

**PROBE RESOURCES LTD.**  
Suite 730 – 1111 West Hastings Street  
Vancouver, British Columbia V6E 2J3  
Tel: (604) 638-1255; Fax: (604) 638-1265

**INFORMATION CIRCULAR**  
as at February 1, 2008

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Probe Resources Ltd. (the “Company”) for use at the annual and special general meeting (the “Meeting”) of its shareholders to be held on February 29, 2008 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

In this Information Circular, references to “the Company”, “we” and “our” refer to Probe Resources Ltd. “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

**Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and/or directors of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

**Voting by Proxyholder**

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors,
- (b) any amendment to or variation of any matter identified therein, and
- (c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.**

**Registered Shareholders**

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Pacific Corporate Trust Company, by fax at (604) 689-8144, or by mail or hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll free number at 1-888-835-8683 and following the instructions of the voice response system by providing the Holder ID and Holder Code located beside your name on the proxy form on the lower left hand side. If the Holder ID and Holder Code are not on the proxy, it will be on the back of the flyer enclosed with this material. Instructions are then conveyed by use of the touchtone selections over the telephone; or
- (c) using the internet through the website of Pacific Corporate Trust Company at [www.webvote.pctc.com](http://www.webvote.pctc.com). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the Holder ID and Holder Code and the proxy access number;

in all cases ensuring that the proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the proxy is to be used.

### **Beneficial Shareholders**

**The information in this section is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares).

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Company is taking advantage of those provisions of National Instrument 54-101 of the Canadian Securities Administrators, which permits it to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form (VIF). These VIFs are to be completed and returned to Pacific Corporate Trust Company in the envelope provided or by facsimile to the number provided in the VIF. In addition, Pacific Corporate Trust Company will provide instructions for voting by either telephone or internet on the VIF itself. Pacific Corporate Trust Company will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs it receives.

This information circular, with related material, is being sent to both registered and non-registered owners of the Common Shares of the Company. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary who holds your Common Shares on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding your Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in your request for voting instructions that you receive.

Beneficial Shareholders who are OBOs should carefully follow the instructions of their broker or intermediary in order to ensure that their Common Shares are voted at the Meeting.

The form of proxy that will be supplied by your broker will be similar to the Proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in the United States and in Canada. Broadridge will mail a VIF in lieu of a Proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company) other than the persons designated in the VIF to represent the Beneficial Shareholder at the Meeting. To exercise this right, you should insert the name of your desired representative in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **If you receive a VIF from Broadridge, you cannot use it to vote Common Shares directly at the Meeting - the VIF must be returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted.**

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you may attend at the Meeting as proxyholder for your broker and vote your Common Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Common Shares as proxyholder for your broker, you should enter your own name in the blank space on the VIF provided to you and return the same to your broker in accordance with the instructions provided by your broker, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send to you a legal proxy which would enable you to attend at the Meeting and vote your Common Shares.

#### **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Pacific Corporate Trust Company or at the address of the registered office of the Company at 1500 Royal Centre, 1055 West Georgia Street, P. O. Box 11117, Vancouver, British Columbia, V6E 4N7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

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

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

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the appointment of the auditor and as may be set out herein.

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

The board of directors (the "Board") of the Company has fixed January 22, 2008 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a

form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

As of February 1, 2008, there were 31,477,451 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and senior officers of the Company, no person or corporation beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company as at February 1, 2008.

The following documents filed with the securities commissions or similar regulatory authority in British Columbia and Alberta are specifically incorporated by reference into, and form an integral part of, this information circular:

- Audited financial statements for the fiscal year ended August 31, 2007, report of the auditor and related management discussion and analysis filed on [www.sedar.com](http://www.sedar.com) on February 18, 2008.

Copies of documents incorporated herein by reference may be obtained by a Shareholder upon request without charge from the Company at Suite 730 – 1111 West Hastings Street, Vancouver, British Columbia V6E 2J3, telephone: (604) 638-1255. These documents are also available through the Internet on SEDAR, which can be accessed at [www.sedar.com](http://www.sedar.com).

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

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein except for resolutions: removing the Pre-existing Company Provisions, adopting a new set of Articles and alteration of the authorized capital of the Company to create preferred shares. If there are more nominees for election as directors or appointment of the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

### **ELECTION OF DIRECTORS**

The size of the Board of the Company is currently determined at three. The board proposes that the number of directors be increased to four. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at four.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (British Columbia) ("BCA"), each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at February 1, 2008.

<b>Name of Nominee; Current Position with the Company and Province or State and Country of Residence</b>	<b>Occupation, Business or Employment<sup>(1)</sup></b>	<b>Period as a Director of the Company</b>	<b>Common Shares Beneficially Owned or Controlled<sup>(1)</sup></b>
Bruce Ganer <sup>(2)</sup> Director, Vice-President, Exploration and Development and Interim President Houston, Texas, U.S.A.	President of Sierra Pine Resources International since October 1997	Since May 24, 2007	Nil <sup>(3)</sup>
Bradley Culver <sup>(2)</sup> Director Calgary, Alberta	Geophysicist of Encana Corporation since December 2000	Since October 25, 2007	Nil <sup>(4)</sup>
Desmond M. Balakrishnan <sup>(2)(6)</sup> Director Vancouver, British Columbia	Barrister and Solicitor, Partner and lawyer with the law firm of Lang Michener LLP since February 2002	Since November 22, 2007	10,000 <sup>(5)</sup>
L. Scott Broussard Nominee Montgomery, Texas, U.S.A.	Self employed oil & gas Consultant since 2006; Vice President of Drilling and Production of Spinnaker Exploration Company from 1999 to 2006	Not Applicable	Nil

Notes:

- The information as to principal occupation, business or employment and 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. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- Member of the audit committee. A new audit committee will be formed following the Meeting.
- Mr. Ganer also hold options to purchase a total of 1,363,500 Common Shares. Options to purchase 363,500 Common Shares will expire on July 26, 2012 with an exercise price of \$0.67 per Common Share and options to purchase 1,000,000 Common Shares will expire on November 22, 2012 with an exercise price of \$0.60 per Common Share.
- Mr. Culver also hold options to purchase 100,000 Common Shares at an exercise price of \$0.49 expiring on October 26, 2012.
- Mr. Balakrishnan also hold options to purchase a total of 100,000 Common Shares. Options to purchase 50,000 Common Shares will expire on July 26, 2012 with an exercise price of \$0.67 per Common Share and options to purchase 50,000 Common Shares will expire on November 22, 2012 with an exercise price of \$0.60 per Common Share.
- Mr. Balakrishnan is a director of Copacabana Capital Limited. A cease trade order was issued against Copacabana Capital Limited on May 9, 2006 for failure to file a comparative financial statement and a Form 51-102F1 *Management's Discussion and Analysis* for its financial year ended December 31, 2005.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person.

Other than as set out herein, none of the directors of the Company has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity was the subject of a cease trade order or similar order that denied the relevant company access to any exemption under securities legislation.

Other than as set out herein, no proposed director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become 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.

Other than as set out herein, no proposed director of the Company has, within the past 10 years, become 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 the assets of the proposed director.

## APPOINTMENT OF AUDITOR

BDO Dunwoody LLP (formerly Amisano Hanson, Chartered Accountants), 750 West Pender Street, Suite 604, Vancouver, British Columbia, will be nominated at the Meeting for reappointment as auditor of the Company at a remuneration to be fixed by the directors.

## AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

Multilateral Instrument 52-110 of the Canadian Securities Administrators (“MI52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

### The Audit Committee’s Charter

The audit committee has a charter. A copy of the audit committee charter is attached as Schedule “A” hereto.

### Composition of the Audit Committee

The members of the audit committee are Bruce Ganer, Bradley Culver and Desmond M. Balakrishnan. Desmond M. Balakrishnan is an independent member of the audit committee. All members are considered to be financially literate.

### Relevant Education and Experience

Each member of the audit committee has adequate education and experience that is relevant to their performance as an audit committee member and, in particular, the requisite education and experience that has provided each member with:

- an understanding of the accounting principles used by the issuer to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements, or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

### Audit Committee Oversight

The audit committee has not made any recommendations to the board of directors to nominate or compensate any auditor other than BDO Dunwoody LLP.

### Reliance on Certain Exemptions

The Company’s auditors, BDO Dunwoody LLP, have not provided any material non-audit services.

### Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services.

### External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audited services provided by BDO Dunwoody LLP to the Company to ensure auditor independence. Fees incurred with BDO Dunwoody LLP for audit and non-audit services in the last two fiscal years for audit fees are outlined as follows:

Nature of Services	Fees Paid to Auditor in Year Ended August 31, 2007.	Fees Paid to Auditor in Year Ended August 31, 2006.
Audit Fees <sup>(1)</sup>	\$24,712	\$9,588
Audit-Related Fees <sup>(2)</sup>	\$Nil	\$Nil

<b>Nature of Services</b>	<b>Fees Paid to Auditor in Year Ended August 31, 2007.</b>	<b>Fees Paid to Auditor in Year Ended August 31, 2006.</b>
Tax Fees <sup>(3)</sup>	\$500	\$900
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
<b>Total</b>	<b>\$Nil</b>	<b>\$Nil</b>

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

### **Exemption**

The Company is relying upon the exemption in section MI 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations under MI 52-110 for the year ended August 31, 2007. This exemption exempts a "venture issuer" from the requirement to have 100% of the members of its audit committee independent, as would otherwise be required by MI 52-110.

## **CORPORATE GOVERNANCE**

### **General**

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board of the Company is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### **Board of Directors**

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is 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.

The board facilitates its independent supervision over management by holding periodic board meetings to discuss the operation of the Company.

The independent members of the Board of Directors of the Company are Bradley Culver and Desmond M. Balakrishnan.

The non-independent director is Bruce Ganer, (i.e. the Vice-President, Exploration and Development and interim President of the Company).

A majority of the Board is independent, and one director is an officer of the Company.

### **Directorships**

Mr. Balakrishnan is also a director of Copacabana Capital Limited, a reporting issuer.

## Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company's management and employees to give the directors additional insight into the Company's business.

## Ethical Business Conduct

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

## Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

## Compensation

The Board determines compensation for the directors and the Chief Executive Officer.

## Other Board Committees

The Board has no other committees other than the audit committee.

## Assessments

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

## COMPENSATION OF EXECUTIVE OFFICERS

### Executive Compensation

In this section "Named Executive Officer" means the Chief Executive Officer, the Chief Financial Officer and each of the three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recently completed fiscal year and whose total salary and bonus exceeds \$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an officer of the Company at the end of the most recently completed financial year end.

Brian Gracey, former President and William Diston, former Chief Financial Officer are the "Named Executive Officers" of the Company for the purposes of the following disclosure. The compensation paid to the Named Executive Officers during the Company's three most recently completed financial years is as set out below:

**Summary Compensation Table**

NAMED EXECUTIVE OFFICERS Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Brian Gracey <sup>(1)</sup> Former President	2007	\$9,500	Nil	Nil	25,000 <sup>(3)</sup>	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NAMED EXECUTIVE OFFICERS Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
William Diston <sup>(2)</sup> Former Chief Financial Officer	2007	\$9,500	Nil	Nil	25,000 <sup>(4)</sup>	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Gracey ceased to be a director and an officer of the Company on October 24, 2007. Mr. Bruce Ganer, a director of the Company, was appointed as interim President of the Company on November 22, 2007.
- (2) Mr. Diston ceased to be a director and an officer of the Company on November 12, 2007. Mr. Morgan Tincher was appointed as interim Chief Financial Officer of the Company on November 22, 2007.
- (3) These options expired on November 24, 2007.
- (4) These options expired on December 12, 2007.

### Long-Term Incentive Plan Awards

A long term incentive plan (“LTIP”) is “a plan providing compensation intended to motivate performance over a period greater than one financial year” and does not include option or stock appreciation rights (“SARs”) plans or plans for compensation through shares or units that are subject to restrictions on resale. The Company did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

### Options

The share options granted to the Named Executive Officers during the financial year ended August 31, 2007 were as follows:

#### Option Grants During the Most Recently Completed Financial Year

NAMED EXECUTIVE OFFICERS Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Brian Gracey <sup>(1)</sup> Former President	25,000	1.86%	\$0.67	\$0.73	July 26, 2012 <sup>(1)</sup>
William Diston <sup>(2)</sup> Former Chief Financial Officer	25,000	1.86%	\$0.67	\$0.73	July 26, 2012 <sup>(2)</sup>

Notes:

- (1) Mr. Gracey ceased to be a director and an officer of the Company on October 24, 2007 and his options were expired on November 24, 2007.
- (2) Mr. Diston ceased to be a director and an officer of the Company on November 12, 2007 and his options were expired on December 12, 2007.

No share options were exercised by the Named Executive Officers during the financial year ended August 31, 2007. The value of the unexercised in-the-money options at the financial year August 31, 2007 is nil.

No share options were repriced on behalf of the Named Executive Officers during the financial year ended August 31, 2007.

### Termination of Employment, Change in Responsibilities and Employment Contracts

There is no written employment contract between the Company and any Named Executive Officer.

There are no compensatory plan(s) or arrangement(s), with respect to the Named Executive Officer resulting from the resignation, retirement or any other termination of employment of the officer’s employment or from a change of the Named Executive Officer’s Responsibilities following a change in control.

## Compensation of Directors

The former directors received a total of \$28,500 directors fees during the last completed financial year. Each director of the Company, whether or not an executive officer, was paid an annual director's fee of \$9,500.

Starting from November, 2007, each director is entitled to a director's fee of \$1,500 per month together with an additional fee of \$1,000 for each directors meeting attended.

The following former directors received options under the Company's share option plan in their capacity as a director during the financial year ended August 31, 2007:

### Option Grants During the Most Recently Completed Financial Year

Name of Director	Securities Under Options Granted (#)	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Brian Gracey <sup>(1)</sup>	25,000	\$0.67	\$0.73	July 26, 2012 <sup>(1)</sup>
William Diston <sup>(2)</sup>	25,000	\$0.67	\$0.73	July 26, 2012 <sup>(2)</sup>

<sup>(1)</sup> Mr. Gracey ceased to be a director and an officer of the Company on October 24, 2007 and his options were expired on November 24, 2007.

<sup>(2)</sup> Mr. Diston ceased to be a director and an officer of the Company on November 12, 2007 and his options were expired on December 12, 2007.

<sup>(3)</sup> Options to purchase a total of 1,150,000 Common Shares, were granted to the current directors after the most recently completed financial year end.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only equity compensation plan which the Company has in place is the share option plan (the "Plan") which was previously approved by shareholders on February 2, 2007. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the Board of the Company. The Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. The Plan provides that the number of Common Shares issuable under the Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares.

The following table sets out equity compensation plan information as at the end of the financial year ended August 31, 2007.

### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders - Share Options Plan.	1,340,910	\$0.67	1,070,000
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	1,340,910		1,070,000

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended August 31, 2007, or has any interest in any material transaction in the current year other than as set out herein.

On August 9, 2007, the Company completed a private placement of 10,000,000 units at the price of \$0.60 per unit. Mr. Morgan Tincher, who became the Secretary and interim Chief Financial Officer of the Company on November 22, 2007, participated in the private placement through his company, Smorgasbord Holdings Ltd., and purchased 150,000 units.

Legal fees of \$69,705.81 were paid to Lang Michener LLP, Barristers & Solicitors for the financial year ended August 31, 2007. Mr. Balakrishnan, a director of the Company since November 22, 2007, is a partner of Lang Michener LLP.

## MANAGEMENT CONTRACTS

There were no management functions of the Company, which were to any substantial degree performed by a person or company other than the directors or executive officers of the Company during the most recently completed financial year.

After the most recently completed financial year end, the Company entered into contracts in November 2007 with the following persons:

- (a) Consulting Agreement with Kent Couillard of Vancouver, B.C. for providing consulting services to the Company. The Company will pay a monthly fee of \$10,000 for his services provided to the Company. The term of the agreement is one year commencing on November 1, 2007.
- (b) Consulting Agreement with Greg Fedun of Vancouver, B.C. for providing consulting services to the Company. The Company will pay a monthly fee of \$10,000 for his services provided to the Company. The term of the agreement is one year commencing on November 1, 2007.
- (c) Employment Agreement with Morgan Tincher of Vancouver, B.C. The Company will pay a monthly salary of \$7,000 for acting as the Acting Chief Financial Officer of the Company. The term of the agreement commenced on November 1, 2007 and will continue until terminated.
- (d) Employment Agreement with Bruce Ganer, of Houston Texas, for serving as Vice-President of Exploration and Development for the Company and serving on the board of the Company and its US operating subsidiaries. Pursuant to the Employment Agreement, Mr. Ganer will be paid US \$10,000 per month and will receive certain options exercisable over the course of a three-year period. The Employment Agreement commenced on November 1, 2007 and is renewable annually for successive terms of one year.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Approval of Share Option Plan

At the Company's annual meeting held on February 2, 2007, the shareholders approved a share option plan (the "Existing Plan") in which a number of Shares equal to ten (10%) percent of the issued and outstanding Shares in the capital stock of the Company from time to time are reserved for issuance to eligible optionees as defined in the Existing Plan (the "Optionees"). As at February 4, 2008, under the Existing Plan 2,477,410 options are outstanding and no options to purchase Common Shares have been exercised by Optionees.

In order to provide incentive options to directors, officers, employees, management and others who provide services to the Company to act in the best interests of the Company, the board approved, subject to regulatory and shareholder approval, a new share option plan (the "New Plan") in which 6,295,490 Common Shares of the Company will be reserved for granting as options. At the date hereof there are 31,477,451 Common Shares issued and outstanding. The number of Common Shares reserved for issuance under the New Plan represents 20% of the Company's issued and outstanding Common Shares as at February 1, 2008. This will also include the 2,477,410 Common Shares reserved for issuance under the Existing Plan.

The New Plan will also contain appropriate amendment procedures, subject to the requirements of the policies of the TSX Venture Exchange (“TSXV”), that the directors may in their absolute discretion, amend or modify the New Plan without requiring approval of the shareholders in circumstances as follows:

- (i) make amendments to correct grammatical and typographical errors or which are of a clerical nature only;
- (ii) change the vesting provisions of an option granted hereunder;
- (iii) change the termination provision of an option granted hereunder which does not entail an extension beyond the original expiry date of such option;
- (iv) add a cashless exercise feature payable in cash or Common Shares which provides for a full deduction of the number of underlying Common Shares from the Common Shares reserved hereunder; and
- (v) make such amendments as may result in changes in securities laws applicable to the Company or if the Company becomes listed or quoted on another stock exchange.

The New Plan will provide that if a take over bid is made to shareholders, the Company shall immediately upon receipt of notice of the take over bid, notify each optionee currently holding an option of the take over bid, with full particulars thereof whereupon such option may, subject to the vesting of options provision set out in the New Plan, or any vesting requirements set out in any option commitment, be immediately exercised in whole or in part by the optionee.

The New Plan will also provides for the extension of expiry dates for options during a blackout period (as defined in the New Plan).

#### *Further Material Terms of the New Plan*

The following is a summary of the material terms of the New Plan:

- (a) persons who are directors, officers, employees, consultants to the Company or its affiliates, or who are employees of a management company providing services to the Company are eligible to receive grants of options under the New Plan. These persons are called Optionees;
- (b) all options granted under the New Plan are non-assignable and non-transferable and while the Company is a Tier 2 issuer, may have a term of up to five years, or 10 years if the Company is a Tier 1 issuer;
- (c) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed Optionee is a bona fide employee or service provider (inclusive of a management company employee), as the case may be, of the Company or of any of its subsidiaries;
- (d) if an Optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such Optionee may be exercised within 90 days after the date such Optionee ceases to be employed or act as an officer or director (or 30 days if the Optionee is engaged in investor relations activities);
- (e) the exercise price of an option is established by the board of directors at the time the option is granted, subject to a the minimum exercise price of not less than the Discounted Market Price (as defined in the policies of TSXV; and
- (f) no Optionee can be granted an option or options to purchase more than 5% of the outstanding listed Common Shares of the Company in any 12 month period.

#### *Disinterested Shareholder Approval*

In accordance with the requirements of the TSXV and the terms of the New Plan, Disinterested Shareholder Approval will be requested at the Meeting.

At the Meeting, the Company’s transfer agent and registrar will be directed to exclude votes on this resolution by Insiders and their Associates.

“Disinterested Shareholder Approval” means the approval by a majority of the votes cast by all shareholders of the Company at the Meeting excluding votes attached to listed Common Shares beneficially owned by Insiders (defined below) of the Company and Associates (as defined in the British Columbia Securities Act) of Insiders.

For the purposes of obtaining Disinterested Shareholder Approval, an aggregate of 160,000 Common Shares held by Insiders (and/or their Associates) entitled to receive or benefit under the New Plan will not be eligible to vote on the resolution. An Insider is a director, or senior officer of the Company, a director or senior officer of a Corporation that is an Insider or subsidiary of the Company, and a person that beneficially owns or controls, directly or indirectly, voting Common Shares carrying more than 10% of the voting rights attached to all outstanding voting Common Shares of the Company.

#### *Special Provisions If Disinterested Shareholder Approval Is Obtained*

If the New Plan receives Disinterested Shareholder Approval:

- (i) the number of Common Shares reserved for issuance under options granted to Insiders may exceed 10% of the issued Common Shares;
- (ii) the number of options granted to Insiders may exceed 10% of the issued Common Shares, within any 12 month period; and
- (iii) the issuance to any one Optionee, within any 12 month period, may exceed 5% of the issued Common Shares if the Company becomes a Tier 1 issuer.

If the resolution does not receive Disinterested Shareholder Approval, then a second vote will be held where Insiders and their Associates will be permitted to vote, and the New Plan may be approved; however, in this instance, the special provisions described above will not apply and the number of Common Shares reserved for issuance under the New Plan will be limited to 10% of the issued and outstanding Common Shares as at February 4, 2008.

At the Meeting, shareholders will be asked to consider and, if thought fit, pass a resolution of disinterested shareholders as follows:

**“Resolved, as a resolution of disinterested shareholders,** that the Company adopt a new share option plan (the “New Plan”) wherein an additional 3,818,080 Common Shares of the Company, for a total of 6,295,490 Common Shares, be reserved for issuance to eligible Optionees under the New Plan”.

#### *Recommendation*

The Company is of the view that the New Plan provides the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry. A full copy of the New Plan will be available at the Meeting.

The TSXV requires that each company listed on the TSXV must have a stock option plan in order to grant options. The New Plan is similar to previous plans under which the Company has granted options in the past.

**The board of directors recommends that you vote in favour of the above resolution.**

## **2. Removal of Pre-Existing Company Provisions**

Under the BCA, every “pre-existing company” remains subject to certain “Pre-existing Company Provisions” contained in the BCA unless such provisions are removed with the approval of the shareholders by way of special resolution. Such Pre-existing Company Provisions include the following provisions relevant to the Company:

- The majority required to pass a special resolution is three-quarters of those votes cast at a properly constituted meeting of shareholders. Under the BCA a special resolution may be passed with a minimum two-thirds vote; and
- A repurchase or redemption of shares can only be offered pro-rata to all shareholders. This provision has been removed under the BCA.

In order to take full advantage of the flexibility offered by the BCA, the board of directors of the Company proposes to remove the Pre-existing Company Provisions in connection with the adoption by the Company of a

new form of Articles that incorporates provisions permitted under the BCA. The removal of the Pre-existing Company Provisions requires the affirmative vote of not less than three-quarters of the votes cast at the Meeting by shareholders of the Company, present in person or by proxy. Accordingly, the Company's shareholders will be asked to consider and, if deemed advisable to pass, without or with out amendment, the following special resolution:

**“Resolved, as a special resolution, that:**

- (1) the Notice of Articles and the Articles of the Company be altered to remove the application of the Pre-existing Company Provisions, being those provisions set out in Table 3 of the Regulation under the *Business Corporations Act* (British Columbia);
- (2) the existing Articles of the Company be cancelled in their entirety and the form of Articles attached hereto as Schedule “A” to this resolution are adopted as the Articles of the Company;
- (3) the President or any one director of the Company be authorized to instruct its agents to file a notice of Alteration to a Notice of Articles with the Registrar of Companies along with all other necessary documents and take such further action that may be necessary to effect the amendment;
- (4) the alteration to the Articles of the Company shall not take effect until this resolution and the new articles described in paragraph (1) shall forthwith be deposited at the records office of the Company;
- (5) such alterations to the Articles are not to take effect until the Notice of Alteration of the Company is altered to reflect such alterations to the Articles;
- (6) the directors of the Company be authorized at any time in its absolute discretion, to determine whether or not to proceed with the above resolution without further approval, ratification or confirmation by the shareholders;
- (7) any one director or officer, or any lawyer of the Company, be and is hereby authorized and directed to sign all documents and to do all things necessary or desirable to effect such alterations including the filing one or more Notice of Alteration with the Registrar of Companies.”

A special resolution is a resolution passed by a majority of not less than three-quarters of the votes cast by the shareholders who voted in respect of that resolution either in person or by proxy.

**The Board of Directors recommends that shareholders vote in favour of the special resolution.** In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the special resolution. The above special resolutions, if passed, will become effective immediately upon the filing of a Notice of Alteration with the Registrar of Companies.

### **3. Adopting New Set of Articles**

The Articles of a company, among other things, set out rules for the conduct of its business and affairs. As a consequence of the enactment of the BCA, it is desirable, in management's opinion, for the Company to update the Company's form of Articles (the “New Articles”).

By adopting a new set of Articles to reflect in part the provisions of the BCA that modernize British Columbia corporate legislation. The New Articles do not include a number of provisions in the existing Company's Articles (the “Existing Articles”) that are now dealt with directly by the BCA. The New Articles will help to avoid the possibility of conflict or the possibility of having to comply both with the statutory provision and a corresponding but different provision in the New Articles. The New Articles include the use of the new terminology adopted under the BCA. For example, “members” are now “shareholders” and “register of members” is now “central securities register” under the BCA. Most of these terminology and wording changes are not discussed below, as they reflect statutory requirements that the Company either cannot alter or amend or are largely housekeeping matters.

Set out below is a discussion of the principal changes proposed under the New Articles.

### *Borrowing Powers*

Under the Existing Articles, the Company may borrow money, issue bonds, debentures and other debt obligations and mortgage, charge, or give security on the undertaking, or on the whole or any part of the property and assets, of the Company (both present and future). Under the BCA, companies are now also permitted, without restriction (other than general corporate governance principles), to guarantee repayment of money by any other person or the performance of any obligation of any other person. This change reflects the modernization of corporate legislation to effectively respond to increasingly complex financial transactions that companies may enter into in the course of their business. As a result, the New Articles provide that the Company may guarantee the repayment of money by any other person or the performance of any obligation of any other person. Management believes that it is in the best interests of the Company to allow for such guarantees to permit the Company the maximum flexibility in possible future financial transactions, recognizing the duties directors have to ensure that the guarantee must always be in the best interests of the Company.

### *Share Certificates*

Under the Existing Articles, a shareholder is entitled to a share certificate representing the number of shares of the Company held. Under the BCA, a shareholder is now entitled to a share certificate representing the number of shares of the Company held or a written acknowledgement of the shareholder's right to obtain such a share certificate. As a result, the New Articles provide for this additional right. The addition of the ability to issue a written acknowledgement is very useful for public companies such as the Company, since it permits flexibility in corporate and securities transmissions.

### *Indemnity Provisions*

Under the BCA, the Company could only indemnify directors where it obtained prior court approval, except in certain limited circumstances. The Existing Articles provided for the Company to indemnify directors, subject to the provisions of the Former Act. Under the BCA, the Company is now permitted (and is, in some circumstances, required) to indemnify a past or present director or officer of the Company or an associated corporation without obtaining prior court approval in respect of an "eligible proceeding". An "eligible proceeding" includes any legal proceeding relating to the activities of the individual as a director or officer of the Company. However, under the BCA, the Company will be prohibited from paying an indemnity if:

- (a) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (b) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and
- (c) the proceeding is brought against the party by the Company or an associated corporation.

As a result, the New Articles propose to require the Company to indemnify directors, officers and other persons, subject to the limits imposed under the BCA. Management believes that it is in the best interests of the Company to allow the indemnification of directors, officers and others, subject to the limits and conditions of the BCA in order to attract the best possible individuals to act.

The Existing Articles permitted a director to appoint another director as his alternate. The New Articles permit a director to appoint anyone as his alternate, as long as that person is qualified to act as a director.

### *Amendment of Articles and Notice of Articles*

The New Articles provide that the general authority required to amend all provisions of the Company's Articles and the Notice of Articles, other than as set out in the BCA as specifically requiring a special resolution, can be effected as an ordinary or by directors' resolution. The Company's New Articles provide that the Company may amend provisions of the Articles and Notice of Articles relating to certain aspects of its Shares and authorized share structure by ordinary resolution. A share consolidation or a share split and name change of the Company can be done by a resolution of the directors only. The default provision under the BCA is a special resolution where the New Articles are silent as to the type of resolution required. The New Articles also provide that the attachment, variation and deletion of special rights and restrictions to any class of shares may be authorized by ordinary resolution. If the amendment prejudices or interferes with the rights or special rights attached to any class of issued shares, by the provisions of the BCA, the consent of the holders of that class of shares by a "special separate resolution" is required. Under the New Articles, a special separate resolution of the affected

class, will be required for its passage, a majority of two-thirds of votes cast rather than three-quarters of the votes cast. A general special resolution also requires a majority of two-thirds rather than three-quarters of the votes cast.

#### *Shareholders' Meetings*

In addition to reflecting the present notice and other provisions of the BCA relating to shareholders' meetings, the New Articles provide that shareholders' meetings may be held at such place as is determined by the directors.

The New Articles permit the giving of notice to shareholders, directors and officers by fax or e-mail in addition to regular mail or personal delivery.

#### *Officers*

Under the Existing Articles, the Company was required to have at least a President and Secretary as officers, and separate individuals were required to hold those positions. In addition, the Chairman and President were required to be directors. However, under the BCA, those requirements no longer exist, and as a result, it is proposed that the New Articles remove these requirements leaving the Company free to continue or discontinue these practices. Management and the board of directors believe that by removing these restrictions the Company will have increased flexibility in meeting its corporate governance obligations.

#### *Disclosure of Interest of Directors*

Under the BCA, the provisions relating to the disclosure of interest by directors have been revised and updated. As directors of the Company are bound by these provisions, the New Articles have deleted reference to the old disclosure of interest provisions contained in the *Company Act* (British Columbia) and refer to the provisions contained in the BCA.

Accordingly, shareholders will be asked to approve the following special resolution in order to adopt the New Articles for the Company:

#### **“Resolved, as a special resolution, that:**

1. The Articles of the Company be altered by deleting and cancelling the Company's existing Articles and creating and adopting the form of Articles set out in Schedule “A” to this resolution as the Articles of the Company.
2. The alterations to the Articles of the Company shall not take effect until these resolutions are signed and received for deposit at the records office of the Company.
3. Any director or officer of the Company be authorized to execute and deliver under the seal of the Company or otherwise all such documents and to do all such other acts or things as such director or officer may determine to be necessary or advisable in connection with such transition, the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination.
4. It is a condition of these resolutions that the alteration to the Articles of the Company referred to in these resolutions will not take effect until:
  - a. this resolution is received for deposit at the records office of the Company; and
  - b. the Notice of Alteration takes effect at the office of the Registrar of Companies.”

#### *Availability of Additional Information*

The New Articles in their proposed amended form are available by email on request from the Company, at 604-638-1255. A copy of the New Articles will also be available at the meeting.

**The Board of Directors recommends that shareholders vote in favour of the special resolution.** In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the special resolution. The above special resolution, if passed, will become effective immediately upon the filing of a Notice of Alteration with the Registrar of Companies.

### **3. Creation of Preferred Shares**

The directors of the Company are proposing that the Company create a new class of Preferred Shares without par value and without a maximum authorized number, issuable in series, on such terms as may be determined by the Company's directors for each such series. The primary reason for creation of the Preferred Shares is to provide management with the flexibility respecting possible future financings, strategic acquisitions and other corporate transactions. Each series would generally require regulatory approvals before it is issued.

Under the current Articles of the Company the creation of a new class of shares requires the approval of the shareholders of the Company by a special resolution. Assuming adoption of the New Articles, it will thereafter require only an ordinary resolution.

Accordingly, shareholders will be asked to approve the following special resolutions in order to alter the authorized share capital of the Company:

**“Resolved, as a special resolution, that:**

- (a) the authorized share structure of the Company be altered by creating a No Maximum number of Preferred Shares without par value;
- (b) The Notice of Articles of the Company be altered to reflect the altered authorized share structure of the Company;
- (c) the Preferred Shares may be issued in Series on such terms as determined by the directors of the Company in accordance with the class rights and restrictions;
- (d) there be attached to the class of Preferred Shares the special rights and restrictions as set out in Part 26 of the Articles of the Company and as attached hereto as Schedule “B”;
- (e) The Articles and Notice of Articles of the Company be altered accordingly;
- (f) any director or officer of the Company be authorized to instruct its agents to file a Notice of Alteration to a Notice of Articles of the Company to reflect the creation of the Preferred Shares without par value; and
- (g) the directors be authorized to delay or abandon the implementation of these resolutions in their discretion.”

**The Board of Directors recommends that shareholders vote in favour of the special resolution** as the Company seeks additional flexibility to reactivate the Company's business. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolutions.

A vote in favour of the transaction will provide the directors with wide latitude to create a series of Preferred Shares which may be convertible into Common Shares and attach rights to them that rank ahead of Common Shares in respect of entitlement to assets and dividends as well as to create other series of Preferred Shares, subject to the rights of the Preferred Shares and corporate law.

**The Board recommends that you vote in favour of the above resolution.**

**4. Inspection of Records, Documents and Instruments at Records Office**

On December 11, 2007 the Company moved its records office to 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7 (the “Records Office”).

The Board requests that shareholders approve an ordinary resolution to permit persons, other than directors of the Company, to inspect the records, documents or instruments at the Records Office in accordance with the provisions of the BCA. At the Meeting, shareholders will be asked to vote on the following ordinary resolution:

**Resolved** that the records, documents or instruments may be inspected at the records office of the Company by persons other than directors of the Company in accordance with the provisions of the British Columbia *Business Corporations Act*, during such period or periods of time as shall be determined by a director or officer of the Company or, where an agent is retained by the Company to maintain the records office, then by such agent, provided, however, that at least two consecutive hours in each business day shall be allowed for such inspection. The following fees be charged by the Company in connection with the inspection of the records of the Company:

<u>Type of Fee</u>	<u>Charge</u>
Inspection of Records Fee	\$10.00 per day
Copying Fee	\$0.50 per page

**The Board recommends that shareholders vote in favour of the above resolution.**

#### **ADDITIONAL INFORMATION**

Financial information is provided in the audited financial statements of the Company for the year ended August 31, 2007 and in the related management discussion and analysis and filed on SEDAR at [www.Sedar.com](http://www.Sedar.com).

Additional information relating to the Company is filed on SEDAR at [www.Sedar.com](http://www.Sedar.com) and upon request from the Company's Secretary at Suite 730 – 1111 West Hastings Street, Vancouver, British Columbia V6E 2J3, telephone number: (604) 638-1255 or fax number (604) 638-1265. Copies of documents will be provided free of charge to security holders of the Company. The Company may require the payment of a reasonable charge from any person or company who is not a security holder of the Company, who requests a copy of any such document.

#### **OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to shareholders have been approved by the Board of the Company.

**DATED** at Vancouver, February 21, 2008.

**BY ORDER OF THE BOARD**

**“Morgan Tincher”**

**Morgan Tincher**  
**Secretary and Interim Chief Financial Officer**

## SCHEDULE "A"

### AUDIT COMMITTEE CHARTER

#### 1. Mandate

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company's business, operations and risks.

#### 2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

##### 2.1 *Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

##### 2.2 *Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

#### 3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

#### 4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

##### 4.1 *External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### 4.2 *Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### 4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

##### *Release of Financial Information*

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

#### 4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

##### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

##### *De-Minimis Non-Audit Services*

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the

Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

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

(a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

- (i) the pre-approval policies and procedures are detailed as to the particular service;
- (ii) the audit committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### 4.5 *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### 4.6 *Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

### **5. Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

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

### **6. Guidance – Roles & Responsibilities**

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

#### 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and

- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

## 6.2 *Financial Reporting*

### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

### *Annual Financial Statements*

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

### *Interim Financial Statements*

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Company's financial and operating controls are functioning effectively;
  - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
  - (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry “best practices”;
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the company’s counsel, any legal matters that could have a significant impact on the company’s financial statements.

## SCHEDULE "B"

### SPECIAL RIGHTS AND RESTRICTIONS PREFERRED SHARES

#### Special Rights and Restrictions Applicable to Class and Each Series

- (a) *The Preferred shares of the Company as a class shall have attached thereto the special rights and restrictions specified in this Article.*
- (b) *The Preferred shares may include one or more series of shares, and, subject to the Act, the directors may, by resolution,*
- (i) determine the maximum number of shares of any of those series of shares that the Company is authorized to issue, determine that there is no maximum number or, if none of the shares of that series is issued, alter any determination so made, and authorize the alteration of the notice of articles accordingly;
  - (ii) alter the articles, and authorize the alteration of the notice of articles, to create an identifying name by which the shares of any of those series of shares may be identified or, if none of the shares of that series is issued, to alter any such identifying name so created;
  - (iii) alter the articles, and authorize the alteration of the notice of articles accordingly, to attach special rights or restrictions to the shares of any of those series of shares, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of dividends, whether cumulative, non-cumulative or partially cumulative, the dates, places and currencies of payment thereof, the consideration for, and the terms and conditions of, any purchase or redemption thereof, including redemption after a fixed term or at a premium, conversion or exchange rights, the terms and conditions of any share purchase plan or sinking fund, the restrictions respecting payment of dividends on, or the repayment of capital in respect of, any other shares of the Company and voting rights and restrictions but no special right or restriction so created, defined or attached shall contravene the provisions of §(c) and §(d) of this Article, or, if none of the shares of that series is issued, to alter any such special rights or restrictions.
- (c) *Holders of Preferred shares shall be entitled, on the distribution of assets of the Company on the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or on any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, to receive, before any distribution shall be made to holders of Common shares or any other shares of the Company ranking junior to the Preferred shares with respect to repayment of capital on any such event, the amount required to be paid in accordance with the special rights and restrictions attached to the series of shares held by them, together with the fixed premium (if any) thereon, an amount equal to all accrued and unpaid cumulative dividends (if any and if preferential) thereon, which for such purpose shall be calculated as if such dividends were accruing on a day-to-day basis up to the date of such distribution, whether or not earned or declared, and all declared and unpaid non-cumulative dividends (if any and if preferential) thereon. After payment to holders of Preferred shares of the amounts so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Company except as specifically provided in the special rights and restrictions attached to any particular series.*

(d) *Holders of Preferred shares shall only be entitled, as such, to receive notice of, and/or to attend and/or vote at, any general meeting of shareholders of the Company only as provided in the special rights and restrictions attached to any particular series.*