Fixed salary comprises a portion of the total cash-based compensation; however, annual incentives and option based compensation represent compensation that is “at risk” and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) market performance of the Corporation’s Common Shares. To date, no specific formulae have been developed to assign a specific weighting to each of these components. Instead, the board considers each performance target and the Corporation’s performance and assigns compensation based on this assessment and the recommendations of the Compensation Committee.

### ***Base Salary***

The Compensation Committee and the Board approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels within the peer group and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. Comparative data for the Corporation’s peer group is also accumulated from a number of external sources including independent consultants. The Corporation’s policy for determining salary for executive officers is consistent with the administration of salaries for all other employees.

### ***Annual Incentives***

The Corporation has awarded annual incentives by way of cash bonuses in the fiscal year ended June 30, 2009 as the Corporation, in its discretion, may award such incentives in order to motivate executives to achieve short-term corporate goals. The Compensation Committee and the Board approve annual incentives.

The success of NEOs in achieving their individual objectives and their contribution to the Corporation in reaching its overall goals are factors in the determination of their annual bonus. The Compensation Committee assesses each NEO's performance on the basis of his or her respective contribution to the achievement of the predetermined corporate objectives, as well as to needs of the Corporation that arise on a day to day basis. This assessment is used by the Compensation Committee in developing its recommendations to the Board with respect to the determination of annual bonuses for the NEOs. Where the Compensation Committee cannot unanimously agree, the matter is referred to the full board for decision. The board relies heavily on the recommendations of the Compensation Committee in granting annual incentives.

### ***Compensation and Measurements of Performance***

The Board approves targeted amounts of annual incentives for each NEO at the beginning of each financial year. The targeted amounts are determined by the Compensation Committee based on a number of factors, including comparable compensation of similar companies.

Achieving predetermined individual and/or corporate targets and objectives, as well as general performance in day to day corporate activities, will trigger the award of a bonus payment to the NEO. The NEO will receive a partial or full incentive payment depending on the number of the predetermined targets met and the Compensation Committee's and the board's assessment of overall performance. The determination as to whether a target has been met is ultimately made by the board and the board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate.

### ***Long Term Compensation***

The Corporation currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Corporation's Stock Option Plan.

### **Compensation Summary**

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Corporation during the fiscal year ended June 30, 2009. In light of significant changes to the requirements, content and format for executive compensation disclosure, the Corporation has reported compensation in the table below for fiscal year ended June 30, 2009 only, in accordance with these requirements. Disclosure of the compensation for prior years, in accordance with applicable requirements, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Name of NEO and Principal Position	Year	Salary (\$)	Share-Based Awards <sup>(1)</sup> (\$)	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 <sup>(2)</sup>			
Craig MacDougall, President & CEO	2009	\$175,000	Nil	Nil	\$35,000	Nil	Nil	Nil	\$210,000
Gary A. Hill, CFO & Secretary	2009	\$150,000	Nil	Nil	\$15,000	Nil	Nil	Nil	\$165,000
Patricia A. Tirschmann Vice President, Exploration	2009	\$150,000	Nil	Nil	\$30,000	Nil	Nil	Nil	\$180,000

Notes:

- (1) The fair value of share and option-based awards is calculated as at the date of grant using the Black-Scholes Option Pricing Model. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Corporation's share and option-based awards.
- (2) "LTIP" or "long term incentive plan" means any plan that provides compensation intended to motivate performance to occur over a period greater than one fiscal year, but does not include share or option-based awards.

## Incentive Plan Awards

### Outstanding Option-Based and Share-based Award

The following table sets out for each NEO, the incentive stock options (option-based awards) and share-based awards outstanding as at June 30, 2009. These incentive stock options are subject to the specific vesting provisions as granted, from vesting periods of approximately three years for initial grants, or of approximately six months in the case of subsequent grants. The closing price of the Corporation's shares on the TSXV on June 30, 2009 was \$0.75.

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 (\$)
Craig MacDougall, President & CEO	450,000 112,500	\$1.50 \$2.18	August 7, 2012 May 13, 2013	\$Nil \$Nil	N/A	Nil
Gary A. Hill, CFO & Secretary	100,000 100,000 50,000	\$1.50 \$2.35 \$2.18	August 7, 2012 February 12, 2013 May 13, 2013	\$Nil \$Nil \$Nil	N/A	Nil
Patricia A. Tirschmann Vice President, Exploration	300,000 75,000	\$1.50 \$2.18	August 7, 2012 May 13, 2013	\$Nil \$Nil	N/A	Nil

Notes:

- (1) *The Stock Option Plan is a “rolling” stock option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Stock Option Plan will not exceed 10% of the issued Common Shares at the time of grant. As at the date hereof 3,351,647 Common Shares may be reserved for issuance pursuant to the Stock Option Plan.*
- (2) *Calculated using the closing price of the Common Shares on the TSXV on June 30, 2009 of \$0.67 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.*

### **Value Vested or Earned During the Year**

The following table sets forth, for each NEO, the value of all incentive plan awards that vested during the year ended June 30, 2009.

<b>Name</b>	<b>Option-based awards- Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards- Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation- Value earned during the year<sup>(2)</sup> (\$)</b>
Craig MacDougall, President & CEO	\$Nil	\$Nil	\$35,000
Gary A. Hill, CFO & Secretary	\$Nil	\$Nil	\$15,000
Patricia A. Tirschmann Vice President, Exploration	\$Nil	\$Nil	\$30,000

Notes:

- (1) *Summarizes for each of the NEOs the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended June 30, 2009. As these options were not necessarily exercised, or exercised on such vesting date, by the NEOs, these amounts do not necessarily reflect amounts realized by the NEOs during the year ended June 30, 2009.*
- (2) *These are the same amounts as disclosed under “Non-Equity Incentive Plan Compensation – Annual Incentive Plans” in the Summary Compensation Table earlier in this Circular.*

### **Employment Agreements**

Effective January 9, 2007, the Corporation entered into an employment agreement with Mr. Craig MacDougall, Chief Executive Officer (“CEO”) of the Corporation, which provides, among other things, that in addition to a base salary at the current rate of \$175,000 per annum, Mr. MacDougall shall be eligible for consideration for an annual bonus the amount of which is at the sole discretion of the board of directors. In the case of termination without cause within twelve (12) months of a change in control of the Corporation, all unexercised stock options granted to Mr. MacDougall shall vest and be exercisable for a period of 90 days from the date of termination.

Effective January 8, 2007, the Corporation entered into an employment agreement with Ms. Patricia A. Tirschmann, Vice President, Exploration of the Corporation, which provides, among other things, that in addition to the base salary at the current rate of \$150,000 per annum, Ms. Tirschmann shall be eligible for consideration for an annual bonus the amount of which is at the sole discretion of the board of directors. In the case of termination without cause within twelve (12) months of a change in control of the Corporation, all unexercised stock options granted to Ms. Tirschmann shall vest and be exercisable for a period of 30 days from the date of termination.

Effective May 17, 2007, the Corporation entered into an employment agreement with Mr. Gary A. Hill, Chief Financial Officer and Corporate Secretary (“CFO”) of the Corporation, which provides, among other things, that in addition to the base salary at the current rate of \$150,000 per annum, Mr. Hill shall be

eligible for consideration for an annual bonus the amount of which is at the sole discretion of the board of directors. In the case of termination without cause within twelve (12) months of a change in control of the Corporation, all unexercised stock options granted to Mr. Hill shall vest and be exercisable for a period of 30 days from the date of termination.

If a NEO's employment is terminated without cause, the amount of compensation payable will be equal to the greater of six months of salary or one month of salary (one and a half months of salary in the case of the CEO and CFO) for each year or partial year of service, and salary shall mean the per annum salary in effect at the time of such termination, and any bonus paid in the year of or year prior to the year in which the employee is terminated.

### Change of Control Agreements

The Corporation has no change of control agreements with executive officers, other than as noted above under "Employment Contracts".

### Pension Plan Benefits

The Company does not have a pension plan or deferred compensation plan.

### Director Compensation

The following table sets out for each director, other than Craig MacDougall who is a NEO, compensation received for the fiscal year ended June 30, 2009.

Name	Fees Earned (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Jon W. North	\$24,000	\$Nil	\$Nil	\$Nil	\$24,000
Paul D. Martin	\$22,000	\$Nil	\$Nil	\$Nil	\$22,000
Elaine Ellingham	\$13,500	\$Nil	\$Nil	\$Nil	\$13,500
C. Bruce Burton	\$10,944	\$39,500	\$Nil	\$Nil	\$50,444

*Note:*

(1) *The fair value of share-based awards is calculated as at the date of grant using the Black-Scholes Option Pricing Model. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Corporation's share and option-based awards..*

Directors of the Corporation, other than Craig MacDougall who is a NEO, are remunerated for their services as follows:

• Annual fee	\$10,000
• Annual fee paid to the Chairman of the Board of Directors	\$ 6,000
• Annual fee paid to the Chairman of the Audit Committee	\$ 4,000
• Annual fee paid to the Chairman of all other committees	\$ 2,000
• Attendance fee for any meeting of the Board of Directors (non-management directors only)	\$ 750
• Attendance fee for any committee of the Board of Directors (non-management directors only)	\$ 500

Directors may also be compensated for services provided to the Corporation as consultants or experts on the same basis and at the same rate as would be payable if such services were provided by a third party, arm's length service provider. No such services were provided to the Corporation during the twelve months ended June 30, 2009.

### ***Directors' and Officers' Liability Insurance***

The Corporation maintains \$5.0 million in commercial general liability insurance and \$5.0 million in directors and officers liability insurance for the benefit of the Corporation, its related companies and their directors and officers, as a group.

### ***Outstanding Option-Based Awards***

The following table sets out, for each director other than Craig MacDougall who is a NEO, the stock options (option-based awards) outstanding as at June 30, 2009. These incentive stock options are subject to the specific vesting provisions as granted, from vesting periods of approximately three years for initial grants, or of approximately six months in the case of subsequent grants. On June 30, 2009, the closing price of the Corporation's Common Shares on the TSXV was \$0.75.

<b>Name</b>	<b>Number of Securities Underlying Unexercised Options</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Value of Unexercised In-The-Money Options (\$)</b>
Jon W. North	150,000	\$1.50	Aug 7, 2012	\$Nil
Jon W. North	30,000	\$2.18	May 13, 2013	\$Nil
Paul D. Martin	150,000	\$1.50	Aug 7, 2012	\$Nil
Paul D. Martin	30,000	\$2.18	May 13, 2013	\$Nil
Elaine Ellingham	150,000	\$1.50	Aug 7, 2012	\$Nil
Elaine Ellingham	30,000	\$2.18	May 13, 2013	\$Nil
C. Bruce Burton	150,000	\$1.50	Oct 30, 2013	\$Nil

Notes:

- (1) Table does not include any amount paid as reimbursement for expenses.
- (2) Compensation paid to the NEOs who served as directors of the Corporation is disclosed in the Summary Compensation Table. See "Statement of Executive Compensation".

### ***Value Vested or Earned During the Year***

The following table sets forth, for each director other than for Craig MacDougall who is a NEO, the value of all incentive plan awards that vested during the year ended June 30, 2009.

<b>Name</b>	<b>Option-based awards- Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards- Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation- Value earned during the year (\$)</b>
Jon W. North	\$Nil	\$Nil	\$Nil
Paul D. Martin	\$Nil	\$Nil	\$Nil
Elaine Ellingham	\$Nil	\$Nil	\$Nil
C. Bruce Burton	\$Nil	\$Nil	\$Nil

Note:

- (1) Summarizes for each of the directors who is not a NEO the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended June 30, 2009. As these options were not necessarily exercised, or exercised on such vesting date, by such directors, these amounts do not necessarily reflect amounts realized by such directors during the year ended June 30, 2009.

### **Aggregate Indebtedness**

As of the date hereof and during the fiscal period ended June 30, 2009, there was no indebtedness owing to the Corporation in connection with the purchase of securities or other indebtedness by any current or former executive officers, directors, employees of the Corporation.

### **Indebtedness of Directors and Officers**

At no time during the fiscal year ended June 30, 2009, or at any time from June 30, 2009 to the date hereof, was a director, executive officer or senior officer of the Corporation, each proposed nominee for election as a director, and each associate of any such director, officer or proposed nominee indebted to the Corporation or any subsidiary or whose indebtedness to another entity is, or at any time during the fiscal year ended June 30, 2009, or at any time from June 30, 2009 to the date hereof, been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any subsidiary.

## **SECTION IV - STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation. The Board has confirmed the strategic objective of the Corporation is seeking out and exploring mineral bearing deposits with the intention of developing and mining the deposit or proving the feasibility of mining the deposit for others.

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“NI 58-101”) requires the Corporation to disclose its corporate governance practices by providing in the Circular the disclosure required by Form 58-101F2. National Instrument 58-201 – *Corporate Governance Guidelines* (“NI 58-201”) establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Corporation’s practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Corporation at its current stage of development and therefore these guidelines have not been adopted. The Corporation will continue to review and implement corporate governance guidelines as the business of the Corporation progresses and becomes more active in operations.

### **Form 58-101 F2 – Corporate Governance Disclosure (Venture Issuers)**

#### **Board of Directors**

The Board is currently composed of five (5) directors. Form 58-101F2 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under Multilateral Instrument 52-110 - *Audit Committees* (“MI 52-110”), which provides that a director is independent if he or she has no direct or indirect “material relationship” with the company. “Material relationship” is defined as a relationship which could, in the view of the company’s board of directors, be reasonably expected to interfere with the exercise of a director’s independent judgment and, specifically in addition to other circumstances, excludes “independence” where the individual has received more than \$75,000 in direct compensation during a twelve month period in the prior three years.

Of the proposed nominees the following directors are not “independent” under MI 52-110 for the following reasons:

- (ii) Craig MacDougall, President and Chief Executive Officer is an "inside" or management director and accordingly is considered not “independent” as a result of this relationship;
- (iii) the Corporation entered into a consulting agreement with Ellingham Consulting Ltd., a geological and corporate finance consulting firm owned and operated by Elaine Ellingham, which provides, among other things, a fee of \$75,000 in consideration for the provision of advisory services, and the grant of 250,000 common share purchase warrants to Elaine Ellingham (the “Finder Warrants”), each whole Finder Warrant entitling the holder to acquire one common share for \$1.50 until August 9, 2009 and, accordingly, Elaine Ellingham is considered not “independent” as a result of the payment for these consulting services; and
- (iv) C. Bruce Burton has not been considered as “independent” as he is the nominee of IMX Resources Limited (formerly Goldstream Mining NL) which is the majority shareholder of the Corporation (see “Section I – Voting Information – Voting and Principal Shareholders”). In addition, IMX Resources Limited, the Corporation and Ngwena Limited ("Ngwena") are parties to a shareholder agreement dated February 28, 2007 pursuant to which the Corporation holds an initial ownership interest of 70% in Ngwena, the owner of the Nachingwea Project mineral property in Tanzania, with the remaining 30% interest in Ngwena held by IMX Resources Limited.

The remaining two (2) proposed directors, Jon W. North and Paul D. Martin, are considered by the Board to be "independent", within the meaning of MI 52-110. In assessing Form 58-101F1 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors as noted above.

### Directorships

The following table sets forth the directors of the Corporation who currently hold directorships and/or are officers with other reporting issuers:

Name Director	Reporting Issuer
Jon W. North	Director of New Dawn Mining Corp.
Paul D. Martin	Chief Financial Officer of Detour Gold Corporation
Elaine Ellingham	Director of Prelim Capital Inc.
C. Bruce Burton	Director of BioteQ Environmental Technologies Inc., and of Titanium Corporation Inc.

### Orientation and Continuing Education

The Board does not have a formal orientation or education program for its members. The Board’s continuing education is typically derived from correspondence with the Corporation’s legal counsel to remain up to date with developments in relevant corporate and securities’ law matters. Additionally, historically board members have been nominated who are familiar with the Corporation’s and the nature of its business.

## **Ethical Business Conduct**

The Corporation has adopted a code of business conduct and ethics to encourage and promote a culture of ethical business conduct. In addition, the Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the *Business Corporations Act* (Ontario), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

## **Nomination of Directors**

The recruitment of new directors has generally resulted from recommendations made by directors and shareholders. The assessment of the contributions of individual directors has principally been the responsibility of the Board. Prior to standing for election, new nominees to the Board are reviewed by the entire Board.

## **Compensation**

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 Corporation.

## **Other Board Committees**

In addition to the Audit Committee, the Corporation has established a Corporate Governance Committee, a Nominating Committee and a Compensation Committee.

## **Assessments**

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning
- monitoring the performance of the Corporation's assets
- evaluating the principal risks and opportunities associated with the Corporation's business and overseeing the implementation of appropriate systems to manage these risks
- approving specific acquisitions and divestitures
- evaluating senior management
- overseeing the Corporation's internal control and management information systems

**SECTION V - AUDIT COMMITTEE INFORMATION REQUIRED IN  
THE INFORMATION CIRCULAR OF A VENTURE ISSUER**

Multilateral Instrument 52-110 – Audit Committees (“MI 52-110”) requires that certain information regarding the Audit Committee of a “venture issuer” (as that term is defined in MI 52-110) be included in the management information circular sent to shareholders in connection with the issuer’s annual meeting.

**Audit Committee Charter**

The full text of the charter of the Corporation’s Audit Committee is attached hereto as Schedule “C”.

**Composition of the Audit Committee**

The Audit Committee members are Paul D. Martin (Chairman), Jon W. North and C. Bruce Burton, each of whom is a director and considered financially literate in accordance with M152-110. Messrs. Martin and North are considered “independent” in accordance with MI 52-110. Mr. Burton is not considered “independent” for the reasons discussed under “Section IV – Statement of Corporate Governance Practices – Form 58-101 F2 – Corporate Governance Disclosure (Venture Issuers) – Board of Directors”.

**Relevant Education and Experience**

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

Name of Member	Education	Experience
Paul D. Martin (Chairman)	Mr Martin is a Chartered Accountant (CA) and received a B. A. from the University of Western Ontario in 1984.	Mr. Martin is a Chartered Accountant and a mining finance executive with over twenty-five years experience, the last nineteen years directly focused on international precious metals mining and exploration. Mr. Martin has been the Chief Financial Officer of Detour Gold Corporation since 2008. He has previously held various corporate finance positions with Newgold Inc., Gabriel Resources, European Goldfields, TVX Gold and Westminer Canada.
Jon W. North	Mr. North was awarded a B.Sc. in geology from the University of Western Ontario in 1984 and completed post-graduate research in the regional tectonic setting and distribution of metals within proterozoic rocks in Canada and the USA leading to an M. Sc. from Memorial University of Newfoundland awarded in 1988 and a Ph.D. from the University of Western Ontario awarded in 1993.	Mr. North is a professional exploration geologist with over twenty years experience in mineral exploration with major and junior mining companies world wide including Western Mining Corp. International, and BHP Minerals International. Until 2008, he was the President and Chief Executive Officer of North Atlantic Resources Ltd. which he founded in 1997 and is listed on the Toronto Stock Exchange.

C. Bruce Burton	Mr. Burton is a Chartered Accountant (1974), and holds an Honours Business Administration degree from the University of Western Ontario (1971) and a Masters of Business Administration from York University (1974).	Mr. Burton is a Chartered Accountant and a seasoned financial professional with a distinguished career in the mining and resource industries. Over his 35 year career, he has held a number of senior executive positions, including CFO of Dundee Precious Metals, President of BlackRock Ventures, Acting President and VP Finance of Rayrock Resources, and President of Minera Rayrock. Mr. Burton is also a member of the Financial Executives Institute, the Institute of Corporate Directors and the Prospectors & Developers Association. In addition to his directorship with Continental Nickel Limited, Mr. Burton is also a director of Titanium Corporation Inc. and of BioteQ Environmental Technologies Inc.
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### **Audit Committee Oversight**

Since the commencement of the Corporation'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 Corporation's Board.

### **Reliance on Exemptions in MI 52-110 regarding *De Minimis* Non-audit Services or on a Regulatory Order Generally**

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on:

1. the exemption in section 2.4 (*De Minimis Non-audit Services*) of MI 52-110 (which exempts all non-audit services provided by the Corporation's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Corporation, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit); or
2. an exemption from the requirements of MI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of MI 52-110.

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

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Charter.

### **Audit Fees**

The following table provides detail in respect of audit, audit related, tax and other fees paid by the Corporation to the external auditor for professional services:

	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
<b>Year ended June 30, 2009</b>	\$25,000	\$500	\$3,000	\$ NIL
<b>Year ended June 30, 2008</b>	\$23,500	\$19,700	\$1,000	\$ NIL

Audit Fees – Audit fees were paid for professional services rendered by the auditor for the audit of the Corporation’s annual financial statements as well as services provided in connection with statutory and regulatory filings.

Audit-Related Fees – Audit-related fees were paid for professional services rendered by the auditor and consisted primarily of file quality review fees and fees for the review of quarterly financial statements and related documents.

Tax Fees – Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

All Other Fees – No other fees were billed by the auditor of the Corporation.

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

No “informed person” (as such term is defined under applicable securities laws), proposed nominee for election as a director of the Corporation or any associate or affiliate of any informed person or proposed nominee has or had a material interest, direct or indirect, in any transaction since the beginning of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

#### **STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides security holders of the Corporation with, in addition to any other rights that they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to such security holders. However, such rights must be exercised within prescribed time limits. The Corporation’s security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

#### **OTHER BUSINESS**

The form of proxy accompanying this Circular confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of the Meeting or other matters which may properly come before the Meeting. Management of the Corporation knows of no matter to come before the Meeting or of any amendment or variation to matters identified in the Notice of the Meeting, other than the matters referred to in the Notice of the Meeting. However, if matters not now known to management should properly come before the Meeting, Common Shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgment of the person voting such Common Shares.

### **ADDITIONAL INFORMATION**

The Corporation will provide to any shareholder, upon written request to the Chairman of the Corporation at Suite 1500, 67 Yonge Street, Toronto, Ontario, M5E 1J8, Telephone: (416) 364-7111; Facsimile: (416) 364-8114, a copy of:

- (a) the audited financial statements of the Corporation for its most recently completed financial period, together with the management's discussion and analysis of such financial results and the auditor's report thereon, and one copy of any interim financial statements subsequent to the financial statements of the Corporation that have been filed for any period after the end of its most recently completed financial period; and
- (b) this management information circular.

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Corporation may be found in the Corporation's consolidated financial statements and management's discussion and analysis for its most recently completed financial period.

### **BOARD OF DIRECTORS APPROVAL**

The contents and the sending of the Notice of Meeting and this management information circular to each shareholder of the Corporation entitled thereto, each director of the Corporation, the auditors of the Corporation and, where required, all applicable securities regulatory authorities have been approved by the Board.

DATED this 10th day of September, 2009.

CRAIG MACDOUGALL  
President and Chief Executive Officer

**SCHEDULE "A"****CONTINENTAL NICKEL LIMITED****Stock Option Plan****1. PURPOSE**

The purpose of this stock option plan (the "Plan") is to authorize the grant to service providers for Continental Nickel Limited (the "Corporation") of options to purchase common shares ("shares") of the Corporation's capital and thus benefit the Corporation by enabling it to attract, retain and motivate service providers by providing them with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation.

**2. ADMINISTRATION**

The Plan shall be administered by the board of directors of the Corporation or a committee established by the board of directors for that purpose (the "Committee"). Subject to approval of the granting of options by the board of directors or Committee, as applicable, the Corporation shall grant options under the Plan.

**3. SHARES SUBJECT TO PLAN**

Subject to adjustment under the provisions of paragraph 12 hereof, the aggregate number of shares of the Corporation which may be issued and sold under the Plan will not exceed 10% of the number of issued and outstanding shares at the time of grant. The total number of shares which may be reserved for issuance to any one individual under the Plan within any one year period shall not exceed 5% of the outstanding issue. The Corporation shall not, upon the exercise of any option, be required to issue or deliver any shares prior to (a) the admission of such shares to listing on any stock exchange on which the Corporation's shares may then be listed, and (b) the completion of such registration or other qualification of such shares under any law, rules or regulation as the Corporation shall determine to be necessary or advisable. If any shares cannot be issued to any optionee for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any option exercise price paid to the Corporation shall be returned to the optionee.

**4. LIMITS WITH RESPECT TO INSIDERS**

- (a) The maximum number of shares which may be reserved for issuance to insiders under the Plan, any other employer stock option plans or options for services, shall be 10% of the shares issued and outstanding at the time of the grant (on a non-diluted basis).
- (b) The maximum number of shares which may be issued to insiders under the Plan, together with any other previously established or proposed share compensation arrangements, within any one year period shall be 10% of the outstanding issue. The maximum number of shares which may be issued to any one insider and his or her associates under the Plan, together with any other previously established or proposed share compensation arrangements, within a one year period shall be 5% of the shares outstanding at the time of the grant (on a non-diluted basis).

## 5. ELIGIBILITY

Options shall be granted only to Eligible Persons, any registered savings plan established by an Eligible Person or any corporation wholly-owned by an Eligible Person. The term “Eligible Person” means:

- (a) an officer, director or insider of the Corporation or any of its subsidiaries;
- (b) either:
  - (i) an individual who is considered an employee under the Income Tax Act, or
  - (ii) an individual who works for the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source,
 any such individual, an “Employee”;
- (c) an individual employed by a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual (a “Company”) or an individual (together with a Company, a “Person”) providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities (as hereafter defined) (a “Management Company Employee”);
- (d) an individual (or a company wholly-owned by individuals) who:
  - (i) provides ongoing consulting services to the Corporation or an Affiliate of the Corporation under a written contract;
  - (ii) possesses technical, business or management expertise of value to the Corporation or an Affiliate of the Corporation;
  - (iii) spends a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation;
  - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation; and
  - (v) does not engage in Investor Relations Activities (as hereafter defined)
 any such individual, a “Consultant”; or
- (e) any Employee engaged to provide services that promote the purchase or sale of the issued securities (an “Investor Relations Employee”).

For purposes of the foregoing, a Company is an ‘Affiliate’ of another Company if: (a) one of them is the subsidiary of the other; or (b) each of them is controlled by the same Person.

The term “Investor Relations Activities” means any activities or oral or written communications, by or on behalf of the Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

- (a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation
  - (i) to promote the sale of products or services of the Corporation, or
  - (ii) to raise public awareness of the Corporation, that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
- (b) activities or communications necessary to comply with the requirements of
  - (i) applicable securities laws, policies or regulations,
  - (ii) the rules, and regulations of the TSX Venture Exchange (“TSXV”) or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
- (c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
  - (i) the communication is only through the newspaper, magazine or publication, and
  - (ii) the publisher or writer received no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (d) activities or communications that may be otherwise specified by TSXV.

For stock options to Employees, Consultants or Management Company Employees, the Corporation must represent that the optionee is a bonafide Employee, Consultant or Management Company Employee as the case maybe. The terms “insider”, “controlled” and “subsidiary” shall have the meanings ascribed thereto in the Securities Act (Ontario) from time to time. Subject to the foregoing, the board of directors or Committee, as applicable, shall have full and final authority to determine the persons who are to be granted options under the Plan and the number of shares subject to each option.

## 6. LIMITS WITH RESPECT TO CONSULTANTS AND INVESTOR RELATIONS EMPLOYEES

- (a) The maximum number of shares which may be reserved for issuance to any one Consultant under the Plan, any other employer stock options plans or options for services, within any one year period, shall be 2% of the shares issued and outstanding at the time of the grant (on a non-diluted basis).
- (b) The maximum number of shares which may be reserved for issuance to Investor Relations Employees under the Plan, any other employer stock options plans or options for services, within any one year period shall be an aggregate of 2% of the shares issued and outstanding at the time of the grant (on a non-diluted basis).

## 7. PRICE

The purchase price (the ‘Price’) for the shares of the Corporation under each option shall be determined by the board of directors or Committee, as applicable, on the basis of the market price, where “market price” shall mean the prior trading day closing price of the shares of the Corporation on any stock exchange on which the shares are listed or last trading price on the prior trading day on any dealing network where the shares trade, and where there is no such closing price or trade on the prior trading day, “market price” shall mean the average volume weighted average pricing of the five previous trading days of the Corporation on any stock exchange on which the shares are listed or dealing network on which the shares of the Corporation trade.

## 8. PERIOD OF OPTION AND RIGHTS TO EXERCISE

Subject to the provisions of this paragraph 8 and paragraphs 9, 10 and 17 below, options will be exercisable in whole or in part, and from time to time, during the currency thereof and Options shall not be granted for a term exceeding ten years. The shares to be purchased upon each exercise of any option (the “optioned shares”) shall be paid for in full at the time of such exercise. Except as provided in paragraphs 9, 10 and 17 below, no option which is held by a service provider may be exercised unless the optionee is then a service provider for the Corporation.

## 9. CESSATION OF PROVISION OF SERVICES

Subject to paragraph 10 below, if any optionee ceases to be an Eligible Person for any reason (whether or not for cause) the optionee may, but only within the period of ninety days, or thirty days if the service provider is an Investor Relations Employee, next succeeding such cessation and in no event after the expiry date of the optionee’s option, exercise the optionee’s option unless such period is extended as provided in paragraph 10 below.

## 10. DEATH OF OPTIONEE

In the event of the death of an optionee during the currency of the optionee’s option, the option theretofore granted to the optionee shall be exercisable within, but only within, the period of one year next succeeding the optionee’s death. Before expiry of an option under this paragraph 10, the board of directors or Committee, as applicable, shall notify the optionee’s representative in writing of such expiry.

## 11. NON-ASSIGNABILITY AND NON-TRANSFERABILITY OF OPTION

An option granted under the Plan shall be non-assignable and non-transferrable by an optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during an optionee’s lifetime, only by the optionee.

## 12. ADJUSTMENTS IN SHARES SUBJECT TO PLAN

The aggregate number and kind of shares available under the Plan shall be appropriately adjusted in the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or shares of the Corporation. The options granted under the Plan may contain such provisions as the board of directors, or Committee, as applicable, may determine with respect to adjustments to be made in the number and kind of shares covered by such options and in the option price in the event of any such change. If there is a reduction in the exercise price of the options of an insider of the Corporation, the Corporation will be required to obtain approval from disinterested shareholders.

### 13. AMENDMENT AND TERMINATION OF THE PLAN

The board of directors or Committee, as applicable, may at any time amend or terminate the Plan as provided for below, but where amended, such amendment is subject to regulatory approval:

- (a) The board of directors may suspend, cancel or terminate the Plan at any time provided, however, that unless an Eligible Person agrees otherwise, such suspension, cancellation or termination shall not apply to any options granted before the date of such action.
- (b) Subject to subparagraph 13(c), the board of directors may, at any time and from time to time, amend the Plan or an option without shareholder approval.
- (c) Notwithstanding subparagraph 13(b), the board of directors may not, without that approval of a majority of shares present in person or by proxy at a meeting of holders of shares, amend the Plan or an option to:
  - (i) increase the number of Shares issuable pursuant to the Plan;
  - (ii) expand the definition of Eligible Person for participation in the Plan; and
  - (iii) amend the Plan to provide for other types of compensation through equity issuance;unless the change to the Plan or option results from application of paragraph 12 entitled, "Adjustment in Shares Subject to Plan".
- (d) Unless an Eligible Person otherwise agrees, any amendment to the Plan or an option shall apply only in respect of options granted on or after the date of such amendment.

### 14. EFFECTIVE DATE OF THE PLAN

The Plan becomes effective on the date of its approval by the shareholders of the Corporation.

### 15. EVIDENCE OF OPTIONS

Each option granted under the Plan shall be embodied in a written option agreement between the Corporation and the optionee which shall give effect to the provisions of the Plan.

### 16. EXERCISE OF OPTION

Subject to the provisions of the Plan and the particular option, an option may be exercised from time to time by delivering to the Corporation at its registered office a written notice of exercise specifying the number of shares with respect to which the option is being exercised and accompanied by payment in cash or certified cheque for the full amount of the purchase price of the shares then being purchased.

Upon receipt of a certificate of an authorized officer directing the issue of shares purchased under the Plan, the transfer agent is authorized and directed to issue and countersign share certificates for the optioned shares in the name of such optionee or the optionees legal personal representative or as may be directed in writing by the optionee's legal personal representative.

#### 17. VESTING RESTRICTIONS

Options issued under the Plan may vest at the discretion of the board of directors or Committee, as applicable, provided that (a) the number of shares which may be acquired pursuant to the Plan shall not exceed a specified number or percentage during the term of the option; and (b) options issued to Investor Relations Employees must vest in stages over not less than 12 months with no more than one-quarter (1/4) of the options vesting in any three month period. Notwithstanding the above vesting provisions, no options shall vest until July 5, 2007.

#### 18. NOTICE OF SALE OF ALL OR SUBSTANTIALLY ALL SHARES OR ASSETS

If at any time when an option granted under this Plan remains unexercised with respect to any optioned shares and a third party makes a bona fide formal offer or proposal to the Corporation or its shareholders the Corporation shall notify the optionee in writing of such transaction, offer or proposal as soon as practicable and, provided that the board of directors or Committee, as applicable, has determined that no adjustment shall be made pursuant to section 12 hereof, (i) the board of directors or Committee, as applicable, may permit the optionee to exercise the option granted under this Plan, as to all or any of the optioned shares in respect of which such option has not previously been exercised (regardless of any vesting restrictions), during the period specified in the notice (but in no event later than the expiry date of the option), so that the optionee may participate in such transaction, offer or proposal.

#### 19. RIGHTS PRIOR TO EXERCISE

An optionee shall have no rights whatsoever as a shareholder in respect of any of the optioned shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of optioned shares in respect of which the optionee shall have exercised the option to purchase hereunder and which the optionee shall have actually taken up and paid for.

#### 20. GOVERNING LAW

This Plan shall be construed in accordance with and be governed by the laws of the Province of Ontario and shall be deemed to have been made in said Province, and shall be in accordance with all applicable securities laws.

#### 21. EXPIRY OF OPTION

On the expiry date of any option granted under the Plan, and subject to any extension of such expiry date permitted in accordance with the Plan, such option hereby granted shall forthwith expire and terminate and be of no further force or effect whatsoever as to such of the optioned shares in respect of which the option has not been exercised.

**SCHEDULE "B"**

**ORDINARY RESOLUTION OF THE SHAREHOLDERS OF  
CONTINENTAL NICKEL LIMITED**

**BE IT RESOLVED THAT:**

1. In accordance with the requirements of the TSX Venture Exchange, the Stock Option Plan, as more particularly described in the management information circular dated September 10, 2009, and annexed as Schedule "A" to the management information circular of the Corporation dated September 10, 2009, be and the same is hereby approved, subject to such changes as may be considered appropriate by the Corporation's President or as may be necessary or desirable to satisfy securities and corporate regulators.
2. Any officer or director of the Corporation be and the same is hereby authorized for and on behalf of the Corporation to execute and deliver all such other instruments and documents and to perform and do all such other acts and things as may be necessary or desirable in his opinion to give effect to the foregoing.

**SCHEDULE “C”****CONTINENTAL NICKEL LIMITED**  
**AUDIT COMMITTEE CHARTER****MANDATE**

The Audit Committee (“Committee”) is a committee of the Board of Directors (“the Board”). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and disclosure requirements, the overall maintenance of the systems of internal controls that management have established and the overall responsibility for the Corporation’s external and internal audit processes.

The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Corporation, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Corporation’s outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member’s duties as a member of the Board.

The Committee has the duty to determine whether the Corporation’s financial disclosures are complete, accurate, are in accordance with generally accepted accounting principles and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Corporation’s own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Corporation as it deems advisable.

**MEMBERSHIP AND COMPOSITION**

The Committee shall consist of at least three Directors who shall serve on behalf of the Board of which at least two directors are independent. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the TSX Venture Exchange, including Multilateral Statement 52-110, and other regulatory agencies as required.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chairman of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chairman will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

## MEETINGS

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Corporation or any member of the Committee, the Chairman will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chairman, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet no less than four times per year or more frequently if circumstances or the obligations require.

## DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be as follows:

### A. Financial Reporting and Disclosure

- i. Review and discuss with management and the external auditor at the completion of the annual examination:
  - a. the Corporation's audited financial statements and related notes;
  - b. the external auditor's audit of the financial statements and their report thereon;
  - c. any significant changes required in the external auditor's audit plan;
  - d. any serious difficulties or disputes with management encountered during the course of the audit; and
  - e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- ii. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Corporation's quarterly financial statements.
- iii. Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis, Annual Information Form, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.
- iv. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Corporation and provide their recommendations on such documents to the Board.
- v. Inquire of the auditors the quality and acceptability of the Corporation's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.
- vi. Meet independently with the external auditor and management in separate executive sessions, as necessary or appropriate.
- vii. Ensure that management has the proper systems in place so that the Corporation's financial statements, financial reports and other financial information satisfy legal and regulatory requirements.

Based upon discussions with the external auditor and the financial statement review, if it deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements.

#### **EXTERNAL AUDITOR**

- i. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.
- ii. Recommend to the Board of Directors the external auditor to be nominated and review the performance of the auditor, including the lead partner of the external auditor.
- iii. Confirm with the external auditor and receive written confirmation at least once per year as to disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.
- iv. Take reasonable steps to confirm the independence of the external auditor, which shall include:
  - a. ensuring receipt from the external auditor a formal written statement delineating all relationships between the external auditor and the Corporation, consistent with generally accepting auditing practices,
  - b. considering and discussing with the external auditor any disclosed relationships or services, including non audit services, that may impact the objectivity and independence of the external auditor, and
  - c. approve in advance any non audit related services provided by the auditor to the Corporation with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of the TSX Venture Exchange with respect to approval of non audit related serviced performed by the auditor.

#### **INTERNAL CONTROLS AND AUDIT**

- i. Review and assess the adequacy and effectiveness of the Corporation's systems of internal control and management information systems through discussion with management and the external auditor to ensure that the Corporation maintains appropriate systems, is able to assess the pertinent risks of the Corporation and that the risk of a material misstatement in the financial disclosures can be detected.
- ii. Assess the requirement for the appointment of an internal auditor for the Corporation.
- iii. Inquire of management and the external auditor about the systems of internal controls that management and the Board of Directors have established and the effectiveness of those systems. In addition, inquire of management and the external auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Corporation.

**OVERSIGHT FUNCTION**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

**CHARTER REVIEW**

The Committee will annually review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.

**ADOPTION**

This Policy was adopted by the Board on September 9, 2008.



