

# DIA BRAS EXPLORATION INC.

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders (the “Meeting”) of DIA BRAS EXPLORATION INC. (the “Company”), for the year ended December 31, 2008, will be held on Wednesday, June 10, 2009, at 10:00 a.m. (local time), at 475 President Kennedy avenue, Mozart Room, Hotel Delta, Montréal, Québec, for the following purposes:**

- (a) to receive the annual report of management, the audited consolidated financial statements of the Company for the years ended December 31, 2008 and 2007 and the auditors’ report thereon;
- (b) to elect directors of the Company;
- (c) to appoint the auditors of the Company and to authorize the directors to fix their remuneration;
- (d) to approve the stock option plan of the Company; and
- (e) to transact such other business as may properly be brought before the Meeting, or any adjournment thereof.

The Proxy Circular of the Company and a Proxy Form for the Meeting are enclosed herewith.

DATED at Montréal, Québec, this 13<sup>th</sup> day of May 2009.

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

(s) *Luce L. Saint-Pierre*

Luce L. Saint-Pierre  
Secretary

**If you are unable to attend the Meeting in person, please complete, date and sign the enclosed form of proxy and return it in the envelope provided for that purpose.**

# DIA BRAS EXPLORATION INC.

## PROXY CIRCULAR

### SOLICITATION OF PROXY

**This Proxy Circular (the “Circular”) is provided in connection with the solicitation of proxies by the management of DIA BRAS EXPLORATION INC. (the “Company”) for use at the Annual and Special Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof (the “Meeting”).** It is expected that the solicitation will be primarily by mail, but proxies may also be solicited in person or by telephone by employees of the Company. The cost of solicitation is borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXY

The persons named in the enclosed Form of Proxy are officers of the Company. **A shareholder wishing to appoint some other person (who need not be a shareholder) to represent him at the Meeting, may do so by inserting such person’s name in the blank space provided in the Form of Proxy and depositing the duly completed Form of Proxy at the registered office of the Company or the Company’s transfer agent indicated on the enclosed envelope prior to the close of business on the second business day preceding the date of the Meeting (exclusive of Saturdays, Sundays and holidays).**

Any proxy given may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his or her attorney authorized in writing, and deposited either at the registered office of the Company or its transfer agent at any time prior to the close of business on the second business day preceding the date of the Meeting or in any other manner permitted by law. The shareholder may choose to attend the Meeting in person and exercise his or her voting rights.

### EXERCISE OF DISCRETION BY PROXY

A shareholder forwarding the enclosed Form of Proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. The persons named in the enclosed Form of Proxy will vote the shares in respect of which they are appointed in accordance with the directions, if any, of the shareholders appointing them. **In the absence of such directions, such shares will be voted in favour of the passing of all the resolutions described below. The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to any amendment or variation to matters identified in the Notice of Meeting and to any other matter which may properly come before the Meeting.** At the time of the Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, in either case, the persons named in the Form of Proxy will vote according to their best judgment.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The board of directors of the Company has fixed May 8, 2009 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting.

On May 8, 2009, 202,964,087 common shares of the Company were issued and outstanding. The common shares are the only securities outstanding and entitled to be voted at the Meeting. All holders of common shares of record as of May 8, 2009 are entitled to attend and vote thereat in person or by proxy.

## NON-REGISTERED SHAREHOLDERS

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a person (a "Non-Registered Holder") are registered either: (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Common Shares, such as securities dealers or brokers, banks, trust companies, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSAs and similar plans; or (ii) in the name of a clearing agency of which the Intermediary is a participant. In accordance with National Instrument 54-101 of the Canadian Securities Administrators, entitled "Communication with Beneficial Owners of Securities of a Reporting Issuer", the Company has distributed copies of the Notice of Meeting and this Management Proxy Circular (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders, and often use a service company for this purpose. Non-Registered Holders will either:

- (a) typically, be provided with a computerized form (often called a "voting instruction form") which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow. In order for the applicable computerized form to validly constitute a voting instruction form, the Non-Registered Holder must properly complete and sign the form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or service company. In certain cases, the Non-Registered Holder may provide such voting instructions to the Intermediary or its service company through the Internet or through a toll-free telephone number; or
- (b) less commonly, be given a proxy form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the proxy form and submit it to Computershare Investor Services Inc. (Attention: Proxy Department), 1500 University, 7th Floor, Montréal, Québec H3A 3S8.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Holder who receives a voting instruction form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should print his or her own name, or that of such other person, on the voting instruction form and return it to the Intermediary or its service company. Should a Non-Registered Holder who receives a proxy form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons set out in the proxy form and insert the name of the Non-Registered Holder or such other person in the blank space provided and submit it to Computershare Investor Services Inc. at the address set out above. **In all cases, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when, where and by what means the voting instruction form or proxy form must be delivered.** A Non-Registered Holder may revoke voting instructions which have been given to an Intermediary at any time by written notice to the Intermediary.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, the only persons, firms or corporations who own, directly or indirectly, or exercise control or direction over voting securities of the Company carrying more than 10% of the voting rights attached to any class of voting securities of the Company, are as follows:

Shareholder Name	Number of Shares	Percentage of Issued Shares
Arias Resource Capital Fund LP	67,628,727	33.32%
Matterhorn Investment Management LLP	24,470,300	12.06%

## CHANGE OF OWNERSHIP

At the special meeting of the shareholders of the Company held on February 16, 2009, the shareholders approved the issuance of securities resulting in the creation of a new Control Person (as such term is defined in the TSXV policies), namely Arias Resource Capital Fund LP.

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

Except as disclosed herein, the Company is not aware that any of the directors, nominees, officers or other insiders of the Company or any persons associated or otherwise related to any of them has any significant interest in the matters to be acted upon at the Meeting.

## ELECTION OF DIRECTORS

The articles of the Company provide that the board of directors shall consist of a maximum of fifteen (15) directors. It is proposed by management of the Company that eight (8) directors be elected for the current year. The term of office of each director so elected will expire upon the election of his successor unless he resigns or his office shall become vacant by death, removal or other cause.

**Except where authority to vote on the election of directors is withheld, the persons named in the accompanying Form of Proxy will vote FOR the election of the nominees whose names are hereinafter set forth.**

The management of the Company does not contemplate that any of the nominees will be unable or, for any reason, will become unwilling, to serve as a director, but, if that should occur for any reason prior to the election, the persons named in the accompanying Form of Proxy reserve the right to vote for another nominee in their discretion, unless the shareholder has specified in the Form of Proxy that his or her shares are to be withheld from voting on the election of directors.

The following table sets forth certain information pertaining to the persons proposed to be nominated for election as directors.

<b>Name, Position with the Company,</b>	<b>Principal occupation</b>	<b>Director of the Company since</b>	<b>Number of Common Shares beneficially owned or over which control or direction is exercised <sup>(1)</sup></b>
<b>DANIEL TELLECHEA</b> <sup>(5)</sup> President, Chief Executive Officer and director <i>Arizona, United States</i>	President and Chief Executive Officer of the Company	June 7, 2007	Nil
<b>ROBERT D. HIRSH</b> <sup>(2)(3)</sup> Director <i>Mexico City, Mexico</i>	Managing Director and Industry Head - Mining and Energy <i>Scotia Capital Mexico</i>	February 25, 2005	426,400
<b>PHILIP RENAUD</b> <sup>(2)(3)(4)</sup> Director <i>London, United Kingdom</i>	Managing Director, <i>Church Advisors</i> <i>(Investment advisory company)</i>	October 1 <sup>st</sup> , 2003	14,448,146
<b>THOMAS L. ROBYN</b> <sup>(4)</sup> Chairman and director <i>Colorado, USA</i>	President, Yorbeau Resources Inc. (mineral exploration company)	August 30, 2005	150,000
<b>EDUARDO GONZALEZ</b> <sup>(2)(5)</sup> Director <i>Mexico, Mexico</i>	Director of Finance <i>BioFields</i> <i>Production renewable and sustainable biofuels</i>	July 11, 2007	Nil
<b>DAVID CREVIER</b> <sup>(3)(4)</sup> Director <i>Québec, Canada</i>	Partner <i>Colby, Monet, Demers, Delage &amp; Crevier LLP</i> <i>(law firm)</i>	June 4, 2008	353,000 of which 100,000 are held indirectly and 3,000 by a related party
<b>J. ALBERTO ARIAS</b> <sup>(5)(6)</sup> Director <i>New York, USA</i>	President & CEO <i>Arias Resource Capital Management LP</i> <i>(Private Fund)</i>	November 26, 2008	Nil
<b>DOUGLAS F. CATER</b> Director <i>Ontario, Canada</i>	Exploration Manager <i>Dundee Precious Metals Inc.</i>	Nominee	Nil

- (1) Each nominee has supplied the information concerning the number of common shares over which he exercises control or direction.
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee.
- (4) Member of the Governance Committee.
- (5) Member of the Hedging Committee.
- (6) Mr. Arias is President and CEO of Arias Resource Capital Management LP, manager of Arias Resource Capital Fund LP, the principal shareholder of the Company

All of the persons whose names are hereinabove mentioned have previously been elected directors of the Company at a shareholders' meeting for which a proxy circular was issued and hold the same principal occupation as when elected except for Messrs. Alberto Arias and Douglas F. Cater.

Mr. Arias has a B.Sc. (mining engineering and metallurgy) from the Colorado School of Mines and three Master degrees, including a MBA, from Columbia University. He holds a patent for a gold mineral processing technology. Mr. Arias has over 15 years of experience in the field of international mining finance and is widely recognized as an industry expert. Prior to founding Arias Resource Capital, Mr. Arias worked for eight years at Goldman, Sachs & Co., his last appointment being as Managing Director and Head of Equity Research for metals and mining in the United States, Canada and Latin America.

Mr. Douglas F. Cater is employed as the Exploration Manager for Dundee Precious Metals Inc., a Toronto based mining and exploration company since August 2005. He worked as independent consulting geologist from October 2003 to August 2005. Mr. Cater is a member of the Association of Professional Geoscientists of Ontario. Mr. Cater has actively practised geoscience for the past 28 years. He has worked at numerous operating mines and advanced stage mineral exploration properties throughout Canada, United States and Africa.

Except as disclosed hereunder, to the knowledge of the Company, none of the foregoing nominees for election as a director:

- (a) is, or within the last ten years has been, a director or executive officer of any company that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company becoming the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

*David Crevier* - Mr. Crevier was a director of Diagem Inc. (TSX VENTURE: DGE) when, on November 3, 2008, a cease trade order was issued against that company by the Autorité des marchés financiers for failure to file its annual financial statements within the prescribed time. Mr. Crevier is still a director of Diagem Inc.

*Philip Renaud* - Mr. Renaud was a director of Diagem Inc. (TSX VENTURE: DGE) when, on November 3, 2008, a cease trade order was issued against that company by the Autorité des marchés financiers for failure to file its annual financial statements within the prescribed time.

*Daniel Tellechea* - Mr. Daniel Tellechea was President and Chief Executive Officer of Asarco LLC (formerly Asarco Inc.) (“Asarco”) when Asarco filed in 2005 proceedings seeking protection from its creditors under Chapter 11 of the United States Bankruptcy Code.

To the knowledge of the Company, none of the foregoing nominees for election as director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

## EXECUTIVE COMPENSATION

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis (“CD&A”) is to provide information about the Company’s executive compensation objectives and processes and to discuss compensation decisions relating to the Company’s senior officers, being the two identified named executive officers (the “NEOs”) in 2008. The NEOs who are the focus of the CD&A and who appear in the compensation tables of the Management Proxy Circular are: Daniel Tellechea, President and Chief Executive Officer (the “CEO”) and Arved Marin, Financial Controller acting in the capacity of Interim Chief Financial Officer (the “CFO”).

The Company notes that it is in an exploration and development phase with respect to its properties and often has to operate with limited financial resources and control costs to ensure that funds are available to complete scheduled programs. As a result, the Board of Directors (the “Board”) has to consider not only the financial situation of the Company at the time of the determination of the compensation but also the estimated financial situation in the mid- and long-term. An important element of the compensation is the stock options, which does not require cash disbursement from the Company.

#### *Compensation Committee*

In order to assist the Board in fulfilling its oversight responsibilities with respect to human resources matters, the Board has established the compensation committee (the “Compensation Committee”). During the most recently completed fiscal year, the Compensation Committee was comprised of three directors, namely Philip Renaud, Robert Hirsh and David Crevier. All of the Compensation Committee members are independent within the meaning of National Instrument 58-101 - Disclosure of Corporate Governance Practices (“NI 58-101”).

The Compensation Committee’s purpose is to: (i) establish the objectives that will govern the Company’s compensation program; (ii) oversee and approve the compensation and benefits paid to the CEO and other senior officers; (iii) recommend to the Board for approval executive compensation; (iv) oversee the Company’s stock option plan; and (v) promote the clear and complete disclosure to shareholders of material information regarding executive compensation.

#### *Compensation Process*

The Compensation Committee relies on the knowledge and experience of its members and the recommendations of the CEO to set appropriate levels of compensation for senior officers. Neither the Company nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant.

The Compensation Committee reviews and makes determinations with respect to senior officer compensation on an ad hoc basis. When determining senior officers compensation, the Compensation Committee reviews the performance of senior officers as evaluated by the CEO based on their achievements during the preceding year.

The Compensation Committee uses all the data available to it to ensure that the Company is maintaining a level of compensation that is both commensurate with the size of the Company and sufficient to retain key personnel. In reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level and does not compare its compensation to a specific peer group of companies. In the Compensation Committee’s view, external data provides insight into external competitiveness, but it is not an appropriate single basis for establishing compensation levels. External data is considered, along with an assessment of individual performance and experience, the Company’s business strategy, and general economic considerations.

The Compensation Committee reviews the elements of the NEO’s compensation in the context of the total compensation package (base salary and stock options). The Compensation Committee’s recommendations

regarding NEO compensation are presented to the independent members of the Board for their consideration and approval.

From time to time the Board grants stock options. The Board determines the particulars with respect all options granted to senior officers. See below “Special Business to be Considered at the Meeting - Amendment to Stock Option Plan” for a description of proposed changes to the Stock Option Plan in 2009 and Schedule “B” for a copy of the proposed Stock Option Plan.

### **Compensation Program**

#### *Principles/Objectives of the Compensation Program*

The primary goal of the Company’s executive compensation program is to attract, motivate and retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Company’s senior officers is determined with regard to the Company’s business strategy and objectives, such that the financial interests of the senior officers are matched with the financial interests of the shareholders.

#### *Compensation Program Design and Analysis of Compensation Decisions*

Standard compensation arrangements for the Company’s senior officers are composed of the following elements, which are linked to the Company’s compensation and corporate objectives as follows:

<b>Compensation Element</b>	<b>Link to Compensation Objectives</b>	<b>Link to Corporate Objectives</b>
Base Salary or Consultant Fees	Attract and Retain Reward	Competitive pay ensures access to skilled personnel necessary to achieve corporate objectives. Ad hoc review based on NEO performance.
Stock Options	Motivate and Reward Align interest with shareholders	Long-term incentives motivate and reward senior officers to increase shareholder value by the achievement of long-term corporate strategies objectives.

The Company is an exploratory stage mining company and its sole source of revenue is the pilot-mining program. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Compensation Committee to be appropriate in the evaluation of corporate or NEO performance. As mentioned above, the compensation of senior officers is based on the individual performance and experience of each officer as well as the Company’s business strategy and general economic considerations. The Compensation Committee may recommend the granting of bonuses to senior officers in order to reward exceptional performance.

#### *Salaries and Consultant Fees*

The Company provides NEOs with base salaries which represent their compensation for services rendered during the fiscal year. NEOs’ base salaries or consulting fees depend on the scope of their experience, responsibilities, leadership skills, and performance. Base salaries are reviewed from time to time by the Compensation Committee. A description of the material terms of each NEO employment contract is provided under “Termination and Change of Control Benefits” (below).

## Stock Options

The grant of options to purchase Common Shares pursuant to the stock option plan (the “**Stock Option Plan**”) is an integral component of the compensation packages of the senior officers of the Company. The Compensation Committee believes that the grant of options to senior officers and common share ownership by such officers serves to motivate achievement of the Company’s long-term strategic objectives and the result will benefit all shareholders. The Compensation Committee’s recommendations with respect to the granting of Options are reviewed by the Board and are subject to its final approval. See “Special Business to be Considered at the Meeting - Amendment to Stock Option Plan”.

### Summary Compensation Table

Name and Position	Fiscal period	Salary (\$)	Bonus (\$)	Other annual compensation (\$)	Options-based awards (\$) <sup>(5)</sup>	Total compensation (\$)
DANIEL TELLECHEA* <sup>(1)</sup> President and Chief Executive Officer	2008	266,500	-	Nil	68,940	335,440
ARVED MARIN* <sup>(2)</sup> Financial Controller in the capacity of Interim Chief Financial Officer	2008	57,173	2,396	Nil	14,611	74,180
LEONARD TEOLI <sup>(3)</sup> Chief Financial Officer		160,000	-	31,740 <sup>(4)</sup>	Nil	191,740

\* Refer to Section “Termination of Employment, Change in Responsibilities and Employment Contracts”

- (1) Mr. Daniel Tellechea was appointed President and Chief Executive Officer on October 22, 2007. His compensation is paid by Dia Bras Mexicana, S. de R.L. de C.V. (“Dia Bras Mexicana”), a subsidiary of the Company.
- (2) Mr. Arved Marin was appointed Chief Financial Officer by interim on October 6, 2008.
- (3) Mr. Leonard Teoli ceased to be Chief Financial Officer in October 2008.
- (4) Earned vacation paid on Mr. Teoli ceasing to be Chief Financial Officer.
- (5) Represents the aggregate fair value on the dates of grant of the options under the Company’s Stock Option Plan. The grant date fair value has been calculated using the Black and Scholes model. The key assumptions and estimates used for the calculation of the grant date fair value include:
 

Risk-free interest rate	2.71%
Volatility	78.59%
Expected life	4 years

The grant date fair value presented above is the fair value calculated for the year-end consolidated financial statements.

### Outstanding option-based awards

The following table sets forth all awards outstanding as at December 31, 2008.

Named Executive Officers	Securities under Options Granted (#)	Exercise price (\$/share)	Expiration Date	Value of unexercised in-the-money options (\$)
Daniel Tellechea	50,000	1.10	April 3, 2012	Nil
	100,000	1.28	June 8, 2012	Nil
	300,000	0.89	October 18, 2012	Nil
	200,000	0.61	April 14, 2013	Nil
Arved Marin	30,000	0.61	April 14, 2013	Nil
	70,000	0.10	November 25, 2013	Nil

For details of the stock option plan of the Company see Schedule B “Stock Option Plan”.

### Incentive plan awards – value vested during the year

No value would have been realized if the options under the option-based award had been exercised on the vesting date since none of the vested options were in-the-money during the fiscal year ended December 31, 2008.

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

On October 23, 2007, the Company entered into a Management and Consulting Agreement with Daniel Tellechea (the “Tellechea Agreement”) whereby Mr. Tellechea is entitled to an annual compensation of US\$250,000 (the “Tellechea Annual Fees”) as President and Chief Executive Officer of the Company. The Company may terminate the Tellechea Agreement upon a written notice of termination of twelve (12) months which notice period may be replaced by a total severance package equal to two times the Tellechea Annual Fees in case of termination within 90 days of a change of control.

On October 23, 2008, the Company entered into an employment agreement with Arved Marin (the “Marin Agreement”) whereby Mr. Marin is entitled to an annual compensation of \$80,000 as Financial Controller. The Company may terminate the Marin Agreement upon a written notice of termination of three (3) months or a payment equal to three-month salary.

### Estimated Incremental Payments as of December 31, 2008

#### Termination without Cause

Name	Salary
D. Tellechea	\$306,150*
A. Marin	\$20,000
Total	\$326,150

\*Converted at the rate of exchange on December 31, 2008

**Estimated Incremental Payments as of December 31, 2008  
Termination within three months of a Change of Control**

<b>Name</b>	<b>Salary</b>
D. Tellechea	\$612,300*
A. Marin	\$20,000
Total	\$632,300

\*Converted at the rate of exchange on December 31, 2008

Although, according to the stock option plan of the Company, all options granted to the NEO will vest in the event of change of control, no gain would have been realized as of December 31, 2008 since none of the options were in-the-money on December 31, 2008.

**DIRECTORS' COMPENSATION**

The Compensation Committee is responsible for developing the directors' compensation plan which is approved by the Board. The objectives of the directors' compensation plan are to compensate the directors in a manner that is cost effective for the Company and competitive with other comparable companies and to align the interests of the directors with the shareholders.

**Fees**

The directors' compensation structure is as follows:

<b>Compensation structure</b>	
Annual Retainer	\$20,000 payable in quarterly payments
Board meeting fee	\$1,000
Committee meeting fee	\$1,000
Annual chair retainer	\$24,000
Annual committee chair retainer	\$5,000

**Summary Compensation Table**

The following table summarizes the compensation paid and options granted for 2008 the directors of the Company except the Chief Executive Officer

<b>Name</b>	<b>Fees earned (\$)<sup>(1)</sup></b>	<b>Option-based awards (\$)</b>	<b>All other compensation</b>	<b>Total (\$)</b>
Mario Caron <sup>(2)</sup>	7,250	-	-	7,250
Eduardo Gonzalez	35,000	-	-	35,000
Robert Hirsh	29,000	-	-	29,000
Philip Renaud	32,000	-	-	32,000
Thomas L. Robyn	24,000	-	-	24,000
David Crevier <sup>(3)</sup>	17,500	19,200	-	36,700
Mark Goodman <sup>(4)</sup>	12,000	19,200	-	31,700
J. Alberto Arias <sup>(5)</sup>	-	-	-	-

(1) No fees were paid for the last quarter of 2008.

(2) Mr. Caron resigned from the Board in June 2008

(3) Mr. Crevier was nominated on the Board in June 2008

(4) Mr. Goodman was nominated on the Board in June 2008

(5) Mr. Arias was nominated on the Board in November 2008

### **Incentive plan awards – value vested during the year**

No value would have been realized if the options under the option-based award had been exercised on the vesting date since none of the options were in-the-money during the fiscal year ended December 31, 2008.

### DIRECTORS' AND OFFICERS' INSURANCE

The Company has purchased an insurance policy for the benefit of its directors and officers, and the directors and officers of its subsidiaries, against liability incurred in the performance of their duties as directors and officers of the Company or its subsidiaries, as the case may be. The premium for the fiscal year ended December 31, 2008 amounts to \$30,000. The annual policy limit is \$5 million and the deductible is \$25,000.

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

As at May 13, 2009, none of the directors, executive officers, employees or former directors, executive officers or employees of the Company was indebted to the Company or a subsidiary of the Company in connection with a purchase of securities or for any other matter.

During the fiscal year ended December 31, 2008, none of the directors or executive officers of the Company, proposed nominees for election as a director, or any associate of the foregoing was indebted to the Company or any subsidiary of the Company.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

<b>Plan category</b>	<b>Number of shares to be issued upon exercise of outstanding options</b>	<b>Weighted average exercise price of outstanding options</b>	<b>Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	7,949,999 <sup>(1)</sup>	\$0.64	2,950,001 <sup>(1)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	7,949,999 <sup>(1)</sup>	\$0.64	2,950,001 <sup>(1)</sup>

(1) As of the date of the Circular.

### REAPPOINTMENT OF AUDITORS

The management of the Company proposes that PricewaterhouseCoopers LLP, Chartered Accountants, be appointed as auditors of the Company for the 2008 fiscal year and that the directors be authorized to fix their compensation.

**Except where authority to vote on the appointment of the auditors of the Company is withheld, persons named in the accompanying Form of Proxy will vote FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company for the 2009 fiscal year and FOR their compensation to be fixed by the directors of the Company.**

### AUDIT COMMITTEE

#### **Audit Committee Charter**

Under the rules of the TSX Venture Exchange, the Company is required to disclose the text of the audit committee charter. The Charter is set out in Schedule "A" to this Circular.

## Composition of the Audit Committee

The Audit Committee is composed of the persons named in the table below.

Name	Independent	Financially literate
Eduardo Gonzalez	Yes	Yes
Robert D. Hirsh	Yes	Yes
Philip Renaud	Yes	Yes

Mr. *Eduardo Gonzalez* has a Masters in Business Administration from the Graduate School of Business of the University of Chicago. He was Chief Financial Officer of the Mining Division/AMC of Grupo Mexico, S.A. de C.V. from 1999 to 2005 and Director & Chief Financial Officer of Southern Copper Company from 2005 to June 2007. Since June 2007, Mr. Gonzalez is Director of finance of BioFields. Mr. Gonzalez is an independent director.

Mr. *Robert D. Hirsh* has a Bachelor of Arts in economics from the *University of Western Ontario* and a MBA from the *Stern School of Business, New York University* with a major in finance. Mr. Hirsh is the industry head of the mining, energy, telecommunication, and media sectors responsible for origination and primary client coverage of *Scotia Capital* in Mexico. Prior to this, Mr. Hirsh was vice-president of investment banking, fixed income at *Casa de Bolsa Scotia Inverlat*. His responsibilities included origination and execution of debt capital markets products, marketing underwriting and distribution capabilities of commercial paper, debentures and medium term notes to corporate clients in Mexico. Mr. Hirsh is an independent director.

Mr. *Philip Renaud* is Managing Director of Church Advisors. He is a graduate of Franklin College of Switzerland with a Bachelor of Arts in international financial management. He is a director and member of the Audit committee of Diagem Inc. Mr. Renaud is an independent director.

### Reliance on Certain Exemptions

The Company is relying upon the exemption from the requirements of MI 52-110 relating to the reporting obligations of the Audit Committee provided in Section 6.1 of MI 52-110.

### FEES

#### Audit Fees

The audit fees for the fiscal years ended December 31, 2008 and 2007 amounted to \$325,000 and \$136,000 respectively.

#### Other Related Audit Fees

\$5,000 of audit fees were charged by the auditors in fiscal year ended December 31, 2008 (Nil in 2007).

#### Pre-approval Policies and Procedures

Under its charter, the Audit Committee has the mandate to review and pre-approve management requests for any consulting engagement to be performed by the auditors of the Company that is beyond the scope of their audit services. There were no such mandates in the fiscal year ended December 31, 2008.

## **SPECIAL BUSINESS TO BE CONSIDERED AT THE MEETING**

### **Amendment to Stock Option Plan**

The Company maintains a fixed number Stock Option Plan (the “Plan”) whereby the Board of Directors may from time to time grant to employees, officers, directors and consultants of the Company or any subsidiary thereof Options to acquire Common Shares. A copy of the Plan is attached hereto as Schedule B. The Board may determine the number of Common Shares that may be reserved for issuance under the Plan provided that this number does not exceed 10% of the number of issued and outstanding Common Shares. As at May 13, 2009, the maximum number of Common Shares that may be reserved for issuance under the Plan was equal to 10,900,000. The Board recommends that the maximum number of Common Shares reserved for issuance under the Plan be increased to 13,600,000, this amount representing approximately 9.9% of the number of issued and outstanding Common Shares as of May 13, 2009.

Unless otherwise directed, it is the intention of management nominees to vote proxies in the accompanying form of proxy for of the adoption of a resolution approving the Plan providing, amongst other, for a maximum number of 13,600,000 Common Shares to be reserved for issuance under the Plan. This resolution requires confirmation by a majority of the disinterested votes cast thereon at the Meeting and, therefore, to the knowledge of the Company, 15,377,546 votes attached to the Common Shares of the directors and officers of the Company will not be counted.

The text of the proposed resolution is set forth below:

**“BE IT RESOLVED that:**

1. subject to regulatory approvals, the Stock Option Plan providing, amongst other, a maximum number of 13,600,000 Common Shares to be reserved for issuance under the Plan is hereby approved; and
2. any one director or officer of the Company is hereby authorized and directed to do all such acts and things and to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this special resolution.”

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein and in the audited financial statements of the Company for fiscal year ended December 31, 2008, the Company is not aware that any of the directors, nominees, officers or other insiders of the Company or any persons associated or otherwise related to any of them has had an interest in any material transaction carried out since the commencement of the last fiscal period of the Company and which has materially affected or is likely to materially affect the Company.

### OTHER BUSINESS

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice. If any other matter properly comes before the Meeting, the persons named in the Form of Proxy will vote the shares represented thereby in accordance with their best judgment on such matter.

### INFORMATION ON CORPORATE GOVERNANCE

The following information of the Company’s Corporate Governance Policy is given in accordance with NI 58-101.

**(a) Board of directors**

The majority of the directors will be independent, the only non independent directors being Mr. Daniel Tellechea, President and Chief Executive Officer, Mr. Thomas Robyn, Chairman and Mr. Alberto Arias who is related to the principal shareholder of the Company.

**(b) Directorships**

<b>Director</b>	<b>Issuer</b>	<b>Jurisdiction</b>
Daniel Tellechea	Revett Minerals Inc. Silver Eagle Mines Inc.	Canada Canada
Philip Renaud	Yorbeau Resources Inc. Valdez Gold Inc.	Québec Canada
Thomas L. Robyn	Yorbeau Resources Inc.	Canada
David Crevier	Cancor Mines Inc. Diagem Inc. Diagnos Inc.	Canada Canada Canada

**(c) Orientation and Continuing Education**

The board encourages directors to follow appropriate education programs offered by relevant regulatory bodies and provides them with the opportunity to enhance their understanding of the nature and operation of the Company.

**(d) Ethical Business Conduct**

Each director of the Company, in exercising his powers and discharging his duties, must act honestly and in good faith with a view to the best interests of the Company and further must act in accordance with the law and applicable regulations, policies and standards.

In situation of conflict of interest, a director is required to disclose the nature and extent of any material interest he/she has in any material contract or proposed contract of the Company, as soon as the director becomes aware of the agreement or the intention of the Company to consider or enter into the proposed agreement and the director must refrain from voting.

**(e) Nomination of Directors**

The board selects nominees for election to the board, after having considered the advice and input of the Governance Committee and having carefully reviewed and assessed the professional competencies and skills, personality and other qualities of each proposed candidate, including the time and energy that the candidate can devote to the task, and the contribution that the candidate can bring to the board's dynamic.

**(f) Compensation Committee**

In determining the remuneration of the officers of the Company, the Compensation Committee enquires about market remuneration packages by consulting directors and other compensation experts knowledgeable of the mining industry.

**(g) Governance Committee**

The Committee has the authority and responsibility for:

- (i) from time to time reviewing the mandates of the board and its committees and recommending to the board such amendments to those mandates as the Committee believes are necessary or desirable;
- (ii) reviewing annually the disclosure of corporate governance practices to be included in the Company's proxy circular;
- (iii) reviewing annually the size and composition of the board, analyzing the needs of the board and considering the skills, areas of experience, backgrounds, independence and qualifications of the board members to ensure that the board, as a whole, has a diversity of competencies and experience that support it in carrying out its responsibilities;
- (iv) assessing annually the effectiveness of the board as a whole, the committees of the board and the contribution of each director regarding his effectiveness and contribution;

- (v) acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full board meeting, including the performance of management or individual members of management or the performance of the board or individual members of the board;
- (vi) determining at the earliest stage possible whether any proposed transaction discussed by the board is or can be perceived as a related party transaction and, if such is the case, review any such transaction to ensure that it is being proposed and will be carried out with fairness and with the best interest of the Company in mind and or, alternatively, recommend that a special committee of disinterested directors be constituted to carry out the negotiations for such transaction and review and reported thereupon to the board.

**(h) Assessments**

Refer to the responsibilities of the Governance Committee described herein.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at [WWW.SEDAR.COM](http://WWW.SEDAR.COM).

Financial information relating to the Company is provided in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2008 and the related management's discussion and analysis (the "MD&A"). Shareholders who wish to obtain a copy of the financial statements and MD&A of the Company may contact the Company as follows:

By phone: 514-393-8875  
By fax: 514-393-8513  
By e-mail: [ndion@diabras.com](mailto:ndion@diabras.com)  
By mail: **DIA BRAS EXPLORATION INC.**  
Suite 2750  
600 de Maisonneuve Blvd. West  
Montréal, Québec  
H3A 3J2

**BY ORDER OF THE BOARD OF DIRECTORS**

(s) *Luce L. Saint-Pierre*  
Luce L. Saint-Pierre  
Secretary

Montréal, Québec  
May 13, 2009

## **SCHEDULE "A"**

### **TO THE PROXY CIRCULAR**

## **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

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### **I PURPOSE**

The Audit Committee (the "Committee") is a committee of the board of directors. The primary function of the Committee is to assist the board of directors in fulfilling its financial reporting and controls responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Committee. The Committee's primary duties and responsibilities are:

- overseeing the integrity of the Company's financial statements and reviewing the financial reports and other financial information provided by the Company to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Company's external auditors, overseeing the external auditors' qualifications and independence and providing an open avenue of communication among the external auditors, financial and senior management and the board of directors;
- monitoring the Company's financial reporting process and internal controls, its management of business and financial risk, and its compliance with legal, ethical and regulatory requirements.

### **II COMPOSITION**

The Committee shall consist of a minimum of three directors of the Company, including the Chair of the Committee, the majority of whom shall not be employees, officers or "control persons", as such term is defined hereunder, of the Company. All members shall, to the satisfaction of the board of directors, be "financially literate" as such term is defined hereunder.

The members of the Audit Committee shall be elected by the board of directors at the annual organizational meeting of the board of directors for the following year or until their successors are duly elected and qualified. The board of directors may remove a member of the Audit Committee at any time in its sole discretion by resolution of the board.

### **III DUTIES AND RESPONSIBILITIES**

1. The Committee shall:
  - (a) review and recommend to the board for approval the annual audited consolidated financial statements;
  - (b) review with financial management and the external auditor the Company's financial statements, MD&As and earnings releases prior to filing with regulatory bodies such as securities commissions and/or prior to their release;
  - (c) make document referencing, containing or incorporating by reference the annual audited consolidated financial statements or non audited interim financial statements results (e.g., prospectuses, press releases with financial results) prior to their release;
  - (d) make changes or additions to security policies at the Company and report, from time to time, to the board on the appropriateness of the policy guidelines in place to administer the Company's security programs.

2. The Committee, in fulfilling its mandate, will:
- (a) ensure to its satisfaction that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws;
  - (b) ensure to its satisfaction that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than MD&A and annual and interim earnings press releases, and must periodically assess the adequacy of those procedures;
  - (c) recommend to the board of directors the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor;
  - (d) monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor, and discussing and resolving any material differences of opinion or disagreements between management and the external auditor;
  - (e) review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Consider with management the rationale for employing accounting/auditing firms other than the principal external auditor;
  - (f) periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;
  - (g) arrange for the external auditor to be available to the Audit Committee and the full board of directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible;
  - (h) review and approve hiring policies for employees or former employees of the past and present external auditors;
  - (i) review the scope of the external audit, including the fees involved;
  - (j) review the report of the external auditor on the annual audited consolidated financial statements;
  - (k) review problems found in performing the audit, such as limitations or restrictions imposed by management or situations where management seeks a second opinion on a significant accounting issue;
  - (l) review major positive and negative observations of the auditor during the course of the audit;
  - (m) review with management and the external auditor of the Company's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;
  - (n) review emerging accounting issues and their potential impact on the Company's financial reporting;

- (o) review and approve requests for any management consulting engagement to be performed by the external auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees;
  - (p) review with management, the external auditors and legal counsel, any litigation, claims or other contingency, including tax assessments, which could have a material affect upon the financial position or operating results of the Company, and whether these matters have been appropriately disclosed in the financial statements;
  - (q) review the conclusions reached in the evaluation of management's internal control systems by the external auditors, and management's responses to any identified weaknesses;
  - (r) review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;
  - (s) review with management their approach with respect to business ethics and corporate conduct;
  - (t) review annually the legal and regulatory requirements that, if breached, could have a significant impact on the Company's published financial reports or reputation;
  - (u) receive periodic reports on the nature and extent of compliance with security policies. The nature and extent of non-compliance together with the reasons therefore, with the plan and timetable to correct such non-compliance will be reported to the board, if material;
  - (v) review with management the accuracy and timeliness of filing with regulatory authorities;
  - (w) review periodically the business continuity plans for the Company;
  - (x) review annually general insurance coverage of the Company to ensure adequate protection of major corporate assets including but not limited to D&O and "Key Person" coverage;
  - (y) perform such other duties as required by the Company's incorporating statute and applicable securities legislation and policies;
  - (z) establish procedures for:
    - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, or auditing matters; and
    - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or audit matters.
3. The Committee may engage and communicate directly and independently with outside legal and other advisors for the Committee as required and set and pay the compensation of such advisors.
4. On a yearly basis, the Committee will review the Audit Committee Charter and where appropriate recommend changes to the board of directors.

#### **IV SECRETARY**

The Secretary of the Committee will be appointed by the Chair.

## **V MEETINGS**

1. The Committee shall meet at such times and places as the Committee may determine, but no less than four times per year. At least annually, the Committee shall meet separately with management and with the external auditors.
2. Meetings may be conducted with members present, in person, by telephone or by video conference facilities.
3. A resolution in writing signed by all the members of the Committee is valid as if it had been passed at a meeting of the Committee.
4. Notice must be given to each committee member not less than 48 hours before the time when the meeting is to be held. The notice period may be waived by a quorum of the Committee.
5. The external auditors or any member of the Committee may also call a meeting of the Committee. The external auditors of the Company will receive notice of every meeting of the Committee.
6. The board shall be kept informed of the Committee's activities by a report, including copies of minutes, at the next board meeting following each Committee meeting.

## **VI QUORUM**

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee.

## **VII DEFINITIONS**

In accordance with *Multilateral Instrument 52-110-Audit Committee*,

*"Financially literate"* means that the director has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

*"Control Person"* means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company except where there is evidence showing that the holder of those securities does not materially affect the control of the Company.

APPROVED BY THE BOARD OF DIRECTORS  
May 13, 2009

**SCHEDULE "B"**  
**TO THE PROXY CIRCULAR**  
**STOCK OPTION PLAN**

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**1. PURPOSE OF PLAN**

- 1.1 The purpose of the Plan is to attract, retain and motivate persons as directors, officers, Employees and Consultants of the Company and its subsidiaries and to advance the interests of the Company by providing such persons with the opportunity, through Options, to acquire a proprietary interest in the Company.

**2. DEFINED TERMS**

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 "*Board*" means the board of directors of the Company or the executive committee or any another committee duly constituted and authorized to act on behalf of the Board in the matter of the Plan;
- 2.2 "*Business Day*" means any day, other than a Saturday or a Sunday, on which the Exchange is open for trading;
- 2.3 "*Company*" means collectively DIA BRAS EXPLORATION INC. and its Subsidiaries;
- 2.4 "*Consultant*" means a consultant as defined in Section 1.2 of Policy 4.4 of the TSX Venture Exchange and includes Consultant Company;
- 2.5 "*Consultant Company*" means, for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- 2.6 "*Eligible Person*" means any director, officer, Employee or Consultant of the Company;
- 2.7 "*Employee*" means an employee as defined in Section 1.2 of Policy 4.4 of the TSX Venture Exchange;
- 2.8 "*Management Company Employee*" means an individual employed by a Person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in investor relations activities;
- 2.9 "*Exchange*" means any exchange on which the Shares are listed;
- 2.10 "*Market Price*" at any date in respect of the Shares shall be the greatest closing price of such Shares on any Exchange on the last Business Day preceding the date on which the Option is approved by the Board. In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and ask prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion;
- 2.11 "*Option*" means an option to purchase Shares granted under the Plan;
- 2.12 "*Option Price*" means the price per share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Section 8;

- 2.13 "Optionee" means any Eligible Person to whom an Option has been granted;
- 2.14 "Person" means a company or an individual;
- 2.15 "Plan" means the Company's share option plan, as same may be amended from time to time;
- 2.16 "Shares" means the common shares of the Company or, in the event of an adjustment contemplated by Section 8, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and
- 2.17 "Subsidiary" means any company controlled by the Company i.e. in which the Company holds an interest greater 50%.

### **3. ADMINISTRATION OF THE PLAN**

- 3.1 The Plan shall be administered in accordance with the rules and policies of the Exchange in respect of stock option plans. The Board shall receive recommendations of management and shall determine from time to time those directors, officers, Employees and Consultants of the Company to whom Options may be granted and the terms and conditions of the grant.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (a) to establish policies and to adopt, prescribe, amend or vary rules and regulations for carrying out the purposes, provisions and administration of the Plan and make all other determinations necessary or advisable for its management;
  - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
  - (c) to grant Options;
  - (d) to determine the number of Shares covered by each Option;
  - (e) to determine the Option Price;
  - (f) to determine the period when the Options will be vested and exercised;
  - (g) to determine if the Shares issued upon the exercise of Option are subject to any restrictions; and
  - (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options which shall be substantially in the form annexed hereto as Schedule "A".

### **4. SHARES SUBJECT TO THE PLAN**

- 4.1 Options may be granted in respect of authorized and unissued Shares provided that, subject to any increase authorized by the Board and approved by the applicable regulatory authorities, the maximum aggregate number of Shares reserved by the Company for issuance and which may be purchased upon the exercise of all Options shall not exceed 13,600,000. No fractional Shares may be purchased or issued on exercise of Options.
- 4.2 Options that have been cancelled or that have expired without being exercised continue to be issuable under the plan under which they were approved.

## **5. ELIGIBILITY, GRANT AND TERMS OF OPTIONS**

- 5.1 Options may only be granted to the directors, officers, Employees and Consultants of the Company.
- 5.2 Options are non-assignable and non-transferable.
- 5.3 At no time shall the period during which an Option shall be exercisable exceed five (5) years.
- 5.4 Options and Shares issued on the exercise of Options must be legended with a four-month hold period commencing on the date the Options were granted.
- 5.5 The Option Price shall in no circumstances be lower than the Market Price of the Shares at the date of the grant of the Option.
- 5.6 The maximum number of Shares, which may be reserved for issuance to any one Optionee, in any 12-month period, shall not exceed 5% of the Shares outstanding at the date of the grant (on a non-diluted basis).
- 5.7 The maximum number of Shares, which may be reserved for issuance to any Consultant, in any 12-month period, shall not exceed 2% of the Shares outstanding at the date of the grant (on a non-diluted basis).
- 5.8 The maximum number of Shares which may be reserved for issuance to all Persons employed to provide investor relations activities must not exceed 2% of the Shares outstanding at the date of the grant (on a non-diluted basis) in any 12-month period.
- 5.9 Options issued to Persons performing investor relations activities must vest in stages over 12 months with no more than ¼ of the Options vesting in any three-month period.
- 5.10 For Options granted to Employees, Consultants or Management Company Employees, the Company must represent that the Optionee is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.
- 5.11 Subject to Section 5.9, the Options shall have a vesting period of two years as follows: 33⅓% on the grant of the Options; 33⅓% after one year of the grant; and 33⅓% after two years of the grant.

## **6. EXERCISE OF OPTIONS**

- 6.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Company at its registered office of a written notice of exercise addressed to the secretary of the Company specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full in cash of the Option Price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable period of time following the receipt of such notice and payment.
- 6.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Company's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
  - (a) obtaining approval of such governmental or regulatory authority as counsel to the Company shall reasonably determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; and

- (b) the receipt from the Optionee of such representations as the Company or its counsel reasonably determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

**7. TERMINATION OF EMPLOYMENT OR MANDATE, DEATH**

- 7.1 Subject to any provision of the Plan and any express resolution passed by the Board with respect to an Option, an Option and all rights to purchase pursuant thereto, shall expire at the latest 90 days after the Optionee ceases to be a director, officer, Employee or Consultant of the Company. If the Optionee provides investor relation services, the Option shall expire within 30 days of the end of the mandate.
- 7.2 In case of the death of the Optionee, any Option may, subject to the terms thereof and any other terms of the Plan, be exercised by the legal representative(s) of the estate of the Optionee at any time during 90 days following the death of the Optionee but prior to the expiry of the Option and only to the extent that the Optionee was entitled to exercise such Option at the date of death.

**8. CHANGE IN CONTROL AND CERTAIN ADJUSTMENTS**

- 8.1 Notwithstanding any other provision of this Plan in the event of:
- (a) the acquisition by any Person who was not, immediately prior to the effective time of the acquisition, a registered or a beneficial shareholder in the Company, of Shares or rights or Options to acquire shares of the Company or securities which are convertible into shares of the Company or any combination thereof such that after the completion of such acquisition such Person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders; or
  - (b) the sale by the Company of all or substantially all of the property or assets of the Company;
- the Optionee shall then be entitled to exercise the Options to the full amount of the Shares granted by the Option within 90 days of the close of any such transaction.
- 8.2 Appropriate adjustments with respect to Options granted or to be granted, in the number of Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Shares resulting from reclassifications, subdivisions or consolidations of the Shares, the payment of stock dividends or cash dividends by the Company (other than dividends in the ordinary course), the distribution of securities, property or assets by way of dividend or otherwise (other than dividends in the ordinary course), or other relevant changes in the capital stock of the Company or the amalgamation or merger of the Company with or into any other entity, subsequent to the approval of the Plan by the Board. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion, subject to approval by the shareholders of the Company and to acceptance by the Exchange respectively, if applicable.

**9. AMENDMENTS OR DISCONTINUANCE OF PLAN**

- 9.1.1 The Board may amend or discontinue the Plan at any time upon receipt of requisite regulatory approvals provided, however, that no such amendment may change the manner of determining the minimum Option Price or alter or impair any of the terms of any Option previously granted to an Optionee under the Plan.
- 9.2 Any reduction in the Option Price must be approved by a majority of disinterested shareholders.

**10. MISCELLANEOUS PROVISIONS**

- 10.1 The holder of an Option shall not have any rights as shareholder of the Company with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the issuance of Shares by the Company.
- 10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue in the employ of the Company or affect in any way the right of the Company to terminate his employment at any time.

**APPROVED BY THE BOARD OF DIRECTORS**

May 13, 2009