



**Notice of  
Annual Meeting of Shareholders**

**and**

**Management Information Circular**

**November 28, 2008**



## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the Shareholders of **DIADEM RESOURCES LTD.** (the "Corporation") will be held at the Corporation's Head Office, Suite 401, One University Avenue, Toronto, Ontario, M5J 2P1 on **FRIDAY, the 28<sup>th</sup> day of NOVEMBER, 2008**, at the hour of 4:15 o'clock in the afternoon (Toronto time) for the following purposes:

1. To receive the Audited Financial Statements of the Corporation for the year ended May 31, 2008 together with the Auditors' Report thereon;
2. To elect the Board of Directors for the ensuing year;
3. To appoint McGovern, Hurley, Cunningham, LLP, Chartered Accountants, as Auditors of the Corporation for the ensuing year and to authorize the Directors to fix their remuneration;
4. To consider and, if thought fit, to pass a resolution approving the continuance of the Corporation's "rolling" Stock Option Plan as set forth in the Management Information Circular dated October 28, 2008 reserving for issuance under the Plan at any time a maximum of 10% of the issued and outstanding shares of the Corporation as at the date of the grant of options under the Plan;
5. To transact such further and other business as may properly come before the Meeting or any adjournment thereof.

A Management Information Circular and a copy of the Annual Report of the Corporation for the year ended May 31, 2008 accompany this Notice. The Management Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes the audited financial statements and the auditors' report thereon. Shareholders registered on the books of the Corporation (or their nominee) at the close of business on **October 28, 2008** are entitled to Notice of the Meeting.

DATED at Toronto, this 28<sup>th</sup> day of October 2008.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read "Lina Noble", is written over a light blue circular stamp.

**Lina Noble, Corporate Secretary**

**NOTE:** Shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed instrument of proxy and to mail it to or deposit it with Computershare Investor Services, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1. In order to be valid and acted upon at the Meeting instruments of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time set for the holding of the Meeting or any adjournment. However, the Chairman of the Meeting may, in his discretion, accept proxies received after this time up to and including the time of the Meeting or any adjournment thereof prior to the time for voting.

Shareholders of the Corporation who receive these proxy materials through an intermediary must complete and return the materials to the intermediary in accordance with the instructions provided to them by the intermediary so that the intermediary may vote the Common Shares held for that Shareholder in accordance with the specifications of the Shareholder. Failure to do so may result in their Common Shares not being eligible to be voted by proxy at the meeting.



**MANAGEMENT INFORMATION CIRCULAR  
(as at October 28, 2008)**

**SOLICITATION OF PROXIES**

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies by or on behalf of the Management of DIADEM RESOURCES LTD. (the "Corporation") for use at the Annual Meeting of Shareholders of the Corporation (the "Meeting") to be held at the Corporation's Head Office, Suite 401, One University Avenue, Toronto, Ontario M5J 2P1 on Friday, November 28, 2008 at the hour of 4:15 o'clock in the afternoon (Toronto time) and any adjournment thereof, for the purposes set out in the accompanying Notice of Meeting. Solicitation of proxies will be primarily by mail but employees of the Corporation may also solicit proxies personally or by telephone. The cost of solicitation will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

**Appointment of Proxies**

The persons named in the enclosed form of proxy are Directors and/or Officers of the Corporation. **A Shareholder desiring to appoint some other person, who need not be a Shareholder of the Corporation, to represent him at the Meeting may do so** by inserting such other person's name in the blank space provided in the form of proxy and depositing the completed proxy with the Corporation, c/o Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 within the time stipulated in the form of proxy. A proxy can be executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

**Revocation of Proxies**

In addition to any other manner permitted by law, the proxy may be revoked before it is exercised by instrument in writing executed and delivered in the same manner as the proxy at any time up to and including the last time for depositing the proxy as stipulated in the form of proxy or delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting and upon either such occurrence, the proxy is revoked.

**DEPOSIT OF PROXY**

To be valid and acted upon at the Meeting instruments of proxy must be returned to Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours, excluding Saturdays, Sundays and holidays, before the time set for the holding of the Meeting or any adjournment. However, the Chairman of the Meeting may, in his discretion, accept proxies received after this time up to and including the time of the meeting or any adjournment thereof prior to the time for voting. A return envelope has been included with this material.

**VOTING OF PROXIES AND DISCRETIONARY AUTHORITY**

The Common Shares represented by a proxy at the Meeting will be voted **for** or **against** or **withheld from voting** in accordance with the instructions of the Shareholder so long as such instructions are certain, on any ballot that may be called for and, where the Shareholder whose proxy is solicited specifies a choice with respect to any matter to be voted upon, the Common Shares represented by such proxy will be voted in accordance with the specification so made. **If the Shareholder does not specify a choice with respect to any matter to be acted upon, the Common Shares represented by such proxy will be voted in favour of each of the matters to be acted upon at the Meeting.**

**The enclosed form of proxy confers discretionary authority in respect of any matter identified in the accompanying Notice of Meeting if no choice has been specified in the proxy. In such case the shares represented by the proxies will be voted in favour of such matter.**

**The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting.** As of the date of this Circular Management knows of no such amendments, variations or other matters to come before the Meeting. However, if any such amendments, variations or other matters, which are not known to Management, should properly come before the Meeting, the shares represented by the proxies hereby solicited will be voted thereon in accordance with the best judgment of the person or persons voting such proxies.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Board of Directors of the Corporation (the "Board") has fixed October 28, 2008 as the Record Date for determining those Shareholders entitled to receive Notice of the Meeting but the failure of any Shareholder to receive a Notice of the Meeting does not deprive the Shareholder of a vote at the Meeting.

Only Shareholders of record at the close of business on October 28, 2008, who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their shares voted at the Meeting, except to the extent that such Shareholders transfer the ownership of any of their shares after October 28, 2008 and the transferee produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands not later than ten days before the Meeting that his name be included in the shareholders' list for the Meeting, in which case such transferee is entitled to vote his shares at the Meeting.

As of October 28, 2008, the Corporation has outstanding 19,444,647 Common Shares, each entitled to one vote on each matter to be voted upon at the Meeting. Each holder of record of the Corporation's Common Shares on October 28, 2008 was entitled to Notice of the Meeting and is entitled to vote at the Meeting.

As of the date hereof, to the knowledge of the Directors and Senior Officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to all of the outstanding shares of the Corporation.

## **ELECTION OF DIRECTORS AND INFORMATION CONCERNING NOMINEES**

At the Meeting, the Shareholders will be asked to elect five Directors. It is intended that each of the five persons whose names appear hereunder will be nominated for election as a Director of the Corporation. Each Director elected at the Meeting will hold office until the next annual meeting of Shareholders or until his successor is elected or appointed unless his office is earlier vacated in accordance with the provisions of the by-laws of the Corporation or the *Business Corporations Act* (Ontario). It is the intention of the persons named as proxy holders in the enclosed form of proxy to vote **for** the election to the Board of Directors of those persons hereinafter designated as nominees for election as Directors.

The information given below as to the number of shares of the Corporation beneficially owned, directly or indirectly by the under-listed nominees as at the date of this Circular has been furnished by the respective nominees. All Directors and Executive Officers of the Corporation, and their associates, own an aggregate of 1,089,418 Common Shares, amounting to approximately 5.6% of the outstanding Common Shares as at the date of this Circular. Management of the Corporation 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, **the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion** unless the Shareholder has specified in his proxy that his shares are to be withheld from voting in the election of Directors.

Name and Position or Office with the Corporation and Municipality of Residence	Principal Occupation at Present	Date first became a Director	Common Shares <sup>(1)</sup> <sup>(9)</sup>
A. LEE BARKER, P.Eng. <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup> Director Whitby, Ontario	Geological Consultant. President and CEO of Sparton Resources Ltd.	October 5, 2005	18,750
AIME BERTRAND <sup>(5)</sup> <sup>(6)</sup> Director Montreal, Quebec	Independent Businessman. President of Assurances Bertrand Inc.	September 16, 2002	3,875
PAUL A. CARROLL, Q.C. <sup>(7)</sup> Chairman, CEO and Director Toronto, Ontario	Independent Businessman. President & CEO of Carnarvon Capital Corporation	February 21, 2003	<sup>(8)</sup> 740,654
Hon. WILLIAM McKNIGHT, P.C. <sup>(3)</sup> <sup>(5)</sup> <sup>(6)</sup> Director Saskatoon, Saskatchewan	Trade and Investment Consultant. President of McKnight & Associates.	January 18, 2002	Nil
THOMAS SKIMMING, P.Eng. <sup>(3)</sup> <sup>(4)</sup> Director Toronto, Ontario	Geological Consultant	February 21, 2003	197,202

- (1) Except as indicated below, the Common Shares are beneficially owned directly or indirectly.
- (2) Mr. Barker was a director of Unisphere Waste Conversion Ltd. which, in 2005, made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada).
- (3) Member of the Compensation Committee.
- (4) Member of the Property Review Committee.
- (5) Member of the Audit Committee.
- (6) In October, 2002, Messrs. Bertrand and McKnight were Directors of the Corporation which was the subject of a management and insider cease trade order resulting from the late filing of financial statements, which was subsequently rectified.
- (7) Mr. Carroll was a director of United Keno Hill Mines Ltd., a company that sought protection from its creditors in February 2001 under the *Companies' Creditors Arrangement Act* (Canada). He also was an "independent" director of Argus Corporation Limited from April to November 2004 and of Hollinger Inc. from August 2004 to July 2005 in which capacity he was the subject of a management and insider cease trade order because of the inability of those companies to file financial statements resulting from the non-filing of financial statements by their US subsidiary company, Hollinger International, Inc. Such financial statements have since been filed by Hollinger Inc., but not by Argus Corporation Limited.
- (8) 312,500 of these shares are owned directly by Carnarvon Capital Corporation of which Mr. Carroll is President and which company a member of his immediate family owns. Mr. Carroll disclaims beneficial interest in these shares.
- (9) In addition, directors and members of management hold options to purchase a total of 56,250 shares. See "Executive Compensation (a) Compensation of Officers, Note (6).

## EXECUTIVE COMPENSATION

### (a) Compensation of Officers

The following table summarizes, for the period indicated, the compensation of the Corporation's Chairman, President and CFO who were serving as Executive Officers on May 31, 2008. Such Executive Officers are referred to as the "Named Executive Officers".

## Summary Compensation Table

Name and Principal Position <sup>(1)</sup>	Annual Compensation				Long Term Compensation			
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs <sup>(2)</sup> Granted #	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts \$ <sup>(3)</sup>	All Other Compensation (\$)
Paul A. Carroll President and CEO to October 29, 2004; Chairman and CEO to July 19, 2005; Chairman to March 22, 2006; thereafter Chairman and CEO.	2008	Nil	Nil	100,000	Nil	Nil	Nil	Nil
	2007	Nil	Nil	<sup>(7)</sup> 141,667	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rodney N. Thomas <sup>(5)</sup> President from October 29, 2004 to March 22, 2006 and CEO from July 19, 2005 to March 22, 2006. Mr. Thomas resigned on March 22, 2006.	2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	Nil	Nil	109,299	<sup>(4)</sup> 312,500	Nil	Nil	Nil
David J. Layman Vice President – Finance (Acting CFO)	2008	Nil	Nil	50,000	Nil	Nil	Nil	Nil
	2007	Nil	Nil	50,000	Nil	Nil	Nil	Nil
	2006	Nil	Nil	50,000	Nil	Nil	Nil	Nil

- (1) For the year ended May 31, 2008, no Executive Officer earned annual compensation in excess of \$150,000.00. See Note (7)
- (2) Stock appreciation rights (“SARs”) means a right, granted by a company or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Corporation’s shares. The Corporation has not granted any SARs during the most recently completed financial year.
- (3) Long term incentive plan awards (“LTIP”) means “any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one financial year whether performance is measured by reference to financial performance of the Corporation or an affiliate, or the price of the Corporation’s shares, but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units.” The Corporation has not granted any LTIPs during the most recently completed financial year.
- (4) These options were granted pursuant to and are governed by the Corporation’s Share Option Plan. See “Compensation of Directors”.
- (5) Mr. Thomas resigned March 22, 2006 and his options expired unexercised on June 20, 2006.
- (6) In addition, the Directors and management as a group hold options to purchase 56,250 shares.
- (7) Carnarvon Capital Corporation, of which Mr. Carroll is President but not a shareholder, was paid \$11,667 for provision of his services; \$130,000 for consulting services of which \$30,000 was settled through the issuance of 71,429 flow-through common shares.

### (b) Stock Option Plan

There are no changes to the Corporation’s Plan from the Stock Option Plan (the “Plan”) which was approved by the Corporation’s Shareholders at the November 27, 2007 shareholders meeting except for some minor wording changes in Paragraphs 6.1 (a) (iv) and 11.1 as approved by the Exchange. Paragraph 6.1 (a) (iv) now reads “the Company must obtain disinterested Shareholder approval of stock options if the grant to Insiders, within a 12 month period, of a number of options exceeds 10% of the issued shares;” and Paragraph 11.1 now reads “When required by TSX Policy 4.4, Section 2.10, this Plan is subject to, *inter alia*, Disinterested Shareholder Approval on a yearly basis at each of the Company’s annual meeting. If Disinterested Shareholder Approval is not required the plan must be approved by a majority of the votes cast by all Shareholders at the Company’s annual meeting.” However, in accordance with Exchange regulations a Stock Option Plan such as the Corporation’s (which provides for a “rolling” maximum amount of options available equalling 10% of the Corporation’s outstanding shares) must be approved at each annual meeting of the shareholders. Reference is made to the heading “Stock Option Plan – 2008”.

### (c) Option/SAR Grants in Financial Year Ended May 31, 2008

Pursuant to the Plan, no Options were granted during the most recently completed financial year.

#### **(d) Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-end Option/SAR Values**

There were no options exercised during the most recently completed financial year. None of the unexercised options were in the money.

#### **COMPENSATION OF DIRECTORS**

The Directors of the Corporation were not paid any cash compensation during the year ended May 31, 2008 for acting as Directors of the Corporation. Messrs. Barker and Skimming, in their capacity of overseeing the Franklin Project exploration program, were compensated \$24,250 and \$47,513 respectively. These transactions were in the normal course of business and were measured at the exchange amount which is the amount of consideration established and agreed to by these parties.

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

As at October 28, 2008 none of the Directors, Officers and Employees and former Officers, Directors and Employees of the Corporation is indebted to the Corporation.

#### **COMPENSATION COMMITTEE**

On November 27, 2007 the Board of Directors of the Corporation appointed three Directors (all independent) to a Compensation Committee, which has a mandate to determine the terms of employment, salaries and other remuneration of Executive Officers of the Corporation.

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

No insider or proposed nominee for election as a Director of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the beginning of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has materially affected or will materially affect the Corporation.

#### **STOCK OPTION PLAN**

##### **Stock Option Plan - 2008**

In accordance with Policy 4.4 (as at December 2, 2004) TSX Venture Exchange (the "Exchange"), the Corporation received Shareholder approval at the Corporation's November 27, 2007 Annual Meeting, and subsequent Exchange approval, to adopt a rolling plan, the Stock Option Plan (the "Plan") to be administered by the Directors of the Corporation in order to attract and motivate the Directors, Officers, Employees and Consultants of the Corporation and its subsidiaries (collectively, the "Optionees"). The Plan does not include any changes to the Corporation's previous stock option plan which was approved by the Shareholders on November 27, 2007 except for some minor wording changes in Paragraphs 6.1 (a) (iv) and 11.1 as approved by the Exchange. Paragraph 6.1 (a) (iv) now reads "the Company must obtain disinterested Shareholder approval of stock options if the grant to Insiders, within a 12 month period, of a number of options exceeds 10% of the issued shares;" and Paragraph 11.1 now reads "When required by TSX Policy 4.4, Section 2.10, this Plan is subject to, *inter alia*, Disinterested Shareholder Approval on a yearly basis at each of the Company's annual meeting. If Disinterested Shareholder Approval is not required the plan must be approved by a majority of the votes cast by all Shareholders at the Company's annual meeting." Any options granted will be granted in order to provide Optionees with a form of remuneration and incentive. The implementation of the Plan will be at the sole discretion of the Directors. The Plan replaces the Corporation's former stock option plan and stock options granted under the Corporation's former stock option plan will form a part of and will be deemed to be granted under the Plan.

The following information is intended as a brief description of the Plan. The Plan in its entirety is annexed hereto as Schedule "A" and forms a part of this Circular.

The Plan provides that stock options may be granted to Directors, Senior Officers, Employees and Consultants of the Corporation or any of its subsidiaries.

The Plan provides for the issuance of stock options to acquire up to 10% of the Corporation's issued and outstanding shares as at the date of grant, subject to anti-dilution adjustment. This is a "rolling plan" as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the number of the Corporation's issued and outstanding shares increases. All outstanding stock options granted prior to the implementation of the Plan will be included in the Plan, but at no time will more than 10% of the outstanding shares be subject to grant under the Plan. If a stock option expires, otherwise terminates or is exercised, the number of shares in respect of that expired, terminated or exercised, stock option shall again be available for the purpose of the Plan.

The Plan may be terminated by the Board at any time, but such termination will not alter the terms or conditions of any options granted prior to the date of such termination. Any stock option outstanding when the Plan is terminated will remain in effect until it is exercised, expires or voluntarily cancelled or otherwise terminated in accordance with the provisions of the Plan.

The Plan provides that other terms and conditions, including vesting schedules, may be attached to a particular stock option, such terms and conditions to be referred to in the particular option agreement.

The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. The Board may issue a majority of the options to insiders of the Corporation. However, in no case will the issuance of Common Shares upon the exercise of stock options granted under the Plan result in:

- a) the aggregate number of options granted in a 12 month period to any one individual exceeding 5% of the outstanding shares of the Corporation (calculated at the time of grant);
- b) the aggregate number of options granted in a 12 month period to any one Consultant exceeding 2% of the issued shares of the Corporation (calculated at the time of grant);
- c) the aggregate number of options granted in a 12 month period to an Employee conducting investor relations activities exceeding 2% of the issued shares of the Corporation (calculated at the time of grant); or
- d) the aggregate number of Common Shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants, exceeding 5% of the issued shares of the Corporation (calculated at the time of grant) in any 12 month period.

Options granted under the Plan will be for a term not to exceed five years from the date of their grant (or, if the Corporation should become designated as a "Tier 1" company, 10 years). In the case of a Director, Officer, Employee and Consultant, the option will terminate at the close of business on the date which is the earlier of: (a) 90 calendar days after which the optionee ceases to be an Employee or Consultant; or (b) such date as the Board may determine at the time of grant. In the case of an Employee or Consultant who provides Investor Relations Activities on behalf of the Corporation, the option will terminate at the close of business on the date which is the earlier of: (a) 30 calendar days after which the optionee ceases to be an Employee or Consultant of the Corporation who provides Investor Relations Activities; or (b) such date as the Board may determine at the time of grant.

The price at which an optionee may purchase a Common Share upon the exercise of a stock option will be as set out in the option agreement issued in respect of such option and in any event will not be less than the discounted market price of the Corporation's Common Shares as per the closing price immediately prior to the grant of the stock option. Currently under the policies of the Exchange, the definition of the "discounted market price" of the Corporation's shares is the closing trading price on the day before the granting of the stock option less a maximum discount of 25% for a closing price per share of \$0.50 or less, 20% for a closing price of \$0.51 to \$2.00, and 15% above \$2.00, subject to a minimum price of \$0.10.

A stock option will be non-assignable except that it will be exercisable by the personal representative of the optionee in the event of the optionee's death or incapacity.

The Plan is a "rolling" stock option plan as described in Exchange Policy 4.4. Under Exchange Policy 4.4, the Corporation is required to obtain the approval of its Shareholders to any stock option plan amendment and thereafter yearly approval of the "rolling" plan by the Shareholders at the Corporation's annual meeting. Accordingly, Shareholders will be asked to approve the following resolution, which must be approved by a majority of the votes cast thereon in person or by proxy at the Meeting.

**"BE IT RESOLVED THAT:**

1. the Corporation's Stock Option Plan - 2008 (the "Plan") as set forth in the Management Information Circular dated October 28, 2008 be and it is hereby adopted and approved including reserving for issuance under the Plan, at any time, a maximum of 10% of the issued and outstanding shares of the Corporation as at the date of grant;

2. the Corporation be authorized to grant stock options pursuant to and subject to the terms and conditions of the Plan;
3. any Director or Officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such Director or Officer may determine to be necessary or advisable to give effect to the true intent of these resolutions.”

### APPOINTMENT OF AUDITOR

The Corporation appointed McGovern, Hurley, Cunningham, LLP as the Auditor of the Corporation effective May 1, 2004.

It is intended to vote the shares represented by the proxies hereby solicited for the appointment of McGovern, Hurley, Cunningham, LLP, Chartered Accountants, as Auditors of the Corporation, and to authorize the Directors to fix their remuneration.

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

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

	<u>2008</u>	<u>2007</u>
Audit fees for the year ended May 31	\$25,000	\$29,000
Audit related fees	\$Nil	\$Nil
Estimate of Audit related fees yet to be incurred	\$Nil	\$Nil
Tax fees billed	\$6,258	\$9,500
All other fees (non-tax)	\$Nil	\$Nil
<b>Total Fees:</b>	<b>\$31,258</b>	<b>\$38,500</b>

### CORPORATE GOVERNANCE

In accordance with NI 58-101 and Form 58-102 F2 “Venture Issuers”, Diadem has adopted corporate governance policies and practices derived from The Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada proposed guidelines (the “Guidelines”) with respect to the disclosure by listed corporations of their approach to corporate governance. The Board of Directors (the “Board”) of the Corporation, after considering the application of the Guidelines to the Corporation, felt it prudent to implement those Guidelines it found appropriate having due regard for the Corporation’s size and its present stage of development.

#### Role of the Board

The Board’s role is to oversee the conduct of the Corporation’s business and to supervise management, which is responsible to the Board for the day-to-day conduct of business.

The Board discharges four specific responsibilities as part of its overall “stewardship responsibility”. These are:

- Strategic planning process: Given the Corporation’s size, its strategic plan is elaborated at the Board level, with the assistance of management.
- Management risk: As long as the Board directly oversees most aspects of the Corporation’s business, it does not, for the time being, require elaboration of “systems” or the creation of committees to effectively monitor and manage the principal risks of all aspects of the Corporation’s business.
- Communications policy: The Board commits to communicate effectively with its Shareholders and the public in general, through statutory filings and mailings, as well as news releases. The Shareholders are also given an opportunity to make comments or suggestions at Shareholders’ meetings. These comments and suggestions, when appropriate and relevant, are then factored into the Board’s decisions.

- Ensuring the integrity of the Corporation's internal control and management information systems: Given the reports from, and the meetings with management, the Board can effectively track and monitor the implementation of approval strategies.

### **Composition of the Board and Establishment of Board Committees**

The Board has not constituted a formal nominating committee to be responsible for proposing new nominees to the Board and for assessing Directors on an ongoing basis. To-date, nominations have been the result of recruitment efforts by the Directors and have been discussed informally between them before being brought to the Board as a whole.

The Corporation does not have a formal process of orientation and education for new members of the Board.

The Board has determined that five persons are to be elected to the Board, of which four are independent Directors, i.e. Directors who are independent of Management and free from any interest and any business or other relationship other than interests arising from shareholdings, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with a view to the Corporation's best interests. The Board believes that the present number of Directors is appropriate. The Board includes members whose mix of training, experience and age are, in the Board's view, appropriate for the operations of the Corporation. However, from time to time, consulting fees are paid to certain independent directors for professional services provided and expenses are reimbursed.

The Board undertakes to review its compliance with the Guidelines on an ongoing basis and might consider, if and when necessary, the opportunity to increase the number of its Directors or to seek replacement of Directors, if need be in light of such review.

The independent Directors are satisfied that they have access to all necessary information, freedom in their deliberations, and the ability to independently determine that the Corporation's activities and the conduct of management are consistent with the best interests of the Corporation.

### **ADDITIONAL INFORMATION**

Management of the Corporation knows of no amendment or of any matter to come before the Meeting other than as set forth in the Notice of Meeting. If any amendment or other business should be brought before the Meeting, the accompanying form of proxy confers discretionary authority upon the person named therein to vote upon any such amendment of the matters referred to in the Notice of Meeting or on such other business in accordance with their best judgment.

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request copies of the Corporation's financial statements and MD&A by visiting [www.diademresources.com](http://www.diademresources.com), or by mail to the attention of the Corporate Secretary at One University Avenue, Suite 401, Toronto, ON M5J 2P1.

Financial information is provided in the Corporation's comparative financial statements and MD&A for the current completed financial year ending May 31, 2008.

### **APPROVAL**

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

**BY ORDER OF THE BOARD**



**Lina Noble, Corporate Secretary**

DATED at Toronto, this 28<sup>th</sup> day of October 2008.

## SCHEDULE "A"

### DIADEM RESOURCES LTD. (the "Company")

#### 2008 STOCK OPTION PLAN

#### 1. STATEMENT OF PURPOSE

- 1.1 **Principal Purposes** – The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of Employees, Officers, Directors and Consultants responsible for the continued success of the Company; to create in such individuals a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage such individuals to remain with the Company; and to attract new Employees, Officers, Directors and Consultants to the Company.
- 1.2 **Benefit to Shareholders** – The Plan is expected to benefit Shareholders by enabling the Company to attract and retain skilled and motivated personnel by offering such personnel an opportunity to share in any increase in value of the Shares resulting from their efforts.

#### 2. INTERPRETATION

- 2.1 **Defined Terms** – For the purposes of this Plan, the following terms shall have the following meanings:

- (a) **"Act"** means the *Securities Act* (Ontario), as amended from time to time;
- (b) **"Associate"** shall have the meaning ascribed to such term in the Act;
- (c) **"Board"** means the Board of Directors of the Company;
- (d) **"Change in Control"** means:
- (i) a takeover bid (as defined in the Act), which is successful in acquiring Shares,
  - (ii) the change of control of the Board resulting from the election by the Shareholders of the Company of less than a majority of the persons nominated for election by management of the Company,
  - (iii) the sale of all or substantially all the assets of the Company,
  - (iv) the sale, exchange or other disposition of a majority of the outstanding Shares in a single transaction or series of related transactions,
  - (v) the dissolution of the Company's business or the liquidation of its assets,
  - (vi) a merger, amalgamation or arrangement of the Company in a transaction or series of transactions in which the Company's Shareholders receive less than 51% of the outstanding shares of the new or continuing corporation, or
  - (vii) the acquisition, directly or indirectly, through one transaction or a series of transactions, by any Person, of an aggregate of more than 50% of the outstanding Shares;
- (e) **"Committee"** means a committee of the Board appointed in accordance with this Plan, or if no such committee is appointed, the Board itself;
- (f) **"Company"** means Diadem Resources Ltd., a company incorporated under the laws of Ontario;
- (g) **"Consultant"** means an individual, other than an Employee, Senior Officer or Director of the Company or a Subsidiary Company, or a Consultant Company, who;

- (i) provides ongoing consulting, technical, management or other services to the Company or a Subsidiary Company, other than services provided in relation to a distribution of the Company's securities,
  - (ii) provides the services under a written contract between the Company or a Subsidiary Company and the individual or Consultant Company,
  - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary Company, and
  - (iv) has a relationship with the Company or a Subsidiary Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (h) **"Consultant Company"** means, for an individual Consultant, a company of which the individual is an employee or shareholder, or a partnership of which the individual is an employee or partner;
- (i) **"Date of Grant"** means the date specified in the Option Agreement as the date on which the Option is effectively granted;
- (j) **"Disability"** means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
- (i) being employed or engaged by the Company, a Subsidiary Company or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or a Subsidiary Company; or
  - (ii) acting as a Director or Officer of the Company or a Subsidiary Company;
- (k) **"Disinterested Shareholder Approval"** means an ordinary resolution approved by a majority of the votes cast by Shareholders of the Company at a Shareholders' meeting, excluding votes attaching to Shares beneficially owned by Insiders to whom Options may be granted and Associates of those persons;
- (l) **"Effective Date"** means the effective date of this Plan, which is the later of the day of its approval by the Shareholders of the Company and the day of its acceptance for filing by the Exchange if such acceptance for filing is required under the rules or policies of the Exchange;
- (m) **"Eligible Person"** means:
- (i) an Employee, Senior Officer or Director of the Company or any Subsidiary Company,
  - (ii) a Consultant,
  - (iii) an individual providing Investor Relations Activities for the Company;
  - (iv) a company, all of the voting securities of which are beneficially owned by one or more of the persons referred to in (i), (ii) or (iii) above
- (n) **"Employee"** means:
- (i) an individual who is considered an employee under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
  - (ii) an individual who works full-time for the Company or a Subsidiary Company providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an Employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source,

- (iii) an individual who works for the Company or a Subsidiary Company, 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 Company or a Subsidiary Company over the details and methods of work as an Employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source;
- (o) **“Exchange”** means the stock exchange or over the counter market on which the Shares are listed;
- (p) **“Exchange Act”** means the United States *Securities Exchange Act* of 1934, as amended;
- (q) **“Fair Market Value”** means, where the Shares are listed for trading on an Exchange, the last closing price of the Shares before the Date of Grant on the Exchange which is the principal trading market for the Shares, as may be determined for such purpose by the Committee, provided that, so long as the Shares are listed only on the TSXVE, the “Fair Market Value” shall not be lower than the last closing price of the Shares before the Date of Grant less the maximum discount permitted under the policies of the TSXVE;
- (r) **“Guardian”** means the guardian, if any, appointed for an Optionee;
- (s) **“Insider”** shall have the meaning ascribed to the term “insider” in Subsection 1(1) of the Act;
- (t) **“Investor Relations Activities”** means any activities or oral or written communications, by or on behalf of the Company or a Shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
  - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
    - (A) to promote the sale of products or services of the Company, or
    - (B) to raise public awareness of the Company,
 that cannot reasonably be considered to promote the purchase or sale of securities of the Company,
  - (ii) activities or communications necessary to comply with the requirements of
    - (A) applicable securities laws,
    - (B) the rules and policies of the TSXVE, if the Shares are listed only on the TSXVE, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
  - (iii) 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
    - (A) the communication is only through the newspaper, magazine or publication and
    - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
  - (iv) activities or communications that may be otherwise specified by the TSXVE, if the Shares are listed only on the TSXVE;
- (u) **“Management Company Employee”** means an individual employed by the Company (or a Subsidiary Company) which is required for the ongoing successful operation of the business enterprise of the Company (or the Subsidiary Company, as the case may be) but, excluding an individual engaged in Investor Related Activities;
- (v) **“Option”** means an option to purchase unissued Shares granted pursuant to the terms of this Plan;

- (w) **“Option Agreement”** means a written agreement between the Company and an Optionee specifying the terms of the Option being granted to the Optionee under the Plan;
- (x) **“Option Price”** means the exercise price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of Sections 6.3 and 10;
- (y) **“Optionee”** means an Eligible Person to whom an Option has been granted;
- (z) **“Person”** means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (aa) **“Plan”** means this 2007 Stock Option Plan of the Company;
- (bb) **“Qualified Successor”** means a person who is entitled to ownership of an Option upon the death of an Optionee, pursuant to a will or the applicable laws of descent and distribution upon death;
- (cc) **“Shares”** means the Common Shares in the capital of the Company as constituted on the Date of Grant, adjusted from time to time in accordance with the provisions of Section 10 hereof;
- (dd) **“Subsidiary Company”** shall mean a company which is a subsidiary of the Company;
- (ee) **“Term”** means the period of time during which an Option may be exercised; and
- (ff) **“TSXVE”** means the TSX Venture Exchange.

### 3. ADMINISTRATION

- 3.1 **Board or Committee** – The Plan shall be administered by the Board or by a Committee appointed in accordance with Section 3.2 hereof.
- 3.2 **Appointment of Committee** – The Board may at any time appoint a Committee, consisting of not less than three of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. In the absence of the appointment of a Committee by the Board, the Board shall administer the Plan.
- 3.3 **Quorum and Voting** – A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Section 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. No member of the Committee who is a Director to whom an Option may be granted may participate in the decision to grant such Option (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee in which action is to be taken with respect to the granting of an Option to him).
- 3.4 **Powers of Board and Committee** – The Board shall from time to time authorize and approve the grant by the Company of Options under this Plan, and any Committee appointed under Section 3.2 hereof shall have the authority to review the following matters in relation to the Plan and to make recommendations thereon to the Board;
  - (a) administration of the Plan in accordance with its terms,
  - (b) determination of all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the value of the Shares,

- (c) correction of any defect, supply of any information or reconciliation of any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan,
- (d) prescription, amendment and rescission of the rules and regulations relating to the administration of the Plan;
- (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan,
- (f) with respect to the granting of Options:
  - (i) determination of the Employees, Officers, Directors or Consultants to whom Options will be granted, based on the eligibility criteria set out in this Plan,
  - (ii) determination of the terms and provisions of the Option Agreement which shall be entered into with each Optionee (which need not be identical with the terms of any other Option Agreement) and which shall not be inconsistent with the terms of this Plan,
  - (iii) amendment of the terms and provisions of an Option Agreement, provided the Board obtains:
    - (A) the consent of the Optionee, and
    - (B) if required, the approval of any stock exchange on which the Shares are listed,
  - (iv) determination of when Options will be granted,
  - (v) determination of the number of Shares subject to each Option,
  - (vi) determination of the vesting schedule, if any, for the exercise of each Option, and
- (g) other determinations necessary or advisable for administration of the Plan.

3.5 **Obtain Approvals** – The Board will seek to obtain any regulatory, Exchange or Shareholder approvals which may be required pursuant to applicable securities laws or Exchange rules.

3.6 **Administration by Committee** – The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan. In addition, the Committee's administration of the Plan shall in all respects be consistent with the Exchange policies and rules.

#### 4. **ELIGIBILITY**

4.1 **Eligibility for Options** – Options may be granted to any Eligible Person.

4.2 **Insider Eligibility for Options** – Notwithstanding Section 4.1 hereof, if the Shares are listed only on the TSXVE, grants of Options to Insiders shall, *inter alia*, be subject to the policies of the TSXVE.

4.3 **No Violation of Securities Laws** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate the securities law of the jurisdiction in which the Optionee resides.

4.4 **No Violation of Exchange Regulations** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate applicable Exchange regulations of the jurisdiction in which the Optionee resides.

## 5. SHARES SUBJECT TO THE PLAN

- 5.1 **Number of Shares** – The maximum number of Shares issuable from time to time under the Plan is that number of Shares as is equal to 10% of the number of issued Shares at the Date of Grant of an Option. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in Section 10.
- 5.2 **Expiry of Option** – If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purposes of the Plan.
- 5.3 **Reservation of Shares** – The Company will at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

## 6. OPTION TERMS

- 6.1 **Option Agreement** – Each Option granted to an Optionee shall be confirmed by the execution and delivery of an Option Agreement and the Board shall specify the following terms in each such Option Agreement:
- (a) the number of Shares subject to option pursuant to such Option, subject to the following limitations if the Shares are listed only on the TSXVE:
    - (i) the number of Shares reserved for issuance pursuant to Options to any one Optionee shall not exceed 5% of the issued Shares in any 12-month period (unless the Company is designated as a “Tier 1” listed company by the TSXVE and has obtained Disinterested Shareholder Approval to exceed this number),
    - (ii) the number of Shares reserved for issuance pursuant to Options to any one Consultant shall not exceed 2% of the issued Shares in any 12-month period, and
    - (iii) the aggregate number of Shares reserved for issuance pursuant to Options to Employees and those individuals conducting Investor Relations Activities shall not exceed 2% of the issued Shares in any 12-month period;
    - (iv) the Company must obtain disinterested Shareholder approval of stock options if the grant to Insiders, within a 12 month period, of a number of options exceeds 10% of the issued shares;
  - (b) the Date of Grant;
  - (c) the Term, provided that, if the Shares are listed on the TSXVE, the length of the Term shall in no event be greater than five years following the Date of Grant, except, if the Company is designated as “Tier 1” listed company by the TSXVE, then the Term shall be no greater than ten years following the Date of Grant, for all Optionees;
  - (d) the Option Price, provided that the Option Price shall not be less than the Fair Market Value of the Shares on the Date of Grant;
  - (e) subject to Section 6.2 below, any vesting schedule upon which the exercise of an Option is contingent;
  - (f) if the Optionee is an Employee, Consultant, Management Company Employee or an individual providing Investor Relations Activities for the Company, a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant, Management Company Employee or an individual providing Investor Relations Activities for the Company, as the case may be, of the Company or a Subsidiary Company; and
  - (g) such other terms and conditions as the Board deems advisable and are consistent with the purposes of this Plan.

- 6.2 **Vesting Schedule** – The Board, as applicable, shall have complete discretion to set the terms of any vesting schedule of each Option granted, including, without limitation, discretion to:
- (a) permit partial vesting in stated percentage amounts based on the Term of such Option; and
  - (b) permit full vesting after a stated period of time has passed from the Date of Grant.
- 6.3 **Amendments to Options** – Amendments to the terms of previously granted Options are subject to regulatory approval, if required. Disinterested Shareholder Approval shall be required for any reduction in the Option Price of a previously granted Option if the Optionee is an Insider of the Company at the time of the proposed reduction in the Option Price.
- 6.4 **Uniformity** – Except as expressly provided herein, nothing contained in this Plan shall require that the terms and conditions of Options granted under the Plan be uniform.

## 7. EXERCISE OF OPTION

- 7.1 **Method of Exercise** – Subject to any limitations or conditions imposed upon an Optionee pursuant to the Option Agreement or Section 6 hereof, an Optionee may exercise an Option by giving written notice thereof, specifying the number of Shares in respect of which the Option is exercised, to the Company at its principal place of business at any time after the Date of Grant until 4:00 p.m. (Toronto time) on the last day of the Term, such notice to be accompanied by full payment of the aggregate Option Price to the extent the Option is so exercised. Such payment shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised.
- 7.2 **Issuance of Certificates** – Not later than the fifth business day after exercise of an Option in accordance with Section 7.1 hereof, the Company shall issue and deliver to the Optionee a certificate or certificates evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such certificate or certificates, no right to vote or receive dividends or any other rights as a Shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the certificate is issued, except as provided by Section 10 hereof.
- 7.3 **Transfer Limitations** – As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration.
- 7.4 **Compliance with U.S. Securities Laws** – The Board may also require such other documentation as may from time to time be necessary to comply with United States' federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

## 8. TRANSFERABILITY OF OPTIONS

- 8.1 **Non-Transferable/Legending** – Except as permitted by applicable securities laws and the policies of the Exchange, and as provided otherwise in this Section 8, Options are non-assignable and non-transferable. If the Shares are listed only on the TSXVE, then, in addition to any resale restrictions under applicable securities laws, if the Company is, at the Date of Grant of an Option, designated as a "Tier 2" listed company by the TSXVE or, if the Company is not so designated but the Option Price is based on a discount from the last closing price of the Shares on the TSXVE, the Option Agreement and the certificates representing the Shares issued on the exercise of such Option shall bear the applicable TSXVE legend regarding the required hold period commencing on the Date of Grant.
- 8.2 **Death of Optionee** – Subject to Section 8.3 hereof, if the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an

Optionee as an individual providing Investor Relations Activities, or the position of the Optionee as a Director or Senior Officer of the Company or any Subsidiary Company, terminates as a result of such Optionee's death, any Options held by such Optionee shall pass to the Qualified Successor of the Optionee and shall be exercisable by such Qualified Successor until the earlier of a period of not more than one year following the date of such death and the expiry of the Term of the Option.

- 8.3 **Disability of Optionee** – If the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities for the Company, or the position of the Optionee as a Director or Senior Officer of the Company or any Subsidiary Company, is terminated by reason of such Optionee's Disability, any Options held by such Optionee that could have been exercised immediately prior to such termination of employment or service shall be exercisable by such Optionee, or by his Guardian, for a period of 30 days following the termination of employment or service of such Optionee. If such Optionee dies within that 30-day period, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor of such Optionee, and shall be exercisable by the Qualified Successor until the earlier of a period of 30 days following the death of such Optionee and the expiry of the Term of the Option.
- 8.4 **Vesting** – Options held by a Qualified Successor or exercisable by a Guardian shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.
- 8.5 **Deemed Non-Interruption of Employment** – Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee's right to reemployment with the Company or any Subsidiary Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee's reemployment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the ninety-first day of such leave.

## 9. TERMINATION OF OPTIONS

- 9.1 **Termination of Options** – To the extent not earlier exercised or terminated in accordance with Section 8 hereof, an Option shall terminate at the earliest of the following dates:
- (a) the termination date specified for such Option in the Option Agreement;
  - (b) where the Optionee's position as an Employee, a Consultant, a Director or a Senior Officer of the Company or any Subsidiary Company, or an individual providing Investor Relations Activities for the Company, is terminated for cause, the date of such termination for cause;
  - (c) where the Optionee's position as an Employee, a Consultant, a Director or a Senior Officer of the Company or any Subsidiary Company or an individual providing Investor Relations Activities for the Company terminates for a reason other than the Optionee's Disability or death or for cause, not more than 90 days after such date of termination or, if the Shares are listed only on the TSXVE and if the Company is designated as a "Tier 2" listed company by the TSXVE, then in the case of a person employed to provide Investor Relations Activities, not more than 30 days after such person ceases to be employed to provide Investor Relations Activities; PROVIDED that if an Optionee's position changes from one of the said categories to another category, such change shall not constitute termination or cessation for the purpose of this Subsection 9.1(c); and
  - (d) the date of any sale, transfer, assignment or hypothecation, or any attempted sale, transfer, assignment or hypothecation, of such Option in violation of Section 8.1.
- 9.2 **Lapsed Options** – If Options are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options. If an Option has been surrendered in connection with the regranting of a new Option to the same Optionee on different terms than the original Option granted to such Optionee, then, if required, the new Option is subject to approval of the Exchange.
- 9.3 **Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement** – If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any Subsidiary Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not vested at that time or which, if vested, were cancelled, shall not give rise to any right to damages

and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

## 10. ADJUSTMENTS TO OPTIONS

- 10.1 **Alteration in Capital Structure** – If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the Option Price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.
- 10.2 **Effect of Amalgamation, Merger or Arrangement** – If the Company amalgamates, merges or enters into a plan of arrangement with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger or arrangement if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger or arrangement, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.
- 10.3 **Acceleration on Change in Control** – Upon a Change in Control, all Options shall become immediately exercisable, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject.
- 10.4 **Acceleration of Date of Exercise** – Subject to the approval of the Exchange, if required, the Board shall have the right to accelerate the date of vesting of any portion of any Option which remains unvested.
- 10.5 **Determinations to be Binding** – If any questions arise at any time with respect to the Option Price or exercise price or number of Option Shares or other property deliverable upon exercise of an Option following an event referred to in this Section 10, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.
- 10.6 **Effect of a Take-Over** – If a *bona fide* offer (the “Offer”) for Shares is made to an Optionee or to Shareholders generally or to a class of Shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the “Optioned Shares”) to the Offer. If:
- (a) the Offer is not completed within the time specified therein; or
  - (b) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror pursuant thereto;

the Optioned Shares or, in the case of clause (b) above, the Optioned Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Optioned Shares, the Option shall be reinstated as if it had not been exercised. If any Optioned Shares are returned to the Company under this Section, the Company shall refund to the Optionee any Option Price paid for such Optioned Shares.

## 11. APPROVAL, TERMINATION AND AMENDMENT OF PLAN

- 11.1 **Shareholder Approval** – When required by TSX Policy 4.4, Section 2.10, this Plan is subject to, *inter alia*, Disinterested Shareholder Approval on a yearly basis at each of the Company’s annual meeting. If Disinterested Shareholder Approval is not required the plan must be approved by a majority of the votes cast by all Shareholders at the Company’s annual meeting.
- 11.2 **Power of Board to Terminate or Amend Plan** – Subject to the approval of the Exchange, if required, the Board may terminate, suspend or discontinue the Plan at any time or amend or revise the terms of the Plan; provided, however, that, except as provided in Section 10 hereof, the Board may not do any of the following without

obtaining, within 12 months either before or after the Board's adoption of a resolution authorizing such action, approval by the Company's Shareholders at a meeting duly held in accordance with the applicable corporate laws:

- (a) increase the maximum number of Shares which may be issued under the Plan;
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) materially increase the benefits accruing to participants under the Plan;

however, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority, or as a result of changes in the policies of the Exchange relating to Director, Officer and Employee stock options, without obtaining the approval of the Company's Shareholders.

- 11.3 **No Grant During Suspension of Plan** – No Option may be granted during any suspension, or after termination, of the Plan. Amendment, suspension or termination of the Plan shall not, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

## 12. **CONDITIONS PRECEDENT TO ISSUANCE OF SHARES**

- 12.1 **Compliance with Laws** – Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant provisions of law, including, without limitation, all applicable securities regulations and the requirements of any Exchange or automated interdealer quotation system of a registered national securities association upon which such Shares may then be listed or quoted, and such issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such Shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares under this Plan, or the unavailability of an exemption from registration for the issuance and sale of any Shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such Shares other than with respect to a refund of any Option Price paid.

## 13. **USE OF PROCEEDS**

- 13.1 **Use of Proceeds** – Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes, or as the Board otherwise determines.

## 14. **NOTICES**

- 14.1 **Notices** – All notices, requests, demands and other communications required or permitted to be given under this Plan and the Options granted under this Plan shall be in writing and shall be either delivered personally to the party to whom notice is to be given, in which case notice shall be deemed to have been duly given on the date of such personal delivery; telecopied, in which case notice shall be deemed to have been duly given on the date the telecopy is sent; or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and addressed to the party at his or its most recent known address, in which case such notice shall be deemed to have been duly given on the tenth postal delivery day following the date of such mailing.

## 15. **MISCELLANEOUS PROVISIONS**

- 15.1 **No Obligations to Exercise** – Optionees shall be under no obligation to exercise Options granted under this Plan.
- 15.2 **No Obligation to Retain Optionee** – Nothing contained in this Plan shall obligate the Company or any Subsidiary Company to retain an Optionee as an Employee, Officer, Director or Consultant for any period, nor shall this Plan interfere in any way with the right of the Company or any Subsidiary Company to reduce such Optionee's compensation.

- 15.3 **Binding Agreement** – The provisions of this Plan and of each Option Agreement with an Optionee shall be binding upon such Optionee and the Qualified Successor or Guardian of such Optionee.
- 15.4 **Use of Terms** – Where the context so requires, references herein to the singular shall include the plural, and vice versa, and references to a particular gender shall include either or both genders.
- 15.5 **Headings** – The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.
- 15.6 **No Representation or Warranty** – The Company makes no representation or warranty as to the future value of any Shares issued in accordance with the provisions of this Plan.
- 15.7 **Income Taxes** – As a condition of and prior to participation in the Plan any Optionee shall, on request forthwith, authorize the Company in writing to withhold from any remuneration otherwise payable to such Optionee any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such Optionee's participation in the Plan.
- 15.8 **Compliance with Applicable Law** – If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange or over the counter market having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.
- 15.9 **Conflict** – In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.
- 15.10 **Governing Law** – This Plan and each Option Agreement issued pursuant to this Plan shall be governed by the laws of the Province of Ontario.
- 15.11 **Time of Essence** – Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be, or to operate as, a waiver of the essentiality of time.
- 15.12 **Entire Agreement** – This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.
- 16. EFFECTIVE DATE OF PLAN**
- 16.1 **Effective Date of Plan** – This Plan shall be effective on the later of the day of its approval by the Shareholders of the Company given by way of ordinary resolution and the day of its acceptance for filing by the Exchange.