

CYPRESS HILLS RESOURCE CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 25, 2015

AND

MANAGEMENT INFORMATION CIRCULAR

DATED AUGUST 12, 2015

CYPRESS HILLS RESOURCE CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares of Cypress Hills Resource Corp. (the “**Corporation**”) will be held at the offices of the Corporation, located at Suite 1703, 595 Burrard Street, Vancouver, British Columbia V7X 1J1 on September 25, 2015 at 9:30 a.m. (Vancouver time), for the following purposes:

1. To receive and consider the audited financial statements of the Corporation for the year ended December 31, 2014 and the report of the auditors thereon;
2. To fix the number of directors to be elected at the Meeting at four;
3. To elect the directors of the Corporation for the ensuing year;
4. To appoint Davidson & Company LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, at a remuneration to be fixed by the board of directors;
5. To consider, and if thought advisable, approve, with or without variation, an ordinary resolution re-approving the Corporation’s stock option plan, the full text of which is set forth in Exhibit “A” of the Management Information Circular (“**Information Circular**”) accompanying this Notice of Annual and Special Meeting of Shareholders; and
6. To transact such other business as may properly come before the Meeting or any adjournment(s) or postponement thereof.

The details of all matters proposed to be put before Shareholders at the Meeting are set forth in the Information Circular accompanying this Notice of Annual and Special Meeting. At the Meeting, Shareholders will be asked to approve each of the foregoing items.

A registered Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or adjournments thereof in person are requested to date, sign and return the accompanying instrument of proxy (“Instrument of Proxy”) for use at the Meeting or any adjournment or adjournments thereof. To be effective, the Instrument of Proxy must be mailed so as to reach or be deposited with Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, in the Province of British Columbia) prior to the time set for the Meeting or any adjournment or adjournments thereof.

If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the form of proxy provided to you by such broker or other intermediary, in accordance with the instructions provided therein.

DATED as of the 12th day of August, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*Ted J. Fostey*”

Ted J. Fostey
President and Chief Executive Officer

CYPRESS HILLS RESOURCE CORP.

MANAGEMENT INFORMATION CIRCULAR

**FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON
SEPTEMBER 25, 2015**

GENERAL INFORMATION RESPECTING THE MEETING

Solicitation of Proxies

This management information circular (“**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Cypress Hills Resource Corp. (the “**Corporation**”), to be used at the annual and special meeting (the “**Meeting**”) of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Corporation, to be held on September 25, 2015, at the hour of 9:30 a.m. (Vancouver time) at the offices of the Corporation located at Suite 1703, 595 Burrard Street, Vancouver, British Columbia V7X 1J1 or at any adjournment thereof for the purposes set out in the accompanying notice of meeting (the “**Notice of Meeting**”).

The board of directors of the Corporation (the “**Board**”) has fixed the close of business on August 12, 2015 as the record date (the “**Record Date**”), being the date for the determination of the registered holders of Common Shares entitled to receive notice of and vote at the Meeting, unless a Shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the shares and demands that the transferee’s name be included on the list of Shareholders. Duly completed and executed proxies must be received by Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not later than forty eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, in the Province British Columbia) prior to the time set for the Meeting or any adjournment or adjournments thereof.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The enclosed instrument of proxy (the “**Instrument of Proxy**”) is solicited by the management of the Corporation. **The persons named in the enclosed Instrument of Proxy are directors and/or officers of the Corporation (the “management designees”). As a Shareholder submitting a proxy you have the right to appoint a person (who need not be a Shareholder) to represent you at the Meeting other than the person or persons designated in the Instrument of Proxy furnished by the Corporation. To exercise this right you should insert the name of the desired representative in the blank space provided in the Instrument of Proxy and strike out the other names or submit another appropriate proxy.** In order to be effective, the Instrument of Proxy must be mailed so as to be deposited at the office of the Corporation’s transfer agent, Computershare Trust Company of Canada (“**Computershare**”), Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, in the Province of British Columbia) prior to the time set for the Meeting or any adjournment or adjournments thereof. Registered Shareholders may also use the internet at www.investorvote.com to transmit their voting instructions.

Unless otherwise stated, the information contained in this Information Circular is as of August 12, 2015.

Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) are advised that only proxies from Shareholders of record can be recognized and voted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Although a

Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance. All references to Shareholders in this Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to Shareholders of record, unless specifically stated otherwise.

Revocability of Proxy

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

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered Shareholder or the registered Shareholder's authorized attorney in writing, or, if the registered Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, in the Province British Columbia) before the Meeting or the adjournment thereof at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the registered Shareholder's Common Shares.

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

Persons Making the Solicitation

This solicitation is made on behalf of management of the Corporation. The Corporation will bear the costs incurred in the preparation and mailing of the Proxy Form, Notice of Meeting and this Information Circular. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by directors, officers and employees of the Corporation who will not be remunerated therefor.

In accordance with National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. However, the Corporation does not intend to pay for an intermediary to deliver solicitation materials to objecting beneficial owners (as described in NI 54-101), including this Information Circular, and objecting beneficial owners will not receive such materials unless their intermediary assumes the costs of delivery.

Exercise of Discretion by Proxy

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

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

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

At the time of printing of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed Instrument of Proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matters.

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who choose to submit a proxy may do so by completing, dating and signing the enclosed Instrument of Proxy and returning it to the Corporation’s transfer agent, Computershare, by fax at 1 (866) 249-7775, or by mail or by hand to c/o Proxy Department. Registered Shareholders may also use the internet at www.investorvote.com to transmit their voting instructions.

The proxy must be received at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Vancouver, in the Province British Columbia) before the Meeting or the adjournment thereof at which the proxy is to be used. Failure to complete or deposit a proxy properly may result in its invalidation. The time limit for the deposit of proxies may be waived by the Board at its discretion without notice.

All references to Shareholders in this Information Circular and the accompanying Instrument of Proxy and Notice are to Shareholders of record, unless specifically stated otherwise.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 9,961,965 Common Shares issued and outstanding. Each Common Share entitles the holder thereof to one (1) vote on all matters to be acted upon at the Meeting. The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed as the close of business on the Record Date. All Shareholders are entitled either to attend and vote at the Meeting in person the Common Shares held by them or, provided a completed and executed proxy has been delivered to the Corporation's transfer agent, Computershare, within the time specified in the attached Notice of Meeting, to attend and vote at the Meeting by proxy, the Common Shares held by them.

Registered holders of Common Shares of record as at the close of business on the Record Date are entitled to vote such Common Shares at the Meeting on the basis of one (1) vote for each Common Share held except to the extent that: (i) such Shareholder transfers his, her or its shares after the close of business on the Record Date; and (ii) such transferee, at least ten (10) days prior to the Meeting, produces properly endorsed share certificates to the secretary or transfer agent of the Corporation or otherwise establishes his, her or its ownership of the Common Shares, in which case the transferee may vote those Common Shares at the Meeting.

The by-laws of the Corporation provide that the quorum for the transaction of business at any meeting of the Shareholders shall consist of at least two (2) persons present in person or by proxy, being shareholders entitled to vote thereat or a duly appointed proxy holder or representative for a shareholder so entitled and holding or representing by proxy not less than five percent (5%) of the outstanding Common Shares entitled to vote at such meeting.

To the knowledge of the Board and the executive officers of the Corporation based on publicly available records and previously provided information, as at the Record Date, no person, firm or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation except as set forth in the following table:

Name of Shareholder	Number of Common Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly	Percentage of Common Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly ⁽¹⁾
Ted J. Fostey Calgary, Alberta	3,411,146	34.24%
Brian E. Bayley Vancouver, British Columbia	1,580,525	15.86%
A. Murray Sinclair Vancouver, British Columbia	1,219,235	12.23%

Note:

- (1) Percentage of the Common Shares beneficially owned, controlled or directed is calculated on an aggregate of 9,961,965 Common Shares outstanding as of the date of this Information Circular.

MATTERS TO BE CONSIDERED AT THE MEETING

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the Notice of Meeting.

1. Financial Statements

The audited financial statements of the Corporation for the year ended December 31, 2014, the auditors' report thereon and management's discussion and analysis ("**Financial Statements**") will be tabled at the Meeting. A copy of the Financial Statements are available at the request of Shareholders. No formal action will be taken at the Meeting to approve the Financial Statements. If Shareholders have questions respecting the Financial Statements, the questions will be addressed during the "Other Business" portion of the Meeting.

2. Fixing the Number of Directors

At the Meeting, it will be proposed that four (4) directors be elected to hold office for the next ensuing year, subject to the provisions of the articles of the Corporation relating to subsequent appointments by the Board. Management therefore intends to place before the Meeting, for approval, with or without modification, a resolution fixing the number of directors to be elected until the next annual meeting of shareholders, subject to the articles of the Corporation relating to subsequent appointments by the Board, at four (4) members.

The text of the ordinary resolution which management intends to place before the Meeting for the approval of the fixing of the number of directors is as follows:

“**BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the number of directors to be elected at the Meeting for the ensuing year or otherwise as authorized by the Shareholders of the Corporation be and is hereby fixed at four (4).
2. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Shareholders voting in person or by proxy.

Unless otherwise directed, the management designees named in the accompanying Instrument of Proxy intend to vote such proxies in favour of a resolution fixing the number of directors to be elected at the Meeting at four (4).

3. Election of Directors

The Corporation currently has four (4) directors, all of whom are being nominated for re-election.

Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote for the election of the persons named in the following table to the Board. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by management designees will be voted for another nominee in their discretion unless the Shareholder has specified in his Instrument of Proxy that his Common Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the *Business Corporations Act* (Alberta) to which the Corporation is subject.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, his municipality of residence, all positions and offices with the Corporation presently held by him, principal occupation at the present and during the preceding five years, his membership on any Board committee, and the number of voting Common Shares that he has advised are beneficially owned by him, or over which control or direction is exercised, directly or indirectly, as of the date hereof:

Name, Municipality, Province and Country of Residence	Position With the Corporation	Director Since	Principal Occupation for the Past Five Years⁽⁴⁾	Number of Common Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly⁽¹⁾
Ted J. Fostey Alberta, Canada	President, Chief Executive Officer and Director	May 1, 2003	President of JDL Capital Canada Ltd. (private holding and consulting company).	3,411,146 ⁽⁵⁾
Brian E. Bayley ⁽²⁾⁽³⁾ British Columbia, Canada	Director	March 21, 1996	President of Earlston Management Corp. (formerly Ionic Management Corp.), a private management company since December 1996; Previously held the following positions with Quest Capital Corp. (a predecessor company to Sprott Resource Lending Corp.), a publicly traded resource lending company listed on the TSX and NYSE-MKT; Director from June 2003 to July 2013; Resource Lending Advisor from Sept. 2010 to June 2013; President and Chief Executive Officer from May 2009 to September 2010; Co-Chairman from January 2008 to May 2009; Chief Executive Officer from June 2003 to March 2008; and President from June 2003 to January 2008. Director and officer of several other public companies.	1,580,525
Timothy Collins ⁽²⁾⁽³⁾ Colorado, United States of America	Director	January 19, 1998	Owner/Manager of Collins Land & Cattle Company LLC and Collins Mountain Ranch LLC. Previously, Mr. Collins was the President and CEO of Blacksand Energy Inc., President of Blacksand Energy LLC and President of the General Partner for Blacksand Partners LP.	Nil
Michael A. Thackray , Q.C. ⁽²⁾⁽³⁾ Alberta, Canada	Director	July 17, 2003	Barrister & Solicitor, practising primarily in the area of oil and gas law as a Senior Partner of McMillan LLP (law firm).	37,550

Notes:

- (1) The nominees for director do not hold any stock options to acquire Common Shares as of the date hereof.
- (2) Member of the Audit Committee which is required pursuant to the *Business Corporations Act* (Alberta).
- (3) Member of the Compensation Committee.
- (4) Includes occupations for preceding five years unless the director was elected at the previous annual meeting of shareholders of the Corporation and was shown as a nominee for election as a director in the information circular in respect of such meeting.
- (5) Includes 2,164,326 Common Shares owned by JDL Capital Canada Ltd., a private company wholly-owned by Mr. Fostey.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed herein, to the knowledge of management of the Corporation no proposed director of the Corporation:

- a) is, as at the date of this Information Circular, or has been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any issuer (including the Corporation) that:
 - (i) was subject to a cease trade order, or similar order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to a cease trade order, or similar order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- b) is, as at the date of this Information Circular, or has been, within the 10 years before the date of this Information Circular, a director or executive officer of any issuer (including the Corporation), that while that person was acting in that capacity, or 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
- c) has (including with respect to any personal holding companies), within the 10 years before the date of this Information Circular, 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 its assets.

American Natural Energy Corp.

Brian E. Bayley was a director of American Natural Energy Corp. (TSX-V listed) from June 15, 2001 to November 30, 2010 which was issued cease trading order by the British Columbia Securities Commission in July 2007, Autorité des marchés financiers de Québec in August 2007, Ontario Securities Commission in August, 2007, Alberta Securities Commission in November 2007 and Manitoba Securities Commission in March 2008 for failing to file financial statements and MD&A. The orders were rescinded on October 29, 2008 when it filed the financial statements and MD&A.

Piper Resources Ltd. (Non-listed Reporting Issuer)

Michael A. Thackray was a director of Piper Resources Ltd. ("Piper") from December 4, 2007 until he resigned effective August 14, 2008. On February 17, 2008, Piper was granted protection under the Companies Creditors' Arrangement Act (Canada) (the "CCAA") by an order from the Alberta Court of Queen's Bench which stayed its creditors from enforcing their rights until March 17, 2008 (by subsequent Court orders, now June 15, 2008). The CCAA protection was sought and obtained by Piper as a result of the demand by Piper's principal secured creditor for repayment of its loan on or before February 28, 2008. Mr. Thackray agreed to assume a position on Piper's board in full knowledge of the repayment demand and so as to fill a vacancy created upon the resignation of the principal secured creditor's nominee director on Piper's board. Piper is not currently subject to any cease trade order.

The above information has been furnished by the respective proposed directors individually.

Penalties or Sanctions

Other than as disclosed herein, none of those persons who are proposed directors of the Corporation (or any personal holding companies) have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

4. Appointment of Auditor

The management of the Corporation intends to nominate Davidson & Company LLP, Chartered Accountants, Vancouver, British Columbia for appointment as the auditors of the Corporation at a remuneration to be fixed by the Board and to hold such office until the next annual meeting of the Corporation. Davidson & Company LLP has served as auditor of the Corporation since November 14, 2013.

The resolutions appointing Davidson & Company LLP as auditors of the Corporation must be approved by a simple majority of the votes cast at the Meeting by the Shareholders voting in person or by proxy.

Unless otherwise directed, the management designees named in the enclosed Instrument of Proxy, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of the resolution appointing Davidson & Company LLP, Chartered Accountants, as auditor for the Corporation for the next ensuing year.

5. Approval of Stock Option Plan

Pursuant to the policies of the TSX Venture Exchange (the “**Exchange**”), listed issuers are permitted to have “rolling” stock option plans reserving a maximum of 10% of the issued shares of the Corporation at the time of the stock option grant. The stock option plan of the Corporation (the “**Stock Option Plan**”) is considered to be a “rolling” stock option plan pursuant to the policies of the Exchange, the Stock Option Plan must be approved annually by the Shareholders. That approval is being sought at the Meeting and accordingly the Shareholders will be asked to consider and, if thought appropriate, approve an ordinary resolution approving the Stock Option Plan for the ensuing year. A copy of the Stock Option Plan is attached to this Information Circular as Exhibit “A”.

The Stock Option Plan provides that the Board may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase Common Shares (“**Options**”), provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. Such Options will be exercisable for a period of up to 10 years from the date of grant, pursuant to the policies of the Exchange. In connection with the foregoing, the number of Common Shares reserved for issuance to any one person in any twelve month period will not exceed five percent (5%) of the issued and outstanding Common Shares unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements. In addition: (i) the number of Common Shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding Common Shares; and (ii) the number of Common Shares reserved for issuance to persons providing investor relations activities will not exceed two percent (2%) of the issued and outstanding Common Shares. Options must be exercised within a reasonable period following cessation of the optionee’s position with the Corporation, provided that if the cessation was by reason of death, the Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Option.

The exercise price of the Options shall be determined by the Board, subject to applicable Exchange approval, at the time any Option is granted. In no event shall such exercise price be lower than the “Discounted Market Price” (as such term is defined in Exchange policies). Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting or that no vesting restriction shall exist.

The text of the ordinary resolution which management intends to place before the Meeting for the approval of the Stock Option Plan is as follows:

“**BE IT RESOLVED** as an ordinary resolution of shareholders of the Corporation that:

1. the stock option plan (the “**Stock Option Plan**”) of the Corporation, in substantially the form as attached as Exhibit “A” to the management information circular of the Corporation dated August 12, 2015, is hereby approved;
2. the form of the Stock Option Plan may be amended by the board of directors, in its sole discretion, in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval from the shareholders of the Corporation;
3. all issued and outstanding stock options previously granted, be and are continued under the Stock Option Plan and are hereby ratified, confirmed and approved
4. the shareholders of the Corporation hereby expressly authorize the board of directors, at their sole discretion, to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
5. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast at the Meeting by Shareholders voting in person or by proxy. **Unless otherwise directed to contrary, it is intention of the persons named in the enclosed Instrument of Proxy to vote proxies in favour of the ordinary resolution approving the Stock Option Plan for the ensuing year.**

OTHER MATTERS

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matter properly comes before the Meeting, the Instrument of Proxy furnished by the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Objectives and Process

The Compensation Committee (the “**Compensation Committee**”) of the Board is responsible for setting the overall compensation strategy of the Corporation and administering the Corporation’s executive compensation program with input from the Chief Executive Officer of the Corporation in respect of all executive officers other than the Chief Executive Officer. As part of its mandate, the Compensation Committee approves the remuneration of the Corporation’s executive officers, including the Named Executive Officers of the Corporation which is defined by securities legislation to mean each of the following individuals, namely: (i) the Chief Executive Officer of the Corporation; (ii) the Chief Financial Officer of the Corporation; (iii) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year-end (the “**Named Executive Officer**”). The Named Executive Officers of the Corporation are identified in the Summary Compensation Table. The Compensation Committee is also responsible for reviewing the Corporation’s compensation policies and guidelines generally.

The Company did not pay any executive compensation during the year. Generally, however, the objective of the Corporation’s executive compensation program is to motivate, reward and retain management talent that is needed to achieve the Corporation’s business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. In evaluating performance, the Compensation Committee gives consideration to the Corporation’s long-term interests and quantitative financial objectives, as well as to the qualitative aspects of the individual’s performance and achievements.

Risks of Compensation Policies and Practices

The Corporation’s compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of executive compensation, the Compensation Committee noted the following facts that discourage the Corporation’s executives from taking unnecessary or excessive risk:

- the Corporation’s operating strategy and related compensation philosophy;
- the effective balance, in each case, between cash and equity mix, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance; and
- the Corporation’s approach to performance evaluation and compensation provides greater rewards to an executive officer achieving both near-term and long-term agreed upon objectives.

Based on this review, the Compensation Committee believes that the Corporation’s total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

Role of Executive Officers in Compensation Decisions

With respect to the grant of Options, the Chief Executive Officer recommends to the Board the individual equity incentive awards for each executive officer and director. The Board then takes these recommendations into consideration when making final decisions on compensation for those executive officers. The Board does not use formulas for each grant, but is restricted by the policies of the Exchange and the Stock Option Plan in how many Options it may grant. Options under the Stock Option Plan are awarded based upon the level of responsibility and contribution of the individuals towards the Corporation’s goals and objectives. See “*Incentive plan Awards – The Stock Option Plan*” below, for a detailed description of the Stock Option Plan. Previous grants of Options to a

particular individual will be taken into account when considering future grants of Options to that particular individual.

Financial Instruments

The Corporation has not implemented any policies which restrict its executive officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Elements of Compensation

The executive compensation program is comprised of three principal components: base salaries, a bonus plan and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

Base Salaries

The Company completed a re-organization and financing in 2013 and continues to look for a new investment opportunities. In May 2014, the Company was transferred to the NEX board of the TSX Venture Exchange. Until such time as a new investment opportunity is identified and a transaction completed, it was decided that it was in the best interest of the Company to discontinue the payment of salaries. Ted Fostey, President and Chief Executive Officer, terminated his contract in January 2013 and receives no compensation from the Company at this time. John Downes, Chief Financial Officer, also does not receive any compensation from the Company at this time.

Historically, executive officers were paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The payment of base salaries is an important component of the Corporation's compensation program and serves to attract and retain qualified individuals. The base salaries for the executive officers are reviewed annually by the Compensation Committee and are determined by considering the contributions made by the executive officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities and publicly available salary data. Salaries of the executive officers are not determined based on benchmarks or a specific formula.

Bonus Plan

The Compensation Committee approves bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. Bonuses also serve as a retention incentive for executive officers so that they remain in the employ of the Corporation. The payment of bonuses is consistent with the overall objective of the Corporation to reward performance. Bonuses were not awarded for 2014.

Compensation Governance

The policies and practices adopted by the Board to determine the compensation of the Corporation's executive officers and directors is described under "Statement of Executive Compensation – Compensation Discussion and Analysis" and "Statement of Executive Compensation – Compensation of Directors", respectively.

The Compensation Committee is comprised of two independent directors, being Messrs. Bayley and Collins. Mr. Thackray is not independent as the former Chief Financial Officer of the Corporation within the last three years. The skills and experience of the Compensation Committee member in executive compensation that is relevant to his responsibilities and the making of decisions on the suitability of the Corporation's compensation policies and practices is as follows:

Member	Independent	Skills and Experience
Brian E. Bayley	Yes	Mr. Bayley has served as a director of numerous public companies and is currently a director of one TSX listed company and serves on the Compensation Committee of the board of directors as well. Mr. Bayley has worked with compensation consultants and advisors

Member	Independent	Skills and Experience
		in designing and implementing compensation programs for executive officers of public companies.
Michael A. Thackray, Q.C.	No	Mr. Thackray is a senior partner with McMillan LLP, a law firm in which his practice includes representing public and private companies, all aspects of oil and gas law and corporate, commercial and securities transactions. He also has over 15 years of public issuer experience.
Timothy Collins	Yes	Mr. Collins is currently owner/manager of Collins Land & Cattle Company LLC and Collins Mountain Ranch LLC. He has held senior management positions in both private and public oil and gas companies for over 40 years and has over 10 years of public issuer experience, both as an officer and a director.

The Compensation Committee's mandate is to review succession plans for key management positions within the Corporation, human resources policies and plans and the performance and development of the Chief Executive Officer. The Compensation Committee reviews and recommends the compensation philosophy, guidelines and plans for the Corporation's employees and executives. In consultation with the Chief Executive Officer, it also approves the Corporation's compensation plans, including stock options, incentives, bonuses and benefit plans, for the executive team including the Chief Executive Officer.

Benefit, Contribution, Pension, Retirement, Deferred Compensation and Actuarial Plans

The Corporation currently has no defined benefit, defined contribution, pension, retirement, deferred compensation or actuarial plans for its Named Executive Officers (as defined below) or directors of the Corporation.

Share-Based and Non-Equity Incentive Plan Compensation

The Corporation has not at any time granted any share-based awards nor has it provided any awards pursuant to a non-equity incentive plan.

Termination and Change of Control Benefits

The Corporation does not have in place any employment contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer (as defined below) at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in an Named Executive Officers' responsibilities.

Compensation of Consultants or Advisors

During the year, the Compensation Committee did not retain an independent compensation consultant or advisor to assist in determining the compensation for the Corporation's directors and executive officers.

Summary Compensation Table

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Corporation for each of the Corporation's three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean: (i) each of the Chief Executive Officer and Chief Financial Officer of the Corporation; (ii) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation exceeds \$150,000 for that financial year; and (iii) each individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year end of the Corporation.

“**Executive Officer**” is defined by the legislation to mean: (i) the chair, vice-chair or president of the Corporation; (ii) a vice-president of the Corporation in charge of a principal business unit, division or function including sales, finance or production; or (iii) an individual performing a policy-making function in respect of the Corporation.

The following table provides compensation information for the past three financial years in accordance with National Instrument Form 51-102F6 – *Statement of Executive Compensation* in respect of Ted J. Fostey, President and Chief Executive Officer, John Downes, current Chief Financial Officer and Michael A. Thackray, former Chief Financial Officer, being the Named Executive Officers.

Name and Principal Position of Named Executive Officer	Year Ended June 30,	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$) ⁽²⁾		Pension Value (\$)	All other Compensation ⁽³⁾ (\$)	Total Compensation
					Annual Incentive Plan	Long-Term Incentive Plan			
Ted J. Fostey ⁽³⁾ President and Chief Executive Officer	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	Nil	Nil	Nil	Nil	Nil	Nil	60,000 ⁽⁴⁾	60,000
John Downes ⁽⁵⁾ Chief Financial Officer	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	-	-	-	-	-	-	-	-
Michael A. Thackray ⁽³⁾⁽⁶⁾⁽⁷⁾ Q.C. Former Chief Financial Officer	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Option-based awards reflect the total fair market value, using the Black-Scholes option pricing model, for Options granted during the year, regardless of vesting conditions. Options were granted pursuant to the Stock Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Common Share price, expected dividend yield and risk free interest rate. The amount presented in the table represents the value of the vested and unvested portion of the options issued during the year. For accounting purposes, the fair value of the award is amortized over the applicable vesting period and recognized as a compensation expense. No option-based awards were granted to the Named Executive Officers in the year ended December 31, 2014.
- (2) The value of perquisites and benefits for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer’s total salary for the financial year.
- (3) Messrs. Fostey and Thackray also serve as directors of the Corporation. All of the compensation paid to Messrs. Fostey and Thackray relate to their positions as Named Executive Officers and none of the compensation relates to their roles as directors.
- (4) The Corporation entered into a consulting agreement dated May 1, 2003 with JDL Consulting Capital Canada Ltd., a private company wholly-owned by the Corporation’s President and Chief Executive Officer, Ted J. Fostey. The consulting agreement provided for remuneration of \$5,000 per month in consideration of consulting services and the provision of Mr. Fostey to act as the Corporation’s President. The term of the agreement was subsequently terminated effective January 1, 2013.
- (5) John Downes was appointed Chief Financial Officer on November 14, 2013.
- (6) Michael Thackray ceased as Chief Financial Officer on November 14, 2013.
- (7) Michael A. Thackray, Q.C., a director of the Corporation, is a partner with the law firm of McMillan LLP which firm has not received fees from the Corporation for legal services provided to the Corporation for the period ended December 31, 2014.

Incentive Plan Awards

The Stock Option Plan

The Corporation established the Stock Option Plan for its directors, officers, employees, and consultants, a copy of which is attached hereto as Exhibit “A.” The number of authorized but unissued Common Shares that may be subject to options granted to optionees under the Stock Option Plan shall not exceed 10% of the Common Shares issued and outstanding at the date of grant. Rolling 10% stock option plans such as the Stock Option Plan require annual shareholder approval.

The purpose of the Stock Option Plan is to provide directors, officers, employees and consultants of the Corporation with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in the Corporation provides an incentive to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all Shareholders and increasing the ability of the

Corporation to attract and retain persons of experience by aligning the interests of executives and employees with the growth and profitability of the Corporation. The longer-term focus of the Stock Option Plan complements and balances the short-term elements of the compensation program of the Corporation.

The Stock Option Plan is administered by the Board and all decisions and interpretations of the Board respecting the Stock Option Plan or stock options granted thereunder shall be conclusive and binding on the Corporation and on the optionees. The Board may, at any time and from time to time, grant options under the Stock Option Plan on terms and conditions to be determined by the Board from time to time, subject to the conditions contained in the Stock Option Plan and subject to the policies of the Exchange.

The exercise price of the stock options shall be fixed by the Board at the date of grant, provided that such price shall not be less than that permitted by any stock exchange upon which the Common Shares are then listed and posted for trading. The maximum for which stock options may be exercisable is five years, but such term may be shortened by the Board in any stock option agreement, and all stock options will be subject to early termination in accordance with the provisions of the Plan relating to the cessation of the optionee as a director, officer, employee or consultant, either due to termination of employment or due to death or permanent disability. The aggregate number of Common Shares reserved for issuance pursuant to stock options granted to any one individual in any 12 month period may not exceed five percent of the issued and outstanding Common Shares at the date of grant. The aggregate number of Common Shares reserved for issuance pursuant to stock options granted to any one consultant or granted to employees conducting investor relations activities in any 12 month period may not exceed two percent of the issued and outstanding Common Shares at the date of grant. In addition, the issuance to any one insider and such insider's associates pursuant to the Stock Option Plan and other share compensation arrangements within a 12 month period may not exceed five percent of the outstanding Common Shares at the date of grant.

During the year ended December 31, 2014, the Corporation did not granted any options under the Stock Option Plan pursuant to which Common Shares are issuable; and (ii) there remains for issuance 996,196 Common Shares under the Stock Option Plan, representing 10% of the currently outstanding Common Shares.

Option-Based Awards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, is for the Board to approve option grants based on recommendations made by the Compensation Committee from time to time. Option awards are determined based on the factors described above under the heading "Stock Option Plan".

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2014 held by the Named Executive Officers of the Corporation. The Corporation has not at any time granted any share-based awards.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Ted J. Fostey President and Chief Executive Officer	Nil	N/A	N/A	N/A
John Downes Chief Financial Officer	Nil	N/A	N/A	N/A

Note:

⁽⁸⁾ Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the Exchange on December 31, 2014 of \$0.13, being the last day the Common Shares were traded during the financial year ended December 31, 2014.

No value vested during the Corporation's financial year ended December 31, 2014 in respect of Option-based awards for the Named Executive Officers.

Compensation of Directors

Summary Compensation

The following table sets for information in respect of all amounts of compensation provided to the directors of the Corporation, excluding those directors who are also Named Executive Officers, during the financial year ended December 31, 2014.

Name ⁽¹⁾	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Brian E. Bayley	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Timothy Collins	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

⁽¹⁾ Information for Ted J. Fostey, the President, Chief Executive Officer and a director of the Corporation is provided under "Compensation of Executive Officers – Outstanding Option Based Awards".

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of incentive plan awards outstanding at the end of the financial year ended December 31, 2014 held by the directors. The directors do not receive share-based awards.

Name ⁽¹⁾	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised In-the-money options (\$) ⁽²⁾
Brian E. Bayley	Nil	N/A	N/A	N/A
Timothy Collins	Nil	N/A	N/A	N/A
Michael Thackray	Nil	N/A	N/A	N/A

Notes:

⁽¹⁾ Information for Ted J. Fostey, the President, Chief Executive Officer and a director of the Corporation, and Michael A. Thackray, former Chief Financial Officer and a director of the Corporation is provided under "Compensation of Executive Officers – Outstanding Option Based Awards".

⁽²⁾ Value is calculated based on the difference between the exercise price of the Options and the closing price of the Common Shares on the Exchange on December 31, 2014 of \$0.13, being the last day the Common Shares were traded during the financial year ended December 31, 2014.

No value vested during the Corporation's financial year ended December 31, 2014 in respect of Option-based awards for the directors of the Corporation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the Corporation's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected herein)</u>
Equity Compensation plans approved by securityholders	Nil	N/A	996,196
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	Nil	NA	996,196

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or proposed director of the Corporation or any associate of the foregoing is, or at any time since the beginning of the Corporation's most recently completed financial year has been, indebted to the Corporation, nor were any of these individuals indebted to any other entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation, including under any securities purchase or other program.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as disclosed herein, no person who has been a director or executive officer of the Corporation at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular, the Corporation is not aware of any material transaction involving any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any of informed person or proposed director.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations, and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

For the purposes of the above, "informed person" means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

CORPORATE SERVICES AGREEMENT

The Corporation has entered into a corporate services agreement dated effective June 1, 2013 (the “**Corporate Services Agreement**”) with Earlston Management Corp. (formerly Ionic Management Corp.) (“**Earlston Management**”), whereby Earlston Management provides to the Corporation various administrative and related corporate services.

Earlston Management is a private company owned by Earlston Investments Corp., a British Columbia corporation. None of the persons who were directors or executive officers of the Corporation or a subsidiary of the Corporation at any time during the Corporation’s last financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding Common Shares, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in Earlston Management or Earlston Investments Corp., other than Brian E. Bayley, a director of the Corporation, who is also a director and officer of Earlston Management and a director and shareholder of Earlston Investments Corp. and John Downes, Chief Financial Officer of the Corporation, who is also an officer of Earlston Management and Earlston Investments Corp.

The term of the Corporate Services Agreement commenced on June 1, 2013 and will be in force for two years from the date thereof, with automatic renewal on an annual basis, unless notice is given by either party prior to sixty days of the annual anniversary date of the Corporate Services Agreement, and is subject to earlier termination in certain circumstances, which include: (i) written notice to the other party of termination if the other party (the “Defaulting Party”) is in default of any covenant, condition or requirement under the Corporate Services Agreement and the Defaulting Party has not remedied such default within ten business days of receipt of notice of such default; (ii) by written notice to the other party if the other party becomes insolvent, is unable to discharge its obligations as they become due, makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed against it; or (iii) by two months’ written notice to the other party.

Under the terms of the Corporate Services Agreement, the Corporation paid to Earlston Management a fee of \$1,500 per month. The Corporate Services Agreement provides a mechanism for Earlston Management to change its fee in the event that services required by the Corporation differ than those provided for currently under the Corporate Services Agreement. Pursuant to the Corporate Services Agreement, Earlston Management is reimbursed for all reasonable expenses incurred in the performance of its services.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), sets out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Corporation’s required annual disclosure of its corporate governance practices in accordance with Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)*.

In establishing its corporate governance practices, the Board has been guided by applicable Canadian securities legislation and the guidelines of the TSX-V for effective corporate governance, including National Policy 58-201 – *Corporate Governance Guidelines*. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of its Shareholders, but that it also promotes effective decision making at the Board level.

Board of Directors

The Board is currently composed of four members of which the Board considers both Brian E. Bayley and Timothy Collins independent as such term is defined by NI 58-101. The Board considers that Ted J. Fostey, President and Chief Executive Officer, is not independent as he is an executive officer of the Corporation and Michael Thackray, former Chief Financial Officer, is not independent as he was an executive officer of the Corporation within the past three years. The Board approves all significant decisions that affect the Corporation before they are implemented and the Board supervises their implementation and reviews the results.

The Board is actively involved in the Corporation's strategic planning process. The Board discusses and reviews all materials relating to strategic and operating plans with management. The Board is responsible for reviewing and approving strategic and operating plans and budgets. Management must seek the Board's approval for any transaction that would have a significant impact on the strategic plan.

The Board is also responsible for selecting the President and appointing senior management and for monitoring their performance. The Board delegates to management responsibility for, among other things, meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Corporation's business, evaluating new business opportunities and complying with applicable regulatory requirements.

The Board periodically reviews the Corporation's business and implementation of appropriate systems to manage any associated risks, communications with investors and the financial community and the integrity of the Corporation's internal control and management information systems. The Board also monitors the Corporation's compliance with its timely disclosure obligations and reviews material disclosure documents prior to distribution.

Other Public Company Directorships

The following members of the Board currently hold directorships in other reporting issuers as set forth below:

Name of Director	Name of Reporting Issuer	Exchange
Brian E. Bayley	American Vanadium Corp.	TSXV
	Eurasian Minerals Inc.	TSXV
	Kramer Capital Corp.	TSXV
	Legend Gold Corp.	TSXV
	TransAtlantic Petroleum Corp.	TSX

Orientation and Continuing Education of Board Members

The Corporation does not currently have any formal orientation and education programs for new directors as the changes in Board membership have been limited. The Board briefs all new directors on the corporate policies of the Corporation and other relevant corporate and business information. Board members are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance and to attend related industry seminars. If there is a change in the number of directors required by the Corporation, this policy will be reviewed.

Board members have full access to the Corporation's records.

Ethical Business Conduct

The Board consults regularly with legal, accounting and auditing advisors to ensure compliance with all applicable legal, accounting and other applicable regulatory requirements. The Board has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistleblower Policy with respect to reporting accounting and auditing irregularities. The Board believes that the Corporation has in place corporate governance practices that are both effective and appropriate to the Corporation's size and its business operations. Because of its size and composition, the Board does not find it necessary to appoint many committees or to have in place many formal processes in order to ensure effective corporate governance. For these reasons the Board has not adopted a formal Code of Conduct.

Nomination of Directors

The Board as a whole remains responsible for nominating new members of the Board and assessing members of the Board on an on-going basis. If it becomes necessary, a nomination committee will be created which in turn will develop relevant criteria for suitable candidates including the independence of the individual, financial acumen and availability to devote sufficient time to the duties of the Board. The Board encourages all directors to participate in considering the need for and in identifying and recruiting new candidates for the Board.

Compensation

The Board has appointed a Compensation Committee that is composed of a majority of independent directors. The Compensation Committee has the responsibility to review compensation matters and to recommend to the Board the appropriate levels of compensation for all of the directors and all officers of the Corporation, including the Chief Executive Officer. To determine compensation payable, the independent directors review compensation paid for directors and Chief Executive Officers of companies of similar size and stage of development and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Corporation. In setting the compensation, the independent Directors review the performance of the Chief Executive Officer in light of the Corporation's objectives and consider other factors that may have impacted the success of the Corporation in achieving its objectives.

Other Board Committees

Other than the Audit Committee and the Compensation Committee, the Board does not have any other committees. For further information regarding the Audit Committee, see the description under the heading "*Audit Committee Disclosure*".

Assessments

To date, given the small size of the Board, the Board has not found it necessary to institute any formal process in order to satisfy itself that the Board, its committees and its individual directors are performing effectively.

AUDIT COMMITTEE DISCLOSURE

Audit Committee Charter

The Audit Committee is a committee of the Board established for the purpose of overseeing the accounting and financial reporting processes of the Corporation and annual external audits of the consolidated financial statements. The Audit Committee has formally set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures. See Exhibit "B" hereto for a copy of the Audit Committee Charter of the Corporation.

Composition of the Audit Committee

The Audit Committee currently consists of Brian E. Bayley, Timothy Collins and Michael A. Thackray, Q.C. Brian E. Bayley is the Chair of the Audit Committee. All members of the Audit Committee have been determined to be independent as of the date hereof. Michael A. Thackray was not considered independent, by virtue of his position as former Chief Financial Officer of the Corporation within the past three years. All members are considered to be financially literate.

Relevant Education and Experience of Audit Committee Members

Brian E. Bayley

Mr. Bayley serves as the President and a director of Earlston Management Corp., a private management company. Previously, Mr. Bayley was a director and Resource Lending Advisor for Sprott Resource Lending Corp. (formerly Quest Capital Corp.), a TSX and NYSE Amex listed resource lending corporation. He has held active senior management positions in both private and public natural resource companies and has over 30 years of public issuer experience, both as an officer and a director. Mr. Bayley holds an MBA from Queen's University. He is also a director and officer of several other public companies (see "*Corporate Governance Disclosure*").

Timothy Collins

Mr. Collins is currently owner/manager of Collins Land & Cattle Company LLC and Collins Mountain Ranch LLC. Mr. Collins was previously the President and Chief Executive Officer of Blacksand Energy Inc., President of Blacksand Energy LLC and President of the General Partner for Blacksand Partners LP. He has held senior management positions in both private and public oil and gas companies for over 40 years and has over 10 years of public issuer experience, both as an officer and a director.

Michael J. Thackray, QC

Mr. Thackray is a senior partner with McMillan LLP, a law firm in which his practice includes representing public and private companies, all aspects of oil and gas law and corporate, commercial and securities transactions. He also has over 15 years of public issuer experience.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

Pre-Approval Policies and Procedures

The Audit Committee will review and pre-approve any engagements for non-audit services to be provided by the external auditor, together with estimated fees. The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (By Category)

The following table discloses the approximate aggregate fees paid by the Corporation to the external auditors of the Corporation in each of the last two financial years of the Corporation for audit fees.

Financial Year Ended	Audit fees⁽¹⁾	Audit related fees⁽²⁾	Tax fees⁽³⁾	All other fees⁽⁴⁾
December 31, 2014	\$23,460	Nil	\$2,500	Nil
December 31, 2013	\$28,087.50	Nil	Nil	Nil

Notes:

⁽¹⁾ The aggregate fees billed for audit services.

⁽²⁾ The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the 'Audit Fees' column.

⁽³⁾ The aggregate fees billed for tax compliance, tax advice, and tax planning services.

⁽⁴⁾ The aggregate fees billed for professional services other than those listed in the other three columns.

Exemption

As a "venture issuer" (as such term is defined under NI 51-102 – *Continuous Disclosure Obligations*), the Corporation is relying upon the exemption provided for in section 6.1 of NI 52-110.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's audited financial statements and management's discussion and analysis for the year ended December 31, 2014. Information relating to the Corporation may be found under the Corporation's profile on SEDAR at www.sedar.com.

EXHIBIT "A"

STOCK OPTION PLAN CYPRESS HILLS RESOURCE CORP.

I. INTERPRETATION

1. Definitions In this Plan the following words and phrases shall have the following meanings, namely:

- (a) "Board" means the board of directors of the Company or, if the Board so elects, a committee (which may consist of only one person) appointed by the Board from its members to administer the Plan.
- (b) "Company" means Cypress Hills Resource Corp.
- (c) "Consultant" means an individual (or a corporation or partnership (a "Consultant Company") of which the individual is an employee, shareholder or partner) who:
 - (i) is engaged to provide, on an ongoing bona fide basis, consulting, technical, management or other services to the Company or a subsidiary of the Company other than in relation to a distribution of the Company's securities;
 - (ii) provides the services under a written contract between the Consultant or Consultant Company and the Company or subsidiary;
 - (iii) in the Company's reasonable opinion, spends or will spend a significant amount of time and attention on the business and affairs of the Company or a subsidiary of the Company; and
 - (iv) has a relationship with the Company or a subsidiary of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.
- (d) "Director" means a director, senior officer or Management Company Employee of an Issuer, or of an unlisted Company seeking a listing on the Exchange, or a director, senior officer or Management Company Employees of an Issuer's or an unlisted Company's subsidiaries.
- (e) "Disinterested Shareholder" means a holder of Shares that is not an Insider nor an associate (as defined in the *Securities Act* (British Columbia)) of an Insider.
- (f) "Employee" means:
 - (i) an individual who is considered an employee of the Issuer or its subsidiary under the Income Tax Act (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
 - (ii) an individual who works full-time for an Issuer or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Issuer, but for whom income tax deductions are not made at source; or
 - (iii) an individual who works for an Issuer or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Issuer, but for whom income tax deductions are not made at source

- (g) “Exchange” means the TSX Venture Exchange or any other stock exchange on which the Shares are listed for trading.
 - (h) “Insider” means an insider of the Company as defined in the *Securities Act* (British Columbia).
 - (i) “Market Price” means the price at which the last recorded sale of a board lot of Shares took place on the Exchange during the trading day immediately preceding the date of granting the option or, if there was no such sale, on the preceding trading day during which there was such a sale. It is the intention of this Plan that Market Price is the Company’s best estimate made in good faith of the fair market value of the Shares at the time of granting of the option.
 - (j) “Management Company Employee” means an individual employed by a company providing management services to the Issuer, which are required for the ongoing successful operation of the business enterprise of the Issuer, but excluding a person engaged in investor relations activities.
 - (k) “Officer” means a senior officer of the Company (as defined in the *Securities Act* (British Columbia)) or any of its subsidiaries.
 - (l) “Plan” means this stock option plan as from time to time amended.
 - (m) “Shares” means common shares of the Company.
2. Gender Throughout this Plan, words importing the masculine gender shall be interpreted as including the female gender.

II. PURPOSE OF PLAN

1. Purpose The purpose of this Plan is to attract and retain Employees, Consultants, Officers and Directors to the Company and to motivate them to advance the interests of the Company by affording them with the opportunity to acquire an equity interest in the Company through options granted under this Plan to purchase Shares.

III. GRANTING OF OPTIONS

1. Administration This Plan shall be administered by the Board.
2. Grant by Resolution The Board may determine by resolution those Employees, Consultants, Officers and Directors to whom options should be granted under the Plan and grant to them such options as the Board determines to be appropriate. As a condition precedent to the grant of an option, the Company and optionee must be able to represent to the Exchange as of the date of grant that the optionee is a bona fide Executive, Employee or Consultant of the Company or any Subsidiary.
3. Terms of Option The Board shall determine and specify in its resolution the number of Shares that should be placed under option to each such Employee, Consultant, Officer or Director, the price per Share to be paid for such Shares upon the exercise of each such option, and the period during which such option may be exercised.
4. Written Agreement Every option granted under this Plan shall be evidenced by a written agreement between the Company and the optionee and where not expressly set out in the agreement the provisions of such agreement shall conform to and be governed by this Plan. If there is any inconsistency between the terms of the agreement and this Plan the terms of this Plan shall govern.

IV. CONDITIONS GOVERNING THE GRANTING & EXERCISING OF OPTIONS

1. Different Exercise Periods, Prices and Number In granting an option under this Plan the Board may specify, in its absolute discretion, a particular time period or periods during which the option may be

- exercised and designate the exercise price and number of Shares in respect of which the option may be exercised during each such time period.
2. Exercise Price The exercise price of an option granted under this Plan shall not be less than the Market Price at the time of granting the option. If the optionee is subject to the tax laws of the United States of America and owns (as determined in accordance with such laws) greater than 10% of the Shares at the time of granting of the option the exercise price shall be at least 110% of the Market Price. In any event, no options shall be granted which are exercisable at a price of less than Cdn\$ 0.10 per Share.
 3. Number of Shares The number of Shares reserved for issuance to an optionee pursuant to an option granted under this Plan, together with all other options granted to the optionee in a 12 month period, shall not exceed, at the time of granting of the option, 5% of the outstanding Shares (2% of the issued Shares if the optionee is a Consultant) but if the optionee is engaged in providing investor relations services to the Company the aggregate number of Shares reserved for issuance to all such optionees providing such investor relations services shall not exceed 2% of the issued Shares in any 12 month period.
 4. Vesting of Options if Optionee is Providing Investor Relations Services If the optionee is a Consultant providing investor relations services to the Company the option must vest in stages over of not less than 12 months with no more than one quarter of the option vesting in any three month period.
 5. Vesting of Options if Plan Exceeds 10% Not Applicable.
 6. Exercise of Options if Specified Value Exceeds US\$ 100,000 If the optionee is an Employee subject to the tax laws of the United States of America that part of any option entitling the optionee to purchase Shares having a value of US\$ 100,000 or less shall be treated as an “Incentive Stock Option” under United States Internal Revenue Code so that the optionee may defer the payment of tax on such Shares until the year in which such Shares are disposed of by the optionee. For the purposes hereof value is determined by multiplying the number of shares which are subject to the option times the Market Price (at the time of granting of the options). That part of any option on Shares having a value in excess of US\$ 100,000 shall be treated as a non-qualifying option for the purposes of the Code and shall not entitle the optionee to such tax deferral.
 7. Expiry Date Unless sooner terminated, the duration of an option shall not exceed the maximum term permitted by the Exchange. For greater certainty, if the Company is listed on the TSX Venture Exchange, the maximum term may not exceed 10 years if the Company is classified as a “Tier 1” issuer by the TSX Venture Exchange, and the maximum term may not exceed 5 years if the Company is classified as a “Tier 2” issuer by the TSX Venture Exchange.
 8. Extension of Expiry of Time During Blackout Periods Notwithstanding the provisions contained herein for the expiry of options, and subject to the rules of the Exchange, in the event that the expiry date of an option occurs during a blackout period that is formally self-imposed by the Company pursuant to its policies (“**Blackout Period**”), the expiry date of such option shall be automatically extended for a period of 10 business days following the end of the Blackout Period provided that the Blackout period was imposed as a result of the bona fide existence of undisclosed Material Information and the Blackout Period expires upon the general disclosure of the undisclosed Material information..
 9. Death of Optionee In the event of the death of an optionee, the option previously granted to him or her shall be exercisable only within one (1) year after such death and then only:
 - (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
 - (b) if and to the extent that such Participant was entitled to exercise the option at the date of his death.
 10. Termination of Optionee (Voluntary) If an optionee voluntarily ceases to be a Director, Officer, Consultant, Employee or Management Company Employee any option granted under this Plan to the optionee must terminate:

- (a) within one (1) year after the optionee ceased to be the last of a Director, Officer, Consultant, Employee or Management Company Employee;
 - (b) on the 30th day after the optionee ceased to be an Employee or Consultant if the optionee was engaged in providing investor relations services for the Company; or
 - (c) on the earlier of the 90th day and the third month after the optionee ceased to be an Employee or Officer if the optionee is subject to the tax laws of the United States of America.
11. Termination of Optionee (Involuntary or for Cause) If an optionee ceases to be any of a Director, Officer, Consultant, Employee or Management Company Employee whether through removal as a director, dismissal as an employee or officer for cause or termination as consultant for breach of their consulting agreement then, notwithstanding the optionee continuing to fall within another of such categories, any option granted under this Plan to the optionee shall terminate immediately on such removal, dismissal or termination and shall not be exercisable by the optionee.
12. Vesting on Change of Control If there is a Change of Control of the Company while any stock options granted under this Plan are outstanding such options, subject to the Exchange's approval, shall vest immediately and be fully exercisable notwithstanding the terms thereof. For the purposes hereof "Change of Control" shall mean:
- (a) any transaction or series of related transactions as a result of which any person, entity or group acquires ownership, before or after the date of the Plan, of at least 20% of the voting shares of the Company and they or their representatives become a majority of the Board of Directors or assume control or direction over the management or day-to-day operations of the Company; or
 - (b) an amalgamation, merger, consolidation or other reorganization of the Company with another entity as a result of which the Company ceases to exist or be publicly traded and the management or Board of Directors of the Company do not comprise substantially all of the management or a majority of the board of directors, respectively, of the resulting entity.
13. Assignment No option granted under this Plan or any right thereunder or in respect thereof shall be transferable or assignable otherwise than by will or pursuant to the laws of succession except that, if permitted by the rules and policies of the Exchange, an optionee shall have the right to assign any option granted to them under this Plan to a corporation wholly-owned by them.
14. Restriction on Resale of Shares Issued All Shares issued upon the exercise of an option shall be subject to a four month hold period from the time the option was granted during which period they cannot be sold and, in accordance with the Exchange's policies, the certificates representing such Shares shall be legended accordingly.
15. Notice Options shall be exercised only in accordance with the terms and conditions of the agreements under which they are respectively granted and shall be exercisable only by notice in writing to the Company.
16. Payment Options may be exercised in whole or in part at any time prior to their lapse or termination. Shares purchased by an optionee on exercise of an option shall be fully paid for in cash at the time of their purchase.

V. RESERVATION OF SHARES FOR OPTIONS

1. Sufficient Authorized Shares to be Reserved Whenever the constating documents of the Company limit the number of authorized Shares, a sufficient number of Shares shall be reserved by the Board to satisfy the exercise of options granted under this Plan. Shares that were the subject of options that have lapsed or terminated shall thereupon no longer be in reserve and may once again be subject to an option granted under this Plan.

2. Maximum Number of Shares to be Reserved Under Plan The aggregate number of Shares which may be subject to issuance pursuant to options granted under this Plan shall be 10% of the outstanding Shares less any Shares subject to issuance pursuant to outstanding options granted before the establishment of this Plan.
3. Maximum Number of Shares Reserved for Insiders Unless the Disinterested Shareholders have approved this Plan at a meeting of holders of Shares, under no circumstances shall options granted under this Plan, together with all of the Company's other previously granted stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Shares, result, at any time, in:
 - (a) the number of Shares reserved for issuance pursuant to stock options granted to Insiders exceeding 10% of the Shares outstanding at the time of granting; or
 - (b) the issuance to Insiders, within a one year period, of Shares totalling in excess of 10% of the Shares outstanding at the time of granting.

VI. CHANGES IN SHARES

1. Share Consolidation or Subdivision If the Shares are at any time subdivided or consolidated, the number of Shares reserved for option under this Plan shall be similarly increased or decreased and the price payable for any Shares that are then subject to option shall be decreased or increased proportionately, as the case may require, so that upon exercising each option the same proportionate shareholdings at the same aggregate purchase price shall be acquired after such subdivision or consolidation as would have been acquired before.
2. Stock Dividend If the Shares are at any time changed as a result of the declaration of a stock dividend thereon, the number of Shares reserved for option and the price payable for any Shares that are then subject to option may be adjusted by the Board to such extent as they deem proper in their absolute discretion.

VII. EXCHANGE'S RULES & POLICIES APPLY

1. Exchange's Rules and Policies Apply This Plan and the granting and exercise of any options hereunder are also subject to such other terms and conditions as are set out from time to time in the rules and policies on stock options of the Exchange and any securities commission having authority and such rules and policies shall be deemed to be incorporated into and become a part of this Plan. If there is an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of such rules and policies shall govern.

VIII. AMENDMENT OF PLAN & OPTIONS

1. Board May Amend Plan or Options The Board, by resolution, may amend or terminate this Plan or options granted under this Plan, but no such amendment or termination, except with the written consent of the optionees concerned, shall affect the terms and conditions of options previously granted under this Plan which have not then been exercised or terminated.
2. Shareholder Approval of Reduction of Exercise Price Any reduction of the exercise price of options granted under this Plan to Insiders shall be subject to approval of Disinterested Shareholders at a meeting of holders of Shares.
3. Exchange Approval Any amendment to this Plan or options granted pursuant to this Plan shall not become effective until such amendments have been accepted by the Exchange.

IX. EFFECT OF PLAN ON OTHER COMPENSATION PLANS

1. Other Plans Not Affected This Plan shall not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers, Consultants and Employees.

X. OPTIONEE'S RIGHTS AS A SHAREHOLDER

1. No Rights Until Option Exercised An optionee shall be entitled to the rights pertaining to share ownership, such as to dividends, only with respect to Shares that have been fully paid for and issued to him upon exercise of an option.

XI. EFFECTIVE DATE & TERMINATION OF PLAN

1. Effective Date This Plan shall become effective upon the later of the acceptance for filing of this Plan by the Exchange and the approval of this Plan at a meeting of the holders of Shares. Options may be granted under this Plan, but not exercised, prior to the receipt of such approvals. Thereafter this Plan shall be approved annually by the holders of the Shares. If such annual approval is not obtained options may no longer be granted under this Plan.

Termination This Plan shall terminate only upon a resolution to that effect being passed by the Board. Any options granted under this Plan shall continue to be exercisable according to their terms after the termination of this Plan.

EXHIBIT “B”

CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF CYPRESS HILLS RESOURCE CORP.

The Audit Committee Charter

I. MANDATE

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Cypress Hills Resource Corp. (the “**Company**”) shall assist the Board in fulfilling its financial oversight responsibilities. The Committee’s primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company’s financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company’s independent external auditor (the “**Auditor**”); and
4. The performance of the Company’s internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members.

B. Qualifications

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement.

C. Appointment and Removal

In accordance with the By-Laws of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

1. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section 1 of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company, consistent with Independence Standards Board Standard 1.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
3. Require the Auditor to report directly to the Committee.
4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

Performance & Completion by Auditor of its Work

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor.
7. Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor unless such non-audit services:
 - (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Company to the Auditor during the fiscal year in which the non-audit services are provided;
 - (b) were not recognized by the Company at the time of the engagement to be non-audit services; and
 - (c) are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Internal Financial Controls & Operations of the Company

8. Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
12. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
 - (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
 - (b) The management inquiry letter provided by the Auditor and the Company's response to that letter.
 - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Company

14. Review the Company's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.
15. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
16. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Manner of Carrying Out its Mandate

17. Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
18. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
19. Meet, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor in separate executive sessions.
20. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
21. Make regular reports to the Board.

22. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
23. Annually review the Committee's own performance.
24. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.
25. Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.

C. Limitation of Audit Committee's Role

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 are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.