

DYNEX POWER INC.
NOTICE OF SHAREHOLDER MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of the Shareholders (the “Meeting”) of Dynex Power Inc. (the “Corporation”) will be held on June 20, 2018 at 10:30 a.m. (Eastern time) at the Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada for the following purposes:

1. to receive the financial statements of the Corporation for the financial year ended December 31, 2017 and the auditors' report thereon;
2. to elect directors of the Corporation as more particularly described in the section of the Circular entitled “*Election of Directors*”;
3. to appoint Deloitte LLP of Nottingham, UK as auditors of the Corporation and to authorize the board of directors to fix their remuneration as more particularly described in the section of the Circular entitled “*Appointment of Auditors*”; and
4. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Corporation is sending proxy-related materials to non-registered shareholders using Notice and Access. Notice and Access is a set of rules for reducing the volume of materials that must be physically mailed to shareholders by posting the information circular and additional materials online.

The information circular providing further information relevant to the matters scheduled to come before the Meeting, this Notice, a form of proxy, the audited annual financial statements of the Corporation for the year ended December 31, 2017 and the MD&A relating to such financial statements are available on SEDAR at www.sedar.com and at <http://www.dynexpower.com/agm>. Shareholders are reminded to review these online materials when voting.

Registered shareholders of the Corporation will receive paper copies of the information circular, this Notice, the form of proxy, the audited annual financial statements of the Corporation for the year ended December 31, 2017 and the MD&A relating to such financial statements unless they have consented to receive such documents electronically. Non-registered shareholders may choose to receive paper copies of such materials by contacting the Corporation’s legal counsel LaBarge Weinstein LLP at the toll free number 1-866-567-8077 ext 0. In order for non-registered shareholders to receive the paper copies of such materials in advance of any deadline for the submission of voting instructions and the date of the Meeting it is recommended to contact the Corporation’s legal counsel at the number above as soon as possible but not later than June 2, 2018.

If you are a registered shareholder a form of proxy is enclosed. A copy of the proxy is also available on SEDAR at www.sedar.com and at <http://www.dynexpower.com/agm>.

If you are a non-registered shareholder a voting instruction form is enclosed. Shareholders are requested to complete, sign and return such form of proxy or voting instruction form, as applicable.

For registered shareholders, in order to be represented by proxy at the Meeting, you must complete and submit the enclosed form of proxy or other appropriate form of proxy. Completed forms of proxy must be received by the Corporation’s transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department, not later than 10:30 a.m. (Eastern time) on June 18, 2018 or may be accepted by the Chairman of the Meeting prior to the commencement of the Meeting.

For non-registered shareholders, use the enclosed voting instruction form to provide voting instructions. The voting instruction form contains instructions on how to complete the form, where to return it to and the deadline for returning it. It is important to read and follow the instructions on the voting instruction form in order to have your vote count.

By order of the Board of Directors,



Clive Vacher
President and Chief Executive Officer

Lincolnshire, England
May 11, 2018

DYNEX POWER INC.
MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular (this “Circular”) and the accompanying form of proxy (the “Proxy”) are being sent to you in advance of the Annual Meeting of Shareholders (the “Meeting”) of Dynex Power Inc. (the “Corporation”) to be held at 10:30 a.m. (Toronto, Ontario time) on June 20, 2018 at the Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada.

This Circular includes information about the Corporation that the Corporation is required to disclose to shareholders and also describes and explains the business to be transacted and the matters to be voted on at the Meeting. Except as otherwise stated, the information contained in this Circular is given as of May 11, 2018 (the “Record Date”). All dollar amounts in this Circular are in Canadian dollars unless otherwise stated.

Registered Shareholders – Voting by Proxy

The persons named in the enclosed form of proxy for the Meeting are officers of the Corporation.

A registered holder of common shares of the Corporation has the right to appoint some other person, who need not be a shareholder, to represent the Shareholder at the Meeting by striking out the names of the persons designated in the accompanying form of proxy and by inserting such other person's name in the blank space provided or by executing another proper form of proxy.

Completed forms of proxy must be received by Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department not later than 10:00 a.m. (Eastern time) on June 18, 2018 or may be accepted by the Chairman of the Meeting prior to the commencement of the Meeting.

The form of proxy affords the registered Shareholder an opportunity to specify that the shares registered in his or her name shall be voted for, against or withheld from voting in respect of the matters to come before the Meeting, as applicable.

On any ballot that may be called for, the shares represented by proxies in favour of management nominees will be voted for, against or withheld from voting in respect of the matters to come before the Meeting in accordance with the instructions given in such proxies.

In respect of proxies in which the Shareholders have not specified that the proxy nominees are required to vote for, against or withhold from voting in respect of the matters scheduled to come before the Meeting, the shares represented by the proxies in favour of management nominees will be voted **for** the matters described in the Notice of Meeting.

Management knows of no matters scheduled to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the proxy nominees.

A proxy given by a registered Shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. Any such instrument revoking a proxy must be deposited at the registered office of the Corporation, at 800 – 515 Legget Drive, Ottawa, Ontario, K2K 3G4 Attention: Deborah Weinstein, any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof or be deposited with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. If the instrument of revocation is deposited with the Chairman on the day of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to such proxy.

Non-Registered Holders – Voting Instruction Form

Only registered holders of common shares of the Corporation or the persons they appoint as their proxies are permitted to vote at the Meeting. The shares owned by many shareholders (“Beneficial Shareholders”) are not registered in their names but are instead either (i) registered in the name of an intermediary (the “Intermediary”) that the Beneficial Shareholder deals with in respect of the common shares of the Corporation, such as, among others, brokerage firms, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the meeting materials to Intermediaries and clearing agencies for onward distribution to Beneficial Shareholders.

Intermediaries are required to forward the meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the meeting materials to Beneficial Shareholders. If you are a Beneficial Shareholder, your name and address will appear on the voting instruction form sent to you by an Intermediary (bank, broker or trust company). A Beneficial Shareholder may vote or appoint a proxy by mail, phone, fax or on the Internet, as applicable, in accordance with the voting instruction form. Your Intermediary, as registered holder, will submit the vote or proxy appointment to the Corporation on your behalf. You must submit your voting instruction form in accordance with the instructions and within the time limits set by your Intermediary. If you or a person you designate plan to attend the meeting and vote you must appoint yourself or that person as proxy using the voting instruction form. Beneficial Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the voting instructions form is to be delivered.

A Beneficial Shareholder may revoke a form of proxy or voting instructions form given to an Intermediary by contacting the Intermediary through which the Beneficial Shareholder’s common shares are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

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

Notice and Access

The Corporation is sending proxy-related materials to Beneficial Shareholders using Notice and Access. Notice and Access is a new set of rules for reducing the volume of materials that must be physically mailed to shareholders by posting the information circular and additional materials online. Beneficial Shareholders will still receive the Notice of Meeting, and may choose to receive a hard copy of the Circular and other materials. Details are included in the Notice of Meeting. This Circular, the Notice of Meeting, a form of proxy, the audited annual financial statements of the Corporation for the year ended December 31, 2017 and the MD&A relating to such financial statements are available on SEDAR at www.sedar.com and at <http://www.dynexpower.com/agm>. Shareholders are reminded to review these online materials when voting. Beneficial Shareholders may choose to receive paper copies of such materials by contacting the Corporation’s legal counsel LaBarge Weinstein LLP at the toll free number 1-866-567-8077 ext 0.

Registered shareholders of the Corporation will receive hard copies of this Circular, the Notice of Meeting, the form of proxy, the audited annual financial statements of the Corporation for the year ended December 31, 2017 and the MD&A relating to such financial statements unless they have consented to receive them electronically.

The Corporation does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 -- Request for Voting Instructions Made by Intermediary, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner’s intermediary assumes the cost of delivery.

Shares of the Corporation

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. At the Record Date, 80,509,047 Common Shares and no preferred shares were issued and outstanding. The holders of the Common Shares are entitled to one (1) vote for each Common Share held. Only the holders of record of Common Shares at the close of business on the Record Date are entitled to receive notice of and vote at the Meeting.

The following table sets forth information regarding the beneficial ownership of the Common Shares as of the date hereof with respect to the only persons who, as of such date, are known to the directors or officers of the Corporation to be the beneficial owner of, directly or indirectly, or who exercises control or direction over more than 10% of the votes attached to the outstanding Common Shares.

<u>Name of Beneficial Owner</u>	<u>Number of Common Shares Held</u>	<u>Percentage of Voting Common Shares</u>
Zhuzhou CRRC Times Electric Co., Ltd. ⁽¹⁾	60,292,252	74.89%

Note: (1) Formerly Zhuzhou CSR Times Electric Co. Ltd.

PRESENTATION OF FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended December 31, 2017 (the “Financial Statements”) and the auditor’s report on the Financial Statements will be presented to shareholders at the Meeting. The Financial Statements are included in the Corporation’s 2017 Annual Report which is available on SEDAR at www.sedar.com and the Corporation’s web-site at www.dynexpower.com.

ELECTION OF DIRECTORS

The Board of Directors of the Corporation (the “Board”) currently consists of seven (7) directors. The persons named in the Proxy intend to vote FOR the election of the seven (7) nominees whose names are set forth below. Each director will hold office until the next annual meeting of the shareholders of the Corporation or until the election of his or her successor, unless his or her office is earlier vacated in accordance with the by-laws of the Corporation. Management has been informed by each of the nominees listed below that they will be able to serve as directors of the Corporation. If those circumstances should change for any reason prior to the Meeting, the persons named in the enclosed form of Proxy reserve the right to vote for any nominee in their discretion unless the shareholder has specified in the Proxy that such shareholders’ Common Shares are to be withheld from voting in the election of Directors.

The Nominees

The following table sets forth the name, province (or county) and country of residence of each person proposed to be nominated by management for election as a director, all other positions and offices of the Corporation now held by such nominee, such nominee’s principal occupation, the year in which such nominee first became a director of the Corporation and the number of Common Shares that such nominee has advised the Corporation are beneficially owned, directly or indirectly, or over which control or discretion is exercised by such nominee as at the date of this Circular.

<u>Name, Province or State and Country of Residence and Position with the Corporation</u>	<u>First Year as a Director</u>	<u>Present Principal Occupation</u>	<u>Common Shares Owned, Controlled or Directed</u>
DEBORAH WEINSTEIN ^{(1) (2) (5) (6)} Ontario, Canada	1999	Partner, LaBarge Weinstein LLP	308,244
DAVID BANKS ^{(2) (4) (6)} Ontario, Canada	2001	Managing Partner Carlyle Banks & Company, Inc.	4,829,147

Name, Province or State and Country of Residence and Position with the Corporation	First Year as a Director	Present Principal Occupation	Common Shares Owned, Controlled or Directed
LIU KE'AN ^{(3) (4) (6)} Hunan Province, People's Republic of China	2010	General Manager of Zhuzhou CRRC Times Electric. Co., Ltd ⁽⁷⁾	Nil ⁽⁷⁾
WU YUDONG ^{(2) (4) (6)} Hunan Province, People's Republic of China	2012	General Manager of the Semiconductor Business Unit of Zhuzhou CRRC Times Electric. Co., Ltd. ⁽⁷⁾	Nil ⁽⁷⁾
GUO JIJUN ⁽⁶⁾ Hunan Province, People's Republic of China	2012	Vice General Manager of the Semiconductor Business Unit of Zhuzhou CRRC Times Electric. Co., Ltd.	Nil ⁽⁷⁾
LIU GUOYOU ⁽⁶⁾ Hunan Province, People's Republic of China	2016	Vice Chief Engineer of Zhuzhou CRRC Times Electric. Co., Ltd.	Nil ⁽⁷⁾
CLIVE VACHER ⁽⁶⁾ Lincolnshire, England	2017	President and Chief Executive Officer, Dynex Power Inc.	Nil
ALAN LYONS ⁽⁶⁾ Lincolnshire, England	2017	Chief Financial Officer, Dynex Power Inc.	Nil

(1) Chair of Audit Committee.

(2) Member of Audit Committee.

(3) Chair of Compensation Committee.

(4) Member of Compensation Committee.

(5) Chair of Governance Committee.

(6) Member of Governance Committee.

(7) Zhuzhou CRRC Times Electric Co., Ltd. is registered holder of 60,292,252 common shares of the Corporation representing approximately 75% of all issued and outstanding common shares.

Alan Lyons was appointed to the Board on September 11, 2017. Mr. Lyons serves as Chief Financial Officer of the Corporation. Prior to joining the Corporation Mr. Lyons held the position of CFO of Essential Fleet Services, a specialist leasing business, for two years from September 2015 to August 2017. For the 8-year period April 2008 to May 2015 he was CFO of Helius Energy, a Company listed on the AIM stock exchange in London. Mr. Lyons also spent 18 years working in the manufacturing sector for Companies such as GEC, Alstom and Siemens in positions of increasing seniority, with his final position within Siemens being the Group CFO for their Industrial Service division. He is a Chartered Management Accountant.

To the knowledge of the Corporation, no director or executive officer of the Corporation and no shareholder holding a sufficient number of securities of the Corporation to materially affect its control is or was, in the 10 years preceding the date of this Circular, a director or executive officer of any company that was, while that person was

acting in that capacity, (a) the subject of a cease trade or similar order or an order that denied any such company access to any exemption under securities legislation for a period of more than 30 consecutive days, (b) subject to an event that resulted, after such person ceased to be a director or executive officer, in such company being the subject of any such order or (c) within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any bankruptcy or insolvency related legislation 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.

To the knowledge of the Corporation, no director or executive officer of the Corporation and no shareholder holding a sufficient number of securities of the Corporation to materially affect its control, within the 10 years preceding the date of this Circular, became bankrupt, made a proposal under any bankruptcy or insolvency related legislation or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such director's, executive officer's or shareholder's respective assets.

Management does not contemplate that any of the Board nominees listed above 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 Proxy reserve the right to vote for any nominee in their discretion unless the shareholder has specified in the Proxy that such shareholder's Common Shares are to be withheld from voting in the election of directors.

STATEMENT OF NAMED EXECUTIVE OFFICERS COMPENSATION

Compensation Discussion and Analysis

Introduction

This compensation discussion and analysis describes and explains the Corporation's policies and practices with respect to the compensation of its named executive officers, being each of its Chief Executive Officer and Chief Financial Officer (together, the "Named Executive Officers"). No other executive officer of the Corporation earned total compensation in excess of \$150,000 during the year ended December 31, 2017.

Compensation Committee

The Compensation Committee is mandated with assisting the Board in discharging the Board's oversight responsibilities relating to compensation, development, succession and retention of key employees, and the establishment of fair and competitive compensation and performance incentive plans.

With respect to the total compensation of executive officers, the Compensation Committee approves annually (i) the Corporation's compensation philosophy and strategy, (ii) the compensation for any executive officer that is outside of the approved philosophy and strategy and (iii) the corporate level objectives for the purposes of any short-term incentive plan as part of the compensation philosophy and strategy for executive officers. The Compensation Committee also approves annually the objectives of the CEO for the purposes of any short-term incentive plan.

The Board reviews the CEO's salary and bonus compensation in the context of the CEO's performance, the market conditions and the capacity of the Corporation to bear the costs. The Board's recommendations are submitted to the Compensation Committee which is tasked with assessing the performance of and approving the total compensation package for the CEO, in accordance with the compensation philosophy and strategy for executive officers.

Liu Ke'an, David Banks and Wu Yudong served as members of the Compensation Committee as of the end of the most recently completed financial year.

Liu Ke'an was first employed by ZELRI (a predecessor to Zhuzhou CRRC Times Electric Co., Ltd.) as director of Traction Drive Control Technology department in 1998 with his most recent title being General Manager of Zhuzhou CRRC Times Electric. Co., Ltd since 2016. Liu Ke'an has had experience of negotiating and agreeing senior executive remuneration as part of these roles.

David Banks was Senior Vice President of the Chase Manhattan Bank, President Financial Services Group of Continental Grain Company, Finance Director of General Atlantic Group Limited, Chief Executive Officer of

AT&T Capital Corporation and Executive Chairman at Newcourt Credit Group and is a Director of Nightingale Informatix. In these capacities, David Banks has had experience of negotiating and agreeing senior executive remuneration.

Wu Yudong is Vice General Manager of Zhuzhou CRRC Times Electric and General Manager of its Semiconductor Business Unit. Wu Yudong has had experience of negotiating and agreeing senior executive remuneration as part of these roles.

David Banks is independent. Liu Ke'an and Wu Yudong are not considered independent by virtue of their roles in Zhuzhou CRRC Times Electric Co., Ltd.

Role of Management in Determining Compensation

The Chairman of the Board together with the CEO design the quantum and administration of all compensation and benefit plans and policies for the Board and executive officers of the Corporation, other than the CEO, and make recommendations to the Compensation Committee. The Compensation Committee reviews and approves the design, quantum and administration of all compensation and benefit plans and policies for the Board and executive officers. The recommendations of the Compensation Committee are presented to the Board for approval.

The CEO will advise the Compensation Committee of any overall adjustments to the salary and benefits being offered to the Corporation's employees, and other similarly relevant local factors. The Compensation Committee will use this information in considering the approval of compensation packages offered to executive officers.

Executive Compensation Principles

The Corporation's compensation policies are founded on the principle that compensation should be aligned with shareholders' interests, while also recognizing that the Corporation's performance is dependent upon its ability to retain highly trained, experienced and committed directors, executive officers and employees who have the necessary skill sets, education, experience and personal qualities required to manage the Corporation's business. The Corporation also recognizes that the various components of its compensation program must be sufficiently flexible to adapt to unexpected developments in the technology industry and the impact of internal and market-related occurrences from time to time.

The Corporation's executive compensation program is currently comprised of the following two principal components: (a) base salary; and (b) short term incentive compensation comprised of objectives based and discretionary cash bonuses. Together, these components support the Corporation's long-term growth strategy and are designed to address the following key objectives:

- align executive compensation with shareholders' interests;
- attract and retain highly qualified management;
- focus performance by linking incentive compensation to the achievement of business objectives and financial and operational results; and
- encourage retention of key executives for leadership succession.

The aggregate value of these principal components and related benefits is used as a basis for assessing the overall competitiveness of the Corporation's executive compensation package. When determining executive compensation, including the assessment of the competitiveness of the Corporation's compensation program, management and the Compensation Committee rely on their current and past experiences and collective knowledge of both public and private companies. With that background, the Compensation Committee bases its ultimate determination on (i) discussion among Committee members, (ii) negotiation with the executive in question and (iii) a view to what is in the best interests of the Corporation and its various stakeholders. The Corporation does not employ any formal benchmarking procedures in determining executive compensation.

The Corporation's compensation program is primarily designed to reward performance and, accordingly, the performance of the Corporation, as well as the individual performance of executive officers during the year in question, is examined by the Compensation Committee in conjunction with setting executive compensation packages. The Compensation Committee may set specific performance objectives in assessing the performance of the Named Executive Officers and uses its experience and judgment in determining an overall compensation package for the Named Executive Officers.

Elements of our Compensation Program for Named Executive Officers

Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that is established at the time when an officer or employee joins the Corporation. The Compensation Committee periodically reviews compensation levels to determine if adjustments are necessary.

Short-Term Incentive Compensation - Cash Bonuses

Discretionary cash bonuses form a part of the overall compensation program. Historically the Corporation has not set performance objectives or bonus entitlements in advance. Discretionary bonuses may be paid to Named Executive Officers based upon a good faith review by the Compensation Committee and/or the Board of the circumstances of the Corporation's performance during the period as well as the performance of the individuals being considered. In that context, Named Executive Officers of the Corporation may be entitled to receive a discretionary bonus based upon (i) a discretionary assessment of an employees' achievement of goals and objectives considered relevant by the Compensation Committee and/or Board of Directors, and (ii) the Corporation being profitable.

In respect of the fiscal year ended December 31, 2017, the Corporation did not pay cash bonuses to Named Executive Officers.

Long Term Incentive Compensation

The Corporation does not operate any currently active long term incentive plan.

Summary Compensation Table

(all dollar amounts rounded to nearest dollar)

The following table sets forth all compensation earned in respect of the individuals who were, at any time during the year ended December 31, 2017, Named Executive Officers of the Corporation.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Clive Vacher President and Chief Executive Officer ⁽¹⁾	2017	346,872	NIL	NIL	142,431 ⁽²⁾	NIL	19,078	8,557	516,938
Alan Lyons Chief Financial Officer ⁽³⁾	2017	75,276	NIL	NIL	20,812 ⁽⁴⁾	NIL	4,140	4,486	104,714

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Paul Taylor Former President and Chief Executive Officer ⁽⁵⁾	2017	9,703	NIL	NIL	NIL	NIL	533	750	10,986
	2016	247,583	NIL	NIL	NIL	NIL	13,617	19,060	280,260
	2015	270,765	NIL	Nil	Nil	Nil	14,892	20,655	306,312
Robert Lockwood Former Chief Financial Officer ⁽⁶⁾	2017	30,287	NIL	NIL	NIL	NIL	1,666	2,759	34,712
	2016	208,061	NIL	NIL	NIL	NIL	11,443	282,723 ⁽⁷⁾	502,227
	2015	227,542	Nil	Nil	Nil	Nil	12,515	20,462	260,519

Notes:

- (1) Mr. Vacher was appointed the Chief Executive Officer and director of the Corporation on January 16, 2017.
- (2) Annual Incentive Plan compensation of \$142,431 was paid to Mr. Vacher in April 2018.
- (3) Mr. Lyons was appointed the Chief Financial Officer on September 11, 2017.
- (4) Annual Incentive Plan compensation of \$20,812 was paid to Mr. Lyons in April 2018.
- (5) Dr. Taylor ceased to be the Chief Executive Officer and director of the Corporation on January 16, 2017.
- (6) Mr. Lockwood ceased to be employed with the Corporation on June 30, 2017.
- (7) Includes \$263,840 for termination benefits paid to Mr. Lockwood in 2017.

The salaries and benefits listed in the chart above have been converted from Pounds Sterling into Canadian dollars at the rate of £1.00 = CDN\$1.67566, being the average exchange rate for 2017, £1.00 = CDN\$1.7815, being the average exchange rate for 2016, £1.00 = CDN\$1.9483, being the average exchange rate for 2015, as applicable.

Pursuant to an employment agreement entered into on January 3, 2017, Mr. Clive Vacher is employed as the Corporation's President and Chief Executive Officer, reporting to the Board (the "Vacher Agreement"). Pursuant to the terms, Mr. Vacher is entitled to: (a) receive an annual base salary of £210,000, subject to annual review, (b) a discretionary bonus with a target of 70% of his base salary, (c) a car at a benchmark model at a value of £36,681.00 or an annual car allowance of £10,099, (d) a contribution equal to 5.5% of his base salary to his pension scheme, and (e) was entitled to membership for himself and his family in a private healthcare plan, as well as other customary benefits.

Pursuant to an employment agreement entered into on September 11, 2017, Mr. Alan Lyons is employed as the Corporation's Chief Financial Officer, reporting to the Chief Executive Officer (the "Lyons Agreement"). Pursuant to the terms, Mr. Lyons is entitled to: (a) receive an annual base salary of £146,000, subject to annual review, (b) a discretionary bonus with a target of 50% of his base salary, (c) an annual car allowance of £8,700, (d) a contribution equal to 5.5% of his base salary to his pension scheme, and (e) was entitled to membership for himself and his family in a private healthcare plan, as well as other customary benefits.

Termination and Change of Control Benefits

Pursuant to the terms of the Vacher Agreement, in the event of a termination without cause, Mr. Vacher is entitled to a payment equivalent to eighteen months' salary and benefits. Based on Mr. Vacher's base salary applicable as of the date hereof, the salary portion of this would amount to £315,000.

Pursuant to the terms of the Lyons Agreement, in the event of a termination without cause, Mr. Lyons is entitled to a payment equivalent to six months' salary and benefits. Based on Mr. Lyons base salary applicable as of the date hereof, the salary portion of this would amount to £73,000.

In connection with Mr. Lockwood's separation from the Corporation, accrued termination benefits in the amount of \$263,840 were paid by the Corporation to Mr. Lockwood.

There were no amounts payable to Dr. Taylor as a result of his resignation from the Corporation.

DIRECTOR COMPENSATION

The following table provides information regarding compensation paid to the Corporation's directors who are not Named Executive Officers during the financial year ended December 31, 2017.

Name	Fees earned (\$) ⁽¹⁾	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$) ⁽²⁾	Total (\$)
David Banks	10,000	Nil	Nil	Nil	Nil	Nil	10,000
Deborah Weinstein	10,000	Nil	Nil	Nil	Nil	Nil	10,000
Liu Ke'an	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wu Yudong	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Guo Jijun	Nil	Nil	Nil	Nil	Nil	57,990	57,990
Liu Guoyou	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Directors, other than those appointed by Zhuzhou CRRC Times Electric Co., Ltd., who are not employees of the Corporation or its subsidiaries, are provided with an annual retainer of \$10,000 per year (the "Outside Director Retainer").
- (2) Guo Jijun was paid a salary and provided with use of a company car and membership of a private healthcare plan in his role as Sales and Marketing Director of Dynex Semiconductor Limited during 2017.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes the number of Common Shares authorized for issuance from treasury under the Corporation's equity compensation plans as at December 31, 2017.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders:			
Stock Option Plan	Nil	N/A	1,936,242
Employee Stock Purchase Plan	Nil	N/A	250,000
Equity compensation plans not approved by securityholders (n/a)	N/A	N/A	N/A
Total	Nil	N/A	2,186,242

On June 9, 2000, the Board approved the establishment of the Corporation's 2000 Stock Option Plan (the "Plan"), which was approved by the Corporation's shareholders on July 7, 2000 and has been accepted by the TSX Venture Exchange (the "Exchange"). The purpose of the Plan is to encourage ownership of Common Shares by eligible participants and thereby provide additional incentive for them to promote the success of the Corporation in a highly competitive business environment. Under the Plan, directors, officers, employees and consultants of the Corporation are eligible for grants of options to acquire Common Shares.

The aggregate number of Common Shares which may be reserved for issuance under the Plan was restricted to 1,750,000, which number was increased to 2,657,316 as approved by the shareholders of the Corporation at its annual and special meeting on June 4, 2002. The Plan provides that the terms of any option and the exercise price thereof shall be fixed by the Board subject to price restrictions and other regulatory conditions imposed by the Exchange. The aggregate number of Common Shares under options granted to insiders of the Corporation must not exceed 10% of the then outstanding number of Common Shares and no individual may hold options to purchase Common Shares exceeding 5% of the then outstanding number of Common Shares. Options granted under the Plan expire 5 years from the date of grant and terminate 180 days after the death of a participant and 90 days after the termination of the participant's employment. Options under the Plan are not assignable. To date, options to purchase up to an aggregate of 1,959,000 Common Shares have been granted under the Plan. No options to purchase Common Shares are outstanding on the date hereof.

Options granted under the Plan may not be assigned in any manner whatsoever and the Board has the right, at its sole discretion, to amend the Plan from time to time and at any time. No amendment to the Plan may, however, alter or impair any participant's rights under the Plan or increase any participant's obligations under the Plan without that participant's consent. Any amendment of the Plan is also subject to the prior approval of the Exchange and may require the approval of the Corporation's shareholders.

Prior to the implementation of the Option Plan, options were granted on an ad hoc basis conditional on regulatory approval. No such options remain outstanding.

The Plan does not meet the current requirements of the Exchange and so will require amendment before any further options can be issued. In November 2008, the Board indicated that for the time being it did not intend to issue any further options under the Plan and therefore is not intending to amend the Plan to meet the current requirements of the Exchange.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation maintains directors' and officers' liability insurance in the aggregate principal amount of £10,000,000 subject to a US\$100,000 deductible per loss for any claim arising inside the USA and £15,000 deductible per loss for claims arising entirely outside of the USA. All such deductibles are payable by the Corporation. The premium payable for such insurance is currently £22,000 per year, which is paid by the Corporation.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There was no indebtedness owed to the Corporation during the fiscal year ended December 31, 2017 by any individual who was a director, executive officer or senior officer of the Corporation or any associate of the foregoing.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set forth below, none of the Corporation's current or proposed directors, executive officers, shareholders owning more than 10% of the voting shares of the Corporation, or associates or affiliates of any of them, and no other reporting issuer owning securities of the Corporation, had a material interest, direct or indirect, in any transaction of the Corporation since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

The Corporation recorded revenue during the year ended December 31, 2017 of \$9,432,567 relating to product sales to Zhuzhou CRRC Times Electric Co., Ltd \$5,870,209 relating to services provided to Zhuzhou CRRC Times Electric Co., Ltd and \$2,355,585 relating to product sales to a fellow group subsidiary of Zhuzhou CRRC Times Electric Co., Ltd. At December 31, 2017 \$3,701,225 was outstanding from Zhuzhou CRRC Times Electric Co., Ltd.

The Corporation purchased inventory in the year ended December 31, 2017 of \$7,229,746 relating to purchases from Zhuzhou CRRC Times Electric Co., Ltd. At December 31, 2017 \$3,701,225 was outstanding to Zhuzhou CRRC

Times Electric Co., Ltd.

The Corporation recorded a contribution towards research & development costs in the year ended December 31, 2017 of \$6,328,681 from Zhuzhou CRRC Times Electric Co., Ltd.

At December 31, 2017 the Company has a loan from a fellow subsidiary of Zhuzhou CRRC Times Electric Co., Ltd of \$6,111,864. The loan carries interest at 4%. The loan is due to be repaid with nine equal payments due at six monthly intervals between June 2016 and June 2020. At December 31, 2017 there was one repayment of £600,000 that had not been made, this was subsequently made in January 2018. At December 31, 2017 there was unpaid accrued interest on the loan of \$695,357.

Zhuzhou CRRC Times Electric Co., Ltd is the Corporation's immediate parent company and is based in Hunan in The People's Republic of China.

APPOINTMENT OF AUDITORS

In December 2016, the Corporation appointed Deloitte LLP of Nottingham, UK ("**Deloitte LLP (UK)**") Chartered Professional Accounts, as the Corporation's auditors.

It is intended to vote the Proxy solicited hereby (unless the shareholder directs its Common Shares to be withheld from voting in the appointment of auditors) to appoint Deloitte LLP (UK), Chartered Professional Accountants, as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditors' remuneration.

The appointment of Deloitte LLP (UK), as auditor of the Corporation will be authorized if it is approved by a majority of the votes cast by shareholders represented in person or by proxy at the Meeting and entitled to vote thereon.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Corporation believe that sound corporate governance practices are essential to the well-being of the Corporation as well as to the promotion and protection of its shareholders' interests. As part of the Corporation's commitment to effective corporate governance, the Board, with the assistance of the Governance Committee, monitors changes in legal requirements and best practices.

The Board and the Corporation have devoted attention and resources to ensuring that the Corporation's system of corporate governance meets or exceeds applicable legal and stock exchange requirements.

The Board is responsible for the overall stewardship of the Corporation. The Board discharges this responsibility directly and through delegation of specific responsibilities to committees of the Board, the Chairman and officers of the Corporation.

The Board has established three committees to assist with its responsibilities: the Audit Committee; the Governance Committee; and the Compensation Committee.

Set out below is a description of the Corporation's current corporate governance guidelines with respect to the various matters addressed by the Corporate Governance Guidelines set out in Form 58-101F2 of National Instrument 58-101 – Disclosure of Corporate Governance Practices ("NI 58-101"):

Board of Directors

The Corporation's Board has determined that, of the seven directors, only David Banks is "independent", within the meaning of NI 58-101. Clive Vacher, President and Chief Executive Officer of the Corporation is considered to have a material relationship with the Corporation by virtue of his executive officer positions. By virtue of the fact that Deborah Weinstein acts and receives remuneration as legal counsel to the Corporation, she is deemed by NI 58-101 and National Instrument 52-110 - Audit Committees ("NI 52-110") to have a material relationship with

the Corporation and is, therefore, deemed not to be an independent member of the Board. Liu Ke'an, Wu Yudong, Guo Jijun and Liu Guoyou are not considered independent due to their respective roles as employees or executive officers of Zhuzhou CRRC Times Electric Co., Ltd., which holds approximately 75% of the shares of the Corporation.

The members of the Board of Directors are required to declare any conflict that they may have and abstain from voting in respect of any matter on which they are conflicted.

The Board of Directors does not hold regularly scheduled meetings of its independent members at which non-independent directors are not in attendance.

Directorships

To the knowledge of the Corporation, the following are the only directors currently serving on the boards of other issuers that are reporting issuers (or equivalent):

- Liu Ke'an – Zhuzhou CRRC Times Electric Co., Ltd (Hong Kong Stock Exchange)
- David Banks – Nightingale Informatix Corp. (TSX Venture Exchange).
- Deborah Weinstein – OpenText Corporation (TSX, NASDAQ)

Orientation and Continuing Education

Responsibility for orientation programs for new directors is undertaken by the Board as a whole. The Corporation's legal counsel reviews with each new member of the Board (i) certain information and materials regarding the Corporation, including the role of the Board and its committees and (ii) the legal obligations of a director of the Corporation including the Code of Conduct, Disclosure Policy and Insider Trading Policy. New directors are provided with historic information, current longer-range strategic plans and materials summarizing issues relating to the Corporation.

The Board and its committees receive periodic reports from management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation, which have generally come from the Corporation's external counsel, LaBarge Weinstein LLP and its auditors, Deloitte LLP (UK).

Ethical Business Conduct

The Corporation has a Code of Conduct which is available upon written request to the Corporation. It addresses, among other things: conflicts of interest; compliance with laws; corporate opportunities; protection and proper use of Corporation's assets; confidentiality; and fair dealing. The Corporation's Board is ultimately responsible for the application of the Code of Conduct to the affairs of the Corporation. Any person who becomes aware of any existing or potential violation of the Code of Conduct is required to report promptly the breach or potential breach of the Code of Conduct. Failure to do so is itself a violation of the Code of Conduct. In conjunction with the adoption of the Code of Conduct, the Corporation has established a Whistleblower Policy which allows for anonymous reporting of any suspected Code violations, including concerns regarding accounting, internal accounting controls, or other auditing matters. No waiver has ever been granted under the Code.

Nomination of Directors

The Governance Committee is composed of the entire Board, which is responsible for the nomination of directors. The Governance Committee is responsible for, among other things, assessing the effectiveness of the Board and identifying and evaluating director candidates to the Board and recommending nominees for the Board.

The nomination function is fulfilled by the Governance Committee. The mandate of the Governance Committee is to assist the Corporation's Board in fulfilling its responsibility to: (a) establish and monitor the Corporation's corporate governance policies and practices; (b) determine the appropriate composition of the Corporation's Board and its committees; (c) identify individuals qualified to become members of the Corporation's

Board; (d) allocate Board members to the committees; (d) assess the performance of the Corporation's Board and its committees and (e) ensure succession plans are in place for the Chief Executive Officer and other senior executive officers.

The nomination function of the Governance Committee consists of reviewing candidates for election as directors and recommending nominees to the Board for approval. In making its recommendations, the Governance Committee considers the needs of the Corporation given its business activities; the competencies and skills that the Board, as a whole, should possess; the individual's background, experience, perspective, skills and knowledge; the individual's ability and willingness to commit adequate time to Board and committee matters; the competencies and skills each existing director possesses as well as the personality and qualities of each director; and the fit of the individual's skills and personality with those of other directors. The Governance Committee also considers the appropriate size of the Board to facilitate effective decision-making.

Zhuzhou CRRC Times Electric Co., Ltd. is entitled to nominate a minimum of two-thirds (2/3) of the directors on the Board for so long as Zhuzhou CRRC Times Electric Co., Ltd. continues to hold a majority of the issued and outstanding Common Shares of the Corporation.

The responsibilities of the Governance Committee relating to its governance function include: reviewing and assessing governance policies and practices; reviewing and assessing the independence of each director; evaluating the functioning of the Board and its committees on an annual basis; reviewing and approving the annual disclosure of governance practices in compliance with applicable regulatory authorities; reviewing and approving any significant amendments to the Corporation's Disclosure Policy or its Code of Conduct; reviewing the charter of each Board committee and recommending any proposed changes; conducting an annual review of director compensation; and reviewing the Corporation's orientation and education program with respect to new directors.

Compensation

See "Statement of Named Executive Officers Compensation", above, for a description of the compensation for the Named Executive Officers.

See "Director Compensation", above, for a description of the compensation for the other directors.

Other Board Committees

There are no committees of the Board other than the Audit Committee, the Compensation Committee and the Governance Committee.

Assessments

The Corporation has not adopted any formal process to assess regularly the Board, its committees and individual directors. However, the Board as a whole periodically conducts a self-evaluation to determine whether the Board and its committees are functioning effectively. The Board from time to time discusses what actions, if any, could improve Board and committee performance.

AUDIT COMMITTEE

The Audit Committee currently comprises Deborah Weinstein, David Banks and Wu Yudong. Each of the members of the Audit Committee is considered financially literate for purposes of NI 52-110. The responsibilities, power and operation of the Audit Committee are set out in the Audit Committee Charter, a copy of which is attached as Appendix "A" to this Circular.

Education and Experience

The following is a description of the education and experience that make each member, and proposed member, of the Audit Committee financially literate.

Deborah Weinstein holds an LLB from Osgoode Hall, York University and has been a lawyer in Ontario, Canada for over 25 years. Deborah Weinstein has served on the Boards of Directors of a number of Canadian public companies and on a US public company and various Canadian and US private companies. In these capacities, Deborah Weinstein has had experience analyzing and evaluating financial results and financial statements.

During his 40-year career in the financial and business world, David Banks was Senior Vice President of the Chase Manhattan Bank, President Financial Services Group of Continental Grain Company, Finance Director of General Atlantic Group Limited, Chief Executive Officer of AT&T Capital Corporation and Executive Chairman at Newcourt Credit Group. David Banks is currently Managing Partner of Carlyle Banks & Co. Inc. and a Director of Nightingale Informatrix. In these capacities, David Banks has had experience analyzing and evaluating financial results and financial statements.

Wu Yudong was appointed General Manager of Semiconductor Business Unit of Zhuzhou CRRC Times Electric Co., Ltd in January 2016. Prior to that, he had acted as the Vice General Manager of the Semiconductor Business Unit of Zhuzhou CRRC Times Electric Co., Ltd from January 2014 and General Manager of the Power Electronics Business Unit of Zhuzhou CRRC Times Electric Co., Ltd. since January 2010. Wu Yudong joined ZELRI in August 1995 and has held the positions of Engineer, Director of Equipment Development, Director of Engineering in the semiconductor factory and General Manager of the Radiator Factory of ZELRI. Wu Yudong has many years' experience in the production and operational management of power semiconductors.

When requiring the use of accounting and taxation and other consulting services, the Corporation will not utilize the services of its current external auditor where the delivery of the service may create a potential or perceived conflict of interest. Consulting services, which require subsequent external auditing, cannot be performed by the Corporation's auditors. For greater clarity, the following consulting services do not present a conflict of interest: advice relating to the accounting treatment of new IFRS pronouncements or services ancillary to the audit; preparation of corporate tax returns; advice on tax related matters, advice and assistance relating to completing and filing statutory documentation and provision of audit certificates in respect of grant claims.

The Audit Committee pre-approves on a quarterly basis all non-audit services to be provided by the Corporation's external auditors except those identified as not creating a conflict of interest.

External Auditor Service Fees

	Fiscal 2017	Fiscal 2016
Audit Fees ⁽¹⁾	\$262,480	\$260,288
Audit Related Fees ⁽²⁾	\$4,593	\$48,507
Tax Fees ⁽³⁾	\$48,919	\$83,924
All Other Fees ⁽⁴⁾	\$3,210	\$2,829

(1) "Audit Fees" for Fiscal 2016 consist of the aggregate fees billed by Deloitte LLP (UK), the Corporation's independent auditors and the auditors of the Corporation's subsidiary, Dynex Semiconductor Ltd, for professional services rendered by it for the audit of the Corporation's annual financial statements or services that are normally provided by Deloitte LLP (UK) in connection with statutory and regulatory filings or engagements.

(2) "Audit Related Fees" for Fiscal 2016 consist of the aggregate fees billed by Deloitte LLP (UK) for assurance and related services rendered by them that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as Audit Fees.

(3) "Tax Fees" for Fiscal 2016 consist of the aggregate fees billed by Deloitte LLP (UK) for professional services rendered by them for tax compliance, tax advice and tax planning.

(4) "All Other Fees" for Fiscal 2016 consist of fees billed by Deloitte LLP (UK) for products and services other than Audit Fees, Audit Related Fees and Tax Fees.

The Corporation is relying on the exemption provided by Section 6.1 of NI 52-110 as being exempt from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 because the Corporation is a “venture issuer” as that term is defined in NI 52-110.

PARTICULARS OF OTHER MATTERS

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the Proxy will be voted upon such matters in accordance with the best judgment of the person voting the Proxy.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com and the Corporation’s web-site at www.dynexpower.com.

SHAREHOLDER PROPOSALS FOR NEXT MEETING

Proposals of shareholders to be presented at the 2019 annual meeting of shareholders of the Corporation must be received by the Corporation before the date that is 90 days before the anniversary date of the Notice of this Meeting to be considered for inclusion in the Management Proxy Circular and form of Proxy relating thereto.

DIRECTORS' APPROVAL

The undersigned hereby certifies that the directors of the Corporation have approved the contents and the sending of this Circular.

DATED: May 11, 2018



Clive Vacher
President and Chief Executive Officer
DYNEX POWER INC.
Lincolnshire, England

APPENDIX “A”

DYNEX POWER INC. Audit Committee Charter

Name

There shall be a committee of the Board of Directors (the “Board”) of Dynex Power Inc. (the “Company”) known as the Audit Committee (the “Committee”).

Purpose

The Committee has been established to assist the Board in fulfilling its oversight responsibilities and fiduciary obligations, in contemplation that the increasing regulatory focus on governance is principally employing audit committees as the instrumentality of the regulations. The primary functions and areas of responsibility of the Committee are to:

- a) Ensure the financial statements of the Company accurately reflect the financial condition of the Company;
- b) Review as well as report and provide recommendations to the Board on the annual and interim consolidated financial statements and related Management Discussion and Analysis (“MD&A”);
- c) Identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- d) Ensure the Company has a disaster recovery plan in the case that any of the principal risks become realized;
- e) Make recommendations to the Board regarding the appointment, terms of engagement and compensation of the external auditor;
- f) Monitor the integrity of the Company’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- g) Oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- h) Resolve disagreements between management and the external auditor regarding financial reporting;
- i) Receive the report of the external auditors, who must report directly to the Committee;
- j) Review and approve all external communication in respect of the Company’s financial press releases; and
- k) Provide an avenue of communication among the Company’s external auditors, management, internal accounting department and the Board.

Composition and Qualifications

All Committee members shall meet all applicable requirements prescribed under the *Canada Business Corporations Act* as well as any requirements or guidelines prescribed from time to time under applicable securities legislation, including National Instrument 52-110 - Audit Committees of the Canadian Securities Administrators as amended, restated or superseded. The Committee shall be comprised of not less than three directors as determined from time to time by the Board. Each member shall be an independent director who is free from any direct or indirect relationship that would, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgment. While it is not necessary for members to have a comprehensive knowledge of generally accepted accounting principles and standards, all members of the Committee shall be “financially literate” so as to be able 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 issues raised by the Company’s financial statements. At least one member of the Committee must have a professional accounting certification (or equivalent) or comparable experience and background that results in that Member’s financial sophistication. A director who is not financially literate may be appointed to the Committee by the Board provided that such director becomes financially literate within a reasonable period following his or her appointment, and provided that the Board has determined that such appointment will not materially adversely affect the ability of the Committee to act independently.

Committee members shall be appointed by the Board on recommendation by the Governance Committee. The Board shall designate the Chair of the Committee. If a Chair is not designated or present at any meeting, the members of the Committee may designate a Chair by majority vote. The Chair shall have responsibility for ensuring that the Committee fulfils this Charter and duties effectively.

Each member of the Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board, following consultation with the Governance Committee, may fill a vacancy at any time.

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate as determined by the Chair, and at least once in each fiscal quarter. A schedule for each of the meetings shall be prepared and disseminated to Committee members by the Chief Financial Officer prior to the start of each fiscal year.

A majority of the members of the Committee shall constitute a quorum for meetings.

An agenda shall be prepared by the Chair of the Committee as far in advance of each meeting as reasonably practicable. Minutes of all meetings of the Committee shall be prepared as soon as possible following the meeting and submitted for approval at or prior to the next meeting.

The Committee should meet privately at least once per year with senior management of the Company, the director of the internal accounting department of the Company and the Company's external auditors to discuss any matters that the Committee or any of these groups believe should be discussed.

Specific Responsibilities and Duties

Specific responsibilities and duties of the Committee shall include, without limitation, the following:

General Review Procedures

- a) Review and reassess the adequacy of this Charter at least annually and submit any proposed amendments to the Board for approval.
- b) Review, establish and monitor each annual audit of the external auditor with a written audit plan, including scope, fees and schedule.
- c) Review the Company's annual audited financial statements, related MD&A, and other documents prior to filing or distribution of such documents or issuing a press release in respect of the financial statements and MD&A. The review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments regarding variances between comparative reporting periods.
- d) Annually, in consultation with management and external auditors consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the external auditors together with management's responses.
- e) Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's views to the Board of Directors.
- f) Review with financial management and the external auditors the Company's quarterly financial results, related MD&A and other documents prior to the filing or distribution of such documents or issuing a press release in respect of the financial statements and MD&A. Discuss any significant changes to the Company's accounting principles. The Chair of the Committee may represent the entire Committee for purposes of this review.

- g) Review and discuss the external auditor's report with the external auditor and management.
- h) Review all material written communications between the external auditor and management, including post audit or management letters containing recommendations of the external auditors, management's response and follow up with respect to identified weaknesses.
- i) Satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public dissemination referred to in (f) above, and periodically assess the adequacy of those procedures.
- j) Review with management the Company's relationship with the regulators and the quality of its filings with the regulators.
- k) Review with management and external legal counsel any current or anticipated litigation or legal activity that could have a material effect on the Company's financial position.

External Auditors

- a) The external auditors are ultimately accountable to the Committee, as representatives of the shareholders. The external auditors must report directly to the Committee, who shall review the independence and performance of the auditors and annually recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant. The Committee shall approve the compensation of the external auditors.
- b) The Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the auditors, unless such non-audit services are reasonably expected to constitute not more than five (5) percent of the total fees paid by the Company to the external auditor during the particular fiscal year, or if the Company did not recognize such services as non-audit services at the time of engagement. The pre-approval requirement will be satisfied if such non-audit services are promptly brought to the attention of the Committee prior to the completion of the audit and approved by the Committee, or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee. In addition, the Committee may satisfy the pre-approval requirement by adopting specific and detailed policies and procedures for the engagement of non-audit services, so long as the Committee is informed of each non-audit service and such procedures do not include delegation of the Committee's responsibilities to management.
- c) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- d) On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence.
- e) Review the external auditors' audit plan and discuss and approve the audit scope, staffing, locations, reliance upon management and general audit approach.
- f) Prior to releasing the year-end earnings, discuss the results of the audit with the external auditors. Discuss any matters that are required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.
- g) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

Internal Controls and Procedures

The Committee is responsible for overseeing the design, implementation and on-going effectiveness of a system of internal controls. In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- a) Review and approve management's decisions related to the need for internal auditing.
- b) Review this Charter, budget, longer-term plan, and changes in the longer-term plan, activities and organizational structure, as needed.
- c) Establish, monitor and review policies and procedures for internal accounting, financial control and management information ("**Internal Controls**").
- d) Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters, and monitor compliance with the Company's Whistleblower Protection Policy on Financial Matters and coordinate and review all investigations undertaken thereunder.
- e) Consult with the external auditor regarding the adequacy of the Internal Controls and review with the external auditor its report on the Internal Controls.
- f) Address, on a regular basis, any perceived shortcomings in the Internal Controls.
- g) Review the involvement of officers and directors in any matter related to business ethics or potential conflict of interest and advise the Board on the appropriate course of action.
- h) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.
- i) Prior to Company entering into any Related Transaction, review the Related Transaction and recommend its approval or rejection by the Board. For the purposes of this mandate, a "Related Transaction" means a business transaction or contract between the Company and a party in which a director or officer of the Company has a direct or indirect interest. This direct or indirect interest could exist by virtue of the following: (i) the party is the director or officer; (ii) the director or officer, or their relative or spouse, is on the board of directors or is an officer of the party entering into such a business transaction with the Company; or (iii) the director or officer, or their relative or spouse, has a financial interest in the party entering into such a business transaction with the Company.
- j) Annually, review any ongoing Related Transactions and report to the Board.
- k) Obtain from management adequate assurances that all statutory payments and withholdings have been made.

Risk Management

- a) Identify risks inherent in the Company's business ("**Risks**").
- b) Maintain policies and procedures that address the Risks on a reasonable, cost-effective basis.
- c) In conjunction with management, review, on an annual basis, all aspects of the Company's risk management program, including all significant policies and procedures relating to insurance coverage, foreign exchange exposures and investments (including the Company's use of financial risk management instruments).
- d) Monitor compliance with environmental codes of conduct and legislation.
- e) Monitor compliance with safety codes of conduct and legislation.

Other Miscellaneous Responsibilities

- a) Annually assess the effectiveness of the Committee against this Charter and report the results of the assessment to the Board.
- b) Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.
- c) Meet regularly with management to discuss any areas of concern to the Committee or management.
- d) Consider whether the quality of employees involved in the audit and financial reporting process and the processes described herein meets an acceptable standard.

Authority

The Committee shall have the authority to:

- (a) Delegate approval-granting authority to pre-approve non-audit services by the external auditor to one or more of its members;
- (b) Retain and agree to compensate independent counsel and other advisors as it determines necessary to carry out its duties;
- (c) Set and pay the compensation for any advisors employed by the Committee;
- (d) Communicate directly with the external auditors;
- (e) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company regarding questionable accounting or auditing matters;
- (f) To fully access all of the Company's books, records, facilities, and personnel;
- (g) Require such officers, directors and employees as it may see fit from time to time to provide any information about the Company as it may deem appropriate and to attend and assist at meetings of the Committee; and
- (h) Delegate from time to time any person, including any individual member of the Committee, or subcommittee, any of the Committee's responsibilities that lawfully may be delegated.

Reporting

The Committee shall report its deliberations and discussions regularly to the Board and shall submit to the Board the minutes of its meetings.

Resources

The Committee shall have full and unrestricted access to all of the Company's books, records, facilities and personnel as well as the Company's external auditors and shall have the authority, in its sole discretion, to conduct any investigation appropriate to fulfilling its responsibilities. The Committee shall further have the authority to retain, at the Company's expense, such special legal, accounting or other consultants or experts as it deems necessary in the performance of its duties and to request any officer or employee of the Company or the Company's external counsel or auditors to attend a meeting of the Committee.

Limitation on the Oversight Role of the Committee

Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the information provided to the Corporation by such persons or organizations.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Company's external auditors.

Chairperson

The Chairperson's primary role is to ensure that the Committee functions properly, meets its obligations and responsibilities, fulfills its purpose and that its organization and mechanisms are in place and are working effectively. More specifically, the Chairperson shall:

- (a) chair meetings of the Committee;
- (b) in consultation with the Chairperson of the Board, the members of the Committee, the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Company, set the agendas for the meetings of the Committee;
- (c) in collaboration with the Chairperson of the Board, the members of the Committee, the Chief Executive Officer, Chief Financial Officer and Corporate Secretary of the Company, ensure that agenda items for all Committee meetings are ready for presentation and that adequate information is distributed to members of the Committee in advance of such meetings in order that members of the Committee may properly inform themselves on matters to be acted upon;
- (d) assign work to members of the Committee;
- (e) act as liaison and maintain communication with the Chairperson of the Board and the Board to optimize and co-ordinate input from directors, and to optimize the effectiveness of the Committee; and
- (f) provide leadership to the Committee with respect to its functions as described in this Mandate and as otherwise may be appropriate.