

ECHO ENERGY CANADA INC.
777 Bay Street, Suite 1910, Toronto, Ontario, M5G 2E4

MANAGEMENT INFORMATION CIRCULAR

May 26, 2006

I. GENERAL PROXY INFORMATION

1.1 SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY AND ON BEHALF OF THE MANAGEMENT OF ECHO ENERGY CANADA INC. (THE “CORPORATION”) for use at an Annual and Special Meeting of the Shareholders of the Corporation to be held at the Albany Club, 91 King Street East, 3rd Floor, Toronto, Ontario, M5C 1G3 at the hour of 11:30 A.M. (Eastern) on Thursday, June 29, 2006, for the purposes set out in the accompanying Notice of Meeting. The cost of solicitation of proxies will be borne by the Corporation.

1.2 APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are either directors or representatives of the Corporation. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM AT THE MEETING MAY DO SO** by inserting such other person’s name in the blank space provided in the form of proxy and depositing the completed proxy with the Secretary of the Corporation as instructed herein below. A proxy can be executed by the shareholder or his attorney duly authorized in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

The common shares represented by proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the common shares will voted accordingly.

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

1.3 DEPOSIT OF PROXY

By resolution of the Directors duly passed, **ALL PROXIES TO BE USED AT THE MEETING MUST BE DEPOSITED NOT LATER THAN 4:00 P.M. ON THE LAST BUSINESS DAY PRECEDING THE DAY OF THE MEETING, BEING WEDNESDAY, JUNE 28, 2006, OR ANY ADJOURNMENT THEREOF, WITH THE CORPORATION’S TRANSFER AGENT, EQUITY TRANSFER SERVICES INC., SUITE 420, 120 ADELAIDE STREET WEST, TORONTO, ONTARIO, M5H 4C3**, provided that a proxy may be delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment prior to the time for voting. A return envelope has been included with this material.

1.4 VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, common shares owned by a person (a “**non-registered holder**”) are registered either (a) in the name of an intermediary (an “**Intermediary**”) that the non-registered holder deals with in respect of the common shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as the Canadian Depository of Securities Limited (“**CDS**”) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Management Information Circular and the accompanying Notice of Meeting together with the form of proxy (collectively the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to non-registered holders of common shares.

Intermediaries are required to forward the Meeting Materials to non-registered holders unless a non-registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under “**Appointment of Proxies**”; or
- (b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically the non-registered holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non-registered holders to direct the voting of common shares they beneficially own. Should a non-registered holder who receives either form of proxy wish to vote at the Meeting in person, the non-registered holder should strike out the persons named in the form of proxy and insert the non-registered holder’s name in the blank space provided. **NON-REGISTERED HOLDERS SHOULD CAREFULLY FOLLOW THE INSTRUCTIONS OF THEIR INTERMEDIARY INCLUDING THOSE REGARDING WHEN AND WHERE THE FORM OF PROXY OR VOTING INSTRUCTION FORM IS TO BE DELIVERED.**

1.5 EXERCISE OF DISCRETION OF PROXIES

The persons named in the accompanying form of proxy for use at the meeting will vote the shares in respect

of which they are appointed in accordance with the directions of the shareholders appointing them. **IN THE ABSENCE OF SUCH DIRECTIONS, SUCH SHARES SHALL BE VOTED “FOR”:**

1. The election of directors as nominated by management;
2. The re-appointment of Neal, Pallet & Townsend LLP, Chartered Accountants, as auditors of the Corporation in respect of the current year and to authorize the directors to fix their remuneration;
3. The ratification, approval and confirmation of all acts of directors and officers of the Corporation;
4. The ratification, approval and confirmation of an amendment to the Corporation’s Stock Option Plan to increase the number of shares that may be issued upon exercise of options granted under the plan; and
5. Such further and other business as may be properly brought before the Meeting or any adjournment thereof;

ALL AS MORE PARTICULARLY DESCRIBED IN THIS CIRCULAR.

Each of items 1, 2 and 3 require approval by a simple majority (50%) of all votes cast at the Meeting.

Item 4 requires authorization by a simple majority (50%) of all votes attached to shares, other than shares beneficially owned by insiders of the Corporation and associates thereof, cast at the Meeting.

The shareholders will also receive the Corporation’s annual consolidated financial statements for the fiscal year ended December 31, 2005 and the auditors’ report thereon.

The enclosed form of proxy confers discretionary authority upon the person named therein with respect to any amendment, variation or other matter to come before the meeting, other than the matters referred to in the Notice of Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGEMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

1.6 VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consisted of an unlimited number of common shares, of which 52,779,515 are issued and outstanding as fully paid and non-assessable as at May 16, 2006.

The record date for the Meeting is May 16, 2006. Each shareholder of record will be entitled to one vote for each common share held at the Meeting or any adjournment or postponement thereof, except to the extent that a person has transferred any shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the Meeting or any adjournment or postponement thereof that the transferee’s name be included in the list of shareholders entitled to vote at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at May 16, 2006, the following persons or companies beneficially own, directly or indirectly, or exercises control or direction over more than 10% of the common shares of the Corporation:

Name and Address	Class of Securities	Number of Securities Owned or Controlled	Percent of Class of Outstanding Voting Shares
CDS & Co. ⁽¹⁾	Common Shares	19,456,658	36.86%
Challenge Gas Holding AB	Common Shares	11,016,618	20.87%
Exclusive Asset Management Inc.	Common Shares	5,399,970	10.23%

Notes:

(1) The Corporation is not aware of the beneficial holders of the shares held by this financial intermediary.

2. MANAGEMENT REMUNERATION AND AUDIT COMMITTEE

2.1 EXECUTIVE COMPENSATION

Pursuant to applicable securities regulations, the Corporation must disclose the compensation paid to its “**Named Executive Officers**”. This includes the Corporation’s Chief Executive Officer and the Corporation’s Chief Financial Officer (or an individual that served in a similar capacity) and the other three most highly compensated executive officers provided that disclosure is not required for those executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total salary and bonus did not exceed \$150,000. Executive officers of the Corporation include the Chairman of the Board, the President and Vice-President in charge of a principal business unit such as sales, finance or production, and any officer of the Corporation or other subsidiaries who performs a policy-making function in respect of the Corporation, whether or not such officer is also a director of the Corporation or its subsidiaries. Other than as disclosed below, at the end of the most recently completed fiscal year, no other executive officers of the Corporation had a salary and bonus that exceeded \$150,000. The Corporation’s Chief Executive Officer, Chief Financial Officer, Chairman and Vice-President received the following compensation for the past three fiscal years ended December 31, 2005, 2004 and 2003:

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	Long Term Incentive Plan Payouts (\$)	
Salvatore Fuda Chairman	2005 2004 2003	158,400 ⁽⁵⁾ 60,000 -	- - -	- - -	- 1,200,000 -	- - -	- - -	- - -
Gary Conn President and Chief Executive Officer	2005 2004 2003	158,400 132,000 72,000 ⁽¹⁾	- - -	- - -	- 1,200,000 -	- - -	- - -	- - -
Joseph Fuda Executive Vice- President	2005 2004 2003	158,400 127,000 72,000	- - -	- - -	- 900,000 -	- - -	- - -	- - -
Robert Gilmore Chief Financial Officer ⁽²⁾	2005 2004 2003	82,200 - -	- - -	- - -	- - -	- - -	- - -	- - -
Antonio Lopes Former Chief Financial Officer ⁽⁴⁾	2005 2004 2003	- 56,000 25,750 ⁽³⁾	- - -	- - -	- 50,000 -	- - -	- - -	- - -

Notes:

- (1) The Corporation paid these amounts to 969625 Ontario Ltd., in which Gary Conn is the principal shareholder.
- (2) Robert Gilmore was appointed as Chief Financial Officer of the Corporation on January 31, 2005.
- (3) The Corporation paid these amounts to 1330568 Ontario Ltd., in which Antonio Lopes was the principal shareholder.
- (4) Antonio Lopes served as Chief Financial Officer of the Corporation until January 31, 2005.
- (5) The Corporation paid these amounts to Giomardi Holdings Inc., a corporation wholly owned by Salvatore Fuda's family trust.

Option Grants During the Most Recently Completed Financial Year

Under the Corporation's stock option plan, eligible directors, officers and employees may be granted options to acquire common shares at a price which is not less than the closing price of the Company's common shares on the TSX Venture Exchange on the trading day immediately preceding the date of grant less any discounts permitted by the rule of the Exchange. No Options were granted during the Corporation's most recently completed financial year. A total of 420,000 shares remain available for issuance under the stock option plan.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

Name	Securities Acquired on Exercise(#)	Aggregate Value Realized ¹ (\$)	Unexercised Options/SARs at Financial Year End (#) Exercisable/Unexercisable	Value of Unexercised in-the-money Options/SARs at Financial Year End ² (\$) Exercisable/Unexercisable
Salvatore Fuda	-	-	1,200,000/0	0/0
Gary Conn	-	-	1,200,000/0	0/0
Joseph Fuda	-	-	900,000/0	0/0
Robert Gilmore	-	-	-	-
Antonio Lopes	-	-	50,000/0	0/0

Notes:

- (1) Market value of underlying securities at the date of exercise minus the exercise price.
- (2) Market value of underlying securities at year end minus the exercise price.

2.2 TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

Salvatore Fuda

Salvatore Fuda serves as the Corporation's Chairman pursuant to management consulting agreements dated January 28, 2003 and September 15, 2003, among the Corporation, Mr. Fuda and Exclusive Asset Management Inc. The initial term of each agreement is five years and may be renewed at the option of Exclusive Asset Management Inc. for a further term of five years. The agreements provide for initial annual fees to be paid to Exclusive Management Inc. of \$144,000 plus applicable taxes, such fees escalating at the rate of 10% per annum. In 2005, Exclusive Asset Management Inc. was paid fees of \$158,400 for Mr. Fuda's services.

Gary Conn

Gary Conn serves as the Corporation's President, Chief Executive Officer and Treasurer pursuant to management consulting agreements dated September 15, 2001 and October 24, 2001 among the Corporation, 969625 Ontario Ltd. and Gary Conn. The initial term of each is for five years and may be renewed at the option of 969625 Ontario Ltd. for a further term of five years. The agreements provide for initial annual fees to be paid to 969625 Ontario Ltd. of \$132,000 plus applicable taxes, such fees escalating at the rate of 10% per annum. In 2005, 969625 Ontario Inc. was paid fees of \$158,400 for Mr. Conn's services.

Joseph Fuda

Joseph Fuda serves as the Corporation's Executive Vice-President pursuant to management consulting agreements, both dated January 28, 2003, among the Corporation, Mr. Fuda and 1447750 Ontario Inc. The initial term of each agreement is five years and may be renewed at the option of 1447750 Ontario Inc. for a further term of five years. The agreements provide for initial annual fees to be paid to 1447750 Ontario Inc. of \$144,000 plus applicable taxes, such fees escalating at the rate of 10% per annum. In 2005, 1447750 Ontario Inc. was paid fees of \$158,400 for Mr. Fuda's services.

Robert Gilmore

Mr. Robert Gilmore has acted as the Corporation's Chief Financial Officer since January 31, 2005. During 2005, Mr. Gilmore was paid compensation of \$82,200 for his services by the Corporation.

2.3 COMPENSATION OF DIRECTORS

Options are offered to directors to purchase common shares at an exercise price equal to or above the market price for the common shares at the date that the options are granted. The Corporation does not pay an annual retainer fee to the members of its Board of Directors or any fees to any independent, non-management directors. Further, the Corporation does not pay any committee-related fees or any fees for attendance by members of the Board of Directors at meetings of the Board of Directors.

2.4 SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by securityholders	4,700,000	\$2.00	420,000 ⁽¹⁾
Total	4,700,000		420,000

Notes:

(1) As at December 31, 2005.

2.5 AUDIT COMMITTEE – DISCLOSURE UNDER NATIONAL INSTRUMENT 52-110

2.5.1 The charter for the audit committee of the Corporation is attached as Schedule “A” to this information circular.

2.5.2 The Corporation's audit committee is composed of the following: Oliver Nepomuceno, Andrew Brandt and Robert Moore. All three members of the audit committee are independent and financially literate.

2.5.3 The audit committee meets annually with the independent auditors to review the scope, proposed audit fees and related detail of the forthcoming annual year-end audit to be conducted by the independent auditors. The audit committee also reviews the extent of “non-audit” services and related fee proposals that may be requested from the independent auditors from time to time.

2.5.4 The following table presents by category the fees billed by the Company's former external auditors, Ernst & Young LLP during the fiscal year ended December 31, 2004, and the Company's current external auditors, Neal, Pallett & Townsend LLP (“**NPT LLP**”) during the fiscal year ended December 31, 2005:

Fee categories	2005	2004
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Audit fees	\$27,500	\$50,125
Fees associated to the audit	\$ 2,000	\$ 0
Fees associated to taxation services	\$ 7,500	\$12,210
Other fees	\$ 0	\$66,900
Total	\$37,000	\$129,235

“Audit fees” include the total fees paid out to Ernst & Young LLP or NPT LLP, as the case may be, for the audit of annual consolidated financial statements and other audits and regulatory deposits.

“Fees associated to the audit” include the total fees paid out to Ernst & Young LLP or NPT LLP, as the case may be, for services associated to the audit fees, the consulting services relative to accounting and financial disclosure standards.

“Fees associated to taxation services” include the total fees paid out to Ernst & Young LLP or NPT LLP, as the case may be, for compliance to taxation legislation, taxation advice as well as consultation and tax planning services related to income taxes, capital taxes and sales taxes.

“Other fees” include the total fees paid out to Ernst & Young LLP or NPT LLP, as the case may be, for all other services other than those presented in the categories of fees, fees associated to the audit and fees associated to taxation services, notably the consulting services rendered in the context of due diligence services for the purpose of the Merger.

3. PARTICULARS OF MATTERS TO BE ACTED UPON

3.1 ELECTION OF DIRECTORS

The Board of Directors of the Corporation is currently set at seven and the Board has determined to set the number of directors to be elected at eight. The Board continues to consider the composition of the Board and search for additional nominees to increase the number of “unrelated” directors. The persons named in the enclosed form of proxy for the Meeting (unless otherwise instructed) intend to vote for the election of the nominees whose names are set forth below. Management does not contemplate that any of the nominees will be unable to serve as a director, but should this occur for any reason before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote for another person or persons of their choice in their place or stead unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the election of directors. Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his or her successor is elected or appointed, unless his or her office is earlier vacated according to the provisions of the by-laws of the Corporation or the *Business Corporations Act* (Ontario).

The following table states the names of the persons nominated by management for election as directors, their province/state of residency, current principal occupation, business or employment and the same for the previous five years unless disclosed in a information circular previously provided to shareholders, and the approximate number of shares of the Corporation beneficially owned, directly, or indirectly, or over which control or direction is exercised, by each of them as of May 16, 2006. The information as to shares beneficially owned or controlled has been furnished by each of the management nominees:

Name, Municipality of Residence (Director Since)	Principal Occupation Within the Five Preceding years	Number and Voting Securities Beneficially Owned or Controlled	Term to Expire
Gary Conn ⁽⁵⁾ London, Ontario (March 1999)	Mr. Conn is and has served as President, Chief Executive Officer and director of the Corporation since the Merger; prior thereto, he held the same positions with Pifher since March 1999; Executive Vice-President, Ontex Resources Limited since December 1998; prior thereto, he was President of Faymar Gold Mines Limited and President of Echo Energy Inc., a private gas exploration company.	1,273,791 ⁽²⁾ (2.4%)	Next annual shareholders' meeting
Salvatore Fuda Toronto, Ontario (March 1999)	Mr. Fuda is and has served as Chairman and director of the Corporation since the Merger; prior thereto, he held the same positions with Pifher since March 1999; Chairman of Ontex Resources Limited since 1986 and Mr. Fuda served as President and Chief Executive Officer of Micromem Technologies Inc. from June 2000 through to February 13, 2002.	11,092,113 ⁽³⁾ (21%)	Next annual shareholders' meeting
Joseph Fuda Toronto, Ontario (May 2003)	Mr. Fuda is and has served as Vice-President and director of the Corporation since the Merger; prior thereto, he held the same positions with Pifher since May 2003; President and Chief Executive Officer of Ontex Resources Limited from 1986 to December 1998; Chairman of the Board of Ontex Resources Limited from 1986 to December 1998 and Mr. Fuda is and has served as President and Chief Executive Officer of Micromem Technologies Inc. since February 13, 2002.	474,756 (0.90%)	Next annual shareholders' meeting

Name, Municipality of Residence (Director Since)	Principal Occupation Within the Five Preceding years	Number and Voting Securities Beneficially Owned or Controlled	Term to Expire
Andrew Brandt Toronto, Ontario (October 1997)	Mr. Brandt served as director of Pifher since October 1997. Mr. Brandt served as Chairman and Chief Executive Officer of the Liquor Control Board of Ontario from February 1991 to February 2006.	81,675 (0.15%)	Next annual shareholders' meeting
Michael Hunter London, Ontario (August 2004)	Mr. Hunter is, and he has served as, a consultant to the Corporation (since December 2001 and as a consultant to Echo Energy Inc., a subsidiary of the Corporation that amalgamated with the Corporation, since December 2000). He was previously Deputy Chief Inspector, Petroleum Resources, at the Ontario Ministry of Natural Resources from 1986 to 1996, where he was responsible for the Ministry's inspection department covering London, Simcoe and Aylmer, Ontario.	3,960 (less than 0.1%)	Next annual shareholders' meeting
Oliver Nepomuceno ⁽¹⁾ Lugano, Switzerland (August 2004)	Since April 1993, Mr. Nepomuceno has been an investment banker for Intel Trust S.A., a Swiss investment company located in Lugano, Switzerland.	5,618,475 (10.6%)	Next annual shareholders' meeting
Robert Moore ^{(1), (5)} London, Ontario (February 2003)	Mr. Moore is and has been President of Technicar Ltd., a private corporation based in London, Ontario since 1979. Mr. Moore is a Professional Engineer (P.Eng), and holds a B.E.Sc. from the University of Western Ontario.	3,500 (less than 0.1%)	Next annual shareholders' meeting
David Johnstone ^{(1), (5)} London, Ontario (not currently a director)	Mr. Johnstone is, and since March 1995 he has served as, President of T.W. Johnstone Co. Ltd., a utility construction company based in London, Ontario.	80,000 ⁽⁴⁾	Next annual shareholders' meeting

Notes:

- (1) If elected, nominee will serve as a member of the Audit Committee.
- (2) 96,432 common shares are indirectly held by Mr. Conn through 969625 Ontario Limited.
- (3) 5,398,143 common shares are indirectly held by Mr. Fuda through Challenge Gas Holdings and 5,693,970 common shares are indirectly held through Exclusive Asset Management Inc.
- (4) The 5,618,475 common shares are indirectly held by Mr. Nepomuceno through Challenge Gas Holdings.
- (5) If elected, nominee will serve as a member of the Reserves Committee.

Corporate Cease Trade Orders or Bankruptcies

No proposed director of the Company is, as at the date hereof or has been, within the last 10 years before the date hereof, a director or executive officer of any issuer (including the Corporation) that, while acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant Company access to any exemption under securities legislation, for a period of not more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant Company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) 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
- (d) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of any director, officer or shareholder.

3.2 APPOINTMENT OF AUDITORS

The directors of the Corporation have proposed to nominate Neal, Pallett & Townsend LLP, Chartered Accountants (“**NPT LLP**”), for re- appointment as auditors of the Corporation for the current fiscal year. NPT LLP were appointed the auditors of the Corporation by the Board of Directors on January 18, 2005. The former auditors of the Corporation were Ernst & Young LLP, Chartered Accountants (“**Ernst & Young LLP**”).

Shareholders are requested by Management to approve the re-appointment of NPT LLP, as the Corporation’s auditors until the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the re-appointment of NPT LLP as auditors of the Corporation, to hold office until the next annual meeting of shareholders at remuneration to be fixed by the directors.

3.3 RATIFICATION OF ALL ACTS OF THE OFFICERS AND DIRECTORS

The Corporation seeks shareholder approval of a resolution ratifying, confirming and approving all acts of the directors and officers of the Corporation. The resolution ratifying, confirming and approving all acts of the directors and officers of the Corporation is attached hereto as Schedule “B”. Shareholders are requested to vote in favour of the resolution.

3.4 STOCK OPTION PLAN

At the Meeting, shareholders will be asked to consider and, if thought fit, to pass the resolution below

approving an amendment to its existing Stock Option Plan to create an amended plan (the “**Amended Stock Option Plan**”). The purpose of the amendment is to increase the maximum number of common shares reserved for issuance pursuant to the Stock Option Plan from 5,120,000 to 8,000,000 common shares, which equals approximately 15.2% of the Corporation’s issued and outstanding common shares.

The proposed amendment to the Stock Option Plan will increase the number of options that the Corporation may issue to employees, management, directors and consultants of the Corporation. Such options provide incentive for performance based on an increase in the market price of the common shares and ensure that the compensation of such individuals remains aligned with the interests of the shareholders of the Corporation. The Board of Directors of the Corporation is of the view that the approval of the foregoing is in the best interests of the Corporation and its shareholders.

As the number of shares issuable to insiders under the amended Plan could result, within a one year period, in a number of shares exceeding 10% of the outstanding issue of the Corporation, the resolution regarding the approval of the amendments must be passed by at least a majority of the votes cast in respect thereof at the meeting excluding any votes attached to shares held by insiders or their associates who are option grantees. It is contemplated at this time that the Corporation will not be providing any financial assistance to grantees under the Plan to permit them to exercise their options. To the knowledge of the Corporation, the number of common shares that will not be permitted to vote in favour of the Plan and its current grantees is 18,546,595. A copy of the proposed Amended and Restated Stock Option Plan is attached hereto as Schedule “C”.

The Board of Directors of the Corporation recommends that the shareholders vote in favour of the passing the following resolution:

RESOLVED that:

1. the amendment to the Stock Option Plan (the "Plan") of the Corporation to increase the maximum number of common shares reserved for issuance pursuant to the Plan from 5,120,000 to 8,000,000 common shares, which equals approximately 15.2% of the issued common shares, and the form of Amended and Restated Stock Option Plan (with all amendments being highlighted) which is attached to the Corporation’s Management Information Circular dated May 26, 2006 is hereby approved; and
2. the directors and officers of the Corporation or any one or more of them be and they are hereby authorized to do such things as may be necessary to accomplish the foregoing, provided that the directors of the Corporation may revoke this resolution before it is acted on without further approval of the shareholders.

3.5 AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Corporation and the report of the auditors to the shareholders of the Company in respect of the fiscal year ended December 31, 2005 will be placed before the shareholders of the Company at the Meeting.

4. INDEBTEDNESS OF DIRECTORS AND OFFICERS

During the most recently completed fiscal year, no officer, director or proposed nominee for election as a director and no associate of any officer, director or proposed nominee for election as a director, has been indebted to the Corporation where such indebtedness has not been repaid at the date hereof.

5. INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

On March 16, 2006, Ontex Resources Limited settled a debt in the aggregate amount of \$811,770 (the “**Debt**”) owed to the Corporation through the issuance to the Corporation, and the acceptance by the Corporation in full and final settlement of the Debt, of 4,509,833 Ontex common shares. Messrs. Salvatore Fuda and Gary Conn are both currently directors of Ontex. Mr. Conn beneficially owns or controls 1,169,349 Ontex common shares, representing 2.2% of Ontex’s issued and outstanding shares. Mr. Fuda beneficially owns or controls 4,418,204, representing 8.3% of Ontex’s issued and outstanding common shares.

6. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board of Directors

The Board of directors (the “**Board**”) is responsible for the stewardship of the Company and for the supervision of management to protect shareholder interests. The Board oversees the development of the Company’s strategic plan and the ability of management to continue to deliver on the corporate objectives. The independent directors, when necessary, hold in-camera sessions exclusive of non-independent directors and members of management which facilitates open and candid discussion amongst the independent directors and a degree of independent supervision over management.

Three of the seven members of the Board are independent, those being Andrew Brandt, Oliver Nepomuceno and Robert Moore. Four of seven members of the Board are not independent, those being Joseph Fuda, Michael Hunter, Salvatore Fuda and Gary Conn. Messrs. Conn, Hunter, S. Fuda and J. Fuda are not independent as a result of their being members of the Company’s management.

Directorships

The following is a list of those members of the Board who are also directors of other reporting issuers:

- Gary Conn is presently a director of Ontex Resources Limited (TSX);
- Joseph Fuda is presently a director of Leader Capital Corp. (TSX Venture) and Micromem Technologies Inc. (OTC-BB);
- Mr. Salvatore Fuda is presently a director of Leader Capital Corp. (TSX Venture), Micromem Technologies Inc. (OTC-BB) and Ontex Resources Limited (TSX);
- Mr. Andrew Brandt is presently a director of Micromem Technologies Inc. (OTC BB)

Orientation and Continuing Education

The Corporation does not have an orientation and education program in place for new board members. New Board members will participate in such training and orientation as may be deemed by the Board to be necessary or appropriate in the circumstances.

Ethical Business Conduct

The Board’s current size and level of experience allow it to effectively monitor the ethical conduct of the Corporation and ensure that it complies with all applicable legal and regulatory requirements, such as those of relevant securities commissions and the TSXV. Independent Board members are encouraged to engage in open and candid discussion amongst and exercise independent supervision over management.

Nomination of Directors

The Corporation does not presently have a Nomination Committee. The Board, as a whole, reviews the size

of the Board of Directors to ensure the facilitation of effective decision-making. Where changes to the compensation of the Board are deemed to be beneficial to composition of the Board as a whole, the Board will collectively identify, put forward suitable candidates or consider nominees, if any, recommended by shareholders.

Compensation

The Board, as a whole, is responsible for determining the compensation of directors and executives. In doing so, it: (i) proposes and reviews the establishment or changes to any incentive compensation plans, including policies and guidelines relating to same; (ii) reviews and recommends the CEO's recommended compensation for any senior management; (iii) annually reviews the corporate goals and objectives relevant to CEO compensation and the CEO's performance in light of such goals and objectives; (iv) reviews and recommends the adequacy and form of CEO compensation; and (v) administers the Corporation's Stock Option Plan.

Other Board Committees

The Corporation does not currently have any standing committees other than the audit committee and the Reserves Committee constituted under National Instrument 51-101. The Reserves Committee currently consists of Gary Conn, Robert Moore and Andrew Brandt.

Assessments

In view of the size and current state of the Corporation's development and the number of directors on the Board, the Board has not felt it necessary at the present time to adopt a formal process to assess Board, Committee and individual director effectiveness. In view of the frequency of both formal and informal Board meetings during the course of the year there is ample opportunity for each director to assess the effectiveness of all other directors. The Corporation is not proposing to adopt a formal process for assessment at the present time.

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7. CERTIFICATE OF APPROVAL OF DIRECTORS

This Information Circular and the mailing of same to shareholders has been approved by the Board of Directors of the Corporation.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. The Corporation's annual management discussion and analysis and a copy of this Circular is available to anyone, upon request, from Gary Conn, at telephone: (519) 455-8127. All financial information in respect of the Corporation is provided in the comparative financial statements and management discussion and analysis for its recently completed financial year.

DATED this 26th day of May, 2006.

BY ORDER OF THE BOARD OF DIRECTORS

"Gary Conn" (signed)
Gary Conn
Executive Vice-President
Echo Energy Canada Inc.

Schedule “A”

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF ECHO ENERGY CANADA INC.

1. GENERAL

The Board of Directors of the Corporation (the “**Board**”) has established an Audit Committee (the “**Committee**”) to assist the Board in fulfilling its oversight responsibilities regarding:

- (a) the integrity of the Corporation’s financial statements;
- (b) the internal control systems of the Corporation;
- (c) the external audit process;
- (d) the internal audit and assurance process;
- (e) risk management;
- (f) investment opportunities and the raising of funds by the Corporation;
- (g) the Corporation’s compliance with legal and regulatory requirements, and
- (h) any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. MEMBERS

The Board will in each year appoint a minimum of three (3) directors as members of the Committee. A majority of the Committee shall be composed of non-management directors. In addition, the Committee will have an appropriate representation of independent directors, as required by law, and all recognition orders and exemption orders issued in respect of the Corporation by applicable securities regulatory authorities.

All members of the Committee shall be financially literate or shall become financially literate within a reasonable time of his or her appointment. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

The Chief Executive Officer (“**CEO**”) of the Corporation and, to the extent the Chair of the Board is not otherwise a member of the Committee, the Chair, and all other directors who are not members of the Committee may be invited to attend all meetings of the Committee in an *ex officio* capacity and shall not vote. The CEO shall not attend in-camera sessions.

3. AUDIT COMMITTEE RESPONSIBILITIES

- (a) The Audit Committee shall:

- i. recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- ii. recommend to the Board the compensation of the external auditor;
- iii. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- iv. pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor, which pre-approval requirement need not be satisfied where: the non-audit services are expected to constitute not more than 5% of the total fees paid; the Corporation did not recognize the services as non-audit services at the time of engagement; and the services are promptly brought to the attention of the audit committee;
- v. review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information;
- vi. be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in (v.) and must periodically assess the adequacy of those procedures;
- vii. establish procedures for receipt, retention and treatment of complaints related to accounting and auditing matters;
- viii. establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting/auditing matters; and
- ix. review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

(b) The Audit Committee may delegate the pre-approval functions in 3 (a) (iv) to one or more independent members so long as the pre-approval of non-audit services by such member is presented to the audit committee at its first scheduled meeting following such pre-approval.

(c) The Audit Committee shall satisfy the pre-approval requirement in 3 (a) (iv) if:

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

4. EXPERTS AND ADVISORS

The Audit Committee shall have authority to:

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

5. CHAIR

The Board will in each year appoint the Chair of the Committee. The Chair shall have accounting or related financial expertise. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but

will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

6. MEETINGS

The Committee shall meet at the request of its Chair, but in any event it will meet at least four times a year. Notices calling meetings shall be sent to all Committee members, to the CEO of the Corporation, to the Chair of the Board and to all other directors. The external auditor or any member of the Committee may call a meeting of the Committee.

7. QUORUM

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

8. REMOVAL AND VACANCY

A member may resign from the Committee, and may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director. The Board will fill vacancies in the Committee by appointment from among the directors of the Board in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all its powers.

9. AMENDMENT

This Audit Committee Charter shall be reviewed and amended from time to time by the Board.

Schedule “B”

**RESOLUTIONS OF THE SHAREHOLDERS OF
ECHO ENERGY CANADA INC.**

RATIFICATION OF ALL ACTS OF THE OFFICERS AND DIRECTORS

“**BE IT RESOLVED THAT** all acts of the directors and officers of the Corporation since the date of the last annual meeting are approved, confirmed and ratified.”

Schedule “C”

**AMENDED AND RESTATED STOCK OPTION PLAN OF
ECHO ENERGY CANADA INC.**

ECHO ENERGY CANADA INC.

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AMENDED AND RESTATED STOCK OPTION PLAN

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1. PURPOSE OF THE PLAN

- 1.1 The purpose of the Plan is to attract, retain and motivate persons of training, experience and leadership as key service providers to the Corporation and its Subsidiaries, including their directors, officers and employees, and to advance the interests of the Corporation by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Corporation. This Plan constitutes the amended and restated previous plan of the Corporation entitled "Pifher Resources Inc. – Stock Option Plan" approved by shareholders on August 17, 2004.

Deleted: shall serve to consolidate the Corporation's 1999 Stock Option Plan and 2000 Stock Option Plan upon receipt of all corporate and regulatory approvals in connection with this Plan

2. DEFINED TERMS

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

- 2.1 **"Affiliate"** means a Company that is affiliated with another company and a Company is an "Affiliate" of another Company if:

- (i) one of them is the subsidiary of the other, or
- (ii) each of them is controlled by the same Person.

- 2.2 **"Associate"** means, if used to indicate a relationship with a Person:

- (i) a partner of that Person;
- (ii) a trust or estate in which that Person has a substantial beneficial interest or for which that Person serves as trustee or in a similar capacity;
- (iii) a Company of which that Person beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or
- (iv) in the case of an individual:
 - (a) that individual's spouse or child, or
 - (b) a relative of that individual or that individual's spouse if that relative has the same home as the individual,

and for the purpose of this definition, "spouse" includes an individual who is living with another individual in a marriage-like relationship.

- 2.3 **"Board"** shall mean the board of directors of the Corporation;

- 2.4 **"Company"** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

2.5 **"Consultant"** means, in relation to the Corporation, an individual or a company or partnership ("Consultant Company") of which the individual is an employee, shareholder or partner, who:

(i) is engaged to provide, on an ongoing basis, consulting, technical, management or other services to the Corporation or an Affiliate of the Corporation, other than services provided in relation to a distribution of securities;

(ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the Consultant Company;

(iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation; and

(iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

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<#>provides technical, business or management expertise of value to the Corporation or an Affiliate of the Corporation;¶

2.6 **"Corporation"** means Echo Energy Canada Inc. (formerly known as Pifher Resources Inc.);

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2.7 **"Directors"** means directors, senior officers and Management Company Employees of the Corporation or its subsidiaries;

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2.8 **"Eligible Person"** means:

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(i) any director, officer or employee of the Corporation or any Subsidiary, or any other Service Provider (an **"Eligible Individual"**); or

(ii) a corporation controlled by an Eligible Individual, the issued and outstanding voting shares of which are, and will continue to be, beneficially owned, directly or indirectly, by such Eligible Individual and/or spouse, children and/or grandchildren of such Eligible Individual (an **"Employee Corporation"**);

2.9 **"Employee"** means:

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(i) an individual who is considered an employee of the Corporation or its subsidiary under the *Income Tax Act* (Canada)(i.e. for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) an individual who works full-time for the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;

(iii) an individual who works for a Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source;

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2.10 **"Exchange"** means the TSX Venture Exchange;

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2.11 **"Insider"** if used in relation to the Corporation, means:

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(i) a director or senior officer of the Corporation;

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- (ii) a director or senior officer of a Company that is an Insider or subsidiary of the Corporation;
- (iii) a Person that beneficially owns or controls, directly or indirectly, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Corporation, or
- (iv) the Corporation itself if it holds any of its own securities.

2.12 "Investor Relations Activities" means any activities, by or on behalf of the Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation
 - (a) to promote the sale of products or services of the Corporation, or
 - (b) to raise public awareness of the Corporation,
 that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

- (ii) activities or communications necessary to comply with the requirements of
 - (a) applicable securities laws,
 - (b) requirements of the TSX Venture Exchange or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;

- (iv) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (a) the communication is only through the newspaper, magazine or publication, and
 - (b) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (v) activities or communications that may be otherwise specified by the TSX Venture Exchange.

2.13 "Management Company Employee" means an individual employed by a company or individual providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person or corporation engaged in Investor Relations Activities;

2.14 "Market Price" shall have the meaning ascribed thereto in Policy 1.1 of the Exchange;

2.15 "Option" means an option to purchase Shares granted to an Eligible Person under the Plan;

2.16 "Option Price" means the price per Share at which Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Article 8 hereof;

2.17 "Optioned Shares" means the Shares issuable pursuant to an exercise of Options;

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Deleted: at any date in respect of the Shares means the closing sale price of the Shares on the TSX Venture Exchange (or other stock exchange on which the Shares are listed and posted for trading from time to time as may be selected for such purpose by the Board) on the trading day immediately preceding such date. In the event that the Shares did not trade on such trading day, the Market Price shall be the average of the bid and ask prices in respect of the Shares at the close of trading on such trading day. In the event that the Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Shares as determined by the Board in its sole discretion

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- | 2.18 "Optionee" means an Eligible Person to whom an Option has been granted and who continues to hold such Option; Formatted: Bullets and Numbering
- | 2.19 "Plan" means this Amended and Restated Echo Energy Canada Inc. Stock Option Plan, as the same may be further amended or varied from time to time; Formatted: Bullets and Numbering
Deleted: Pifher Resources Inc.
- | 2.20 "Person" means a Company or individual. Formatted: Bullets and Numbering
- | 2.21 "Service Provider" means a Director, Employee or Consultant of the Corporation or any Subsidiary; Formatted: Bullets and Numbering
- | 2.22 "Shares" means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and Formatted: Bullets and Numbering
- | 2.23 "Subsidiary" means any corporation which is a subsidiary, as such term is defined in Subsection 1(2) of the *Business Corporations Act* (Ontario), of the Corporation. Formatted: Bullets and Numbering

3. ADMINISTRATION OF THE PLAN

- 3.1 The Plan shall be administered by the Board.
- 3.2 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
 - (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
 - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan or any Option, and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
 - (c) to determine the number of Shares covered by each Option;
 - (d) to determine the Option Price of each Option;
 - (e) to determine the time or times when Options will be granted and exercisable;
 - (f) to determine if the Shares which are issuable on the exercise of an Option will be subject to any restrictions upon the exercise of such Option; and
 - (g) to prescribe the form of the instruments relating to the grant, exercise and other terms of the Options.
- 3.3 The Board may, in its discretion, require as conditions to the grant or exercise of any Option that the Optionee shall have:
 - (a) represented, warranted and agreed in form and substance satisfactory to the Corporation that he or she is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Shares, for his or her own account, for investment and not with a view to or in connection with any distribution, that he or she has had access to such information as is necessary to enable him or her to evaluate the merits and risks of such investment and that he or she is able to bear the economic risk of holding such Shares for an indefinite period;

- (b) agreed to restrictions on transfer in form and substance satisfactory to the Corporation and to an endorsement on any option agreement or certificate representing the Shares making appropriate reference to such restrictions (including any notation required by any securities regulatory authority, stock exchange or trading facility having jurisdiction); and
- (c) agreed to indemnify the Corporation in connection with the foregoing.

3.4 The Board shall obtain disinterested shareholder approval in the following circumstances:

- (a) in the event of any reduction in the exercise price of any Option granted under the Plan to an Optionee who is an Insider of the Corporation, the Board shall obtain disinterested shareholder approval at the time of the proposed amendment;
- (b) the number of Shares reserved for issuance under this Plan granted to Insiders exceeds 10% of the outstanding Shares;
- (c) the issuance to Insiders within a one year period, of a number of Shares exceeding 10% of the outstanding Shares; or
- (d) the issuance to any one Insider and such Insider's Associates, within a one year period, of a number of Shares exceeding 5% of the outstanding Shares.

3.5 For any Option granted under the Plan to Employees, Consultants or Management Company Employees, the Board shall require the Corporation to represent that the Optionee is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be, of the Corporation or its subsidiary.

3.6 Any Option granted under the Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the Shares subject to such Option upon any securities exchange or under any law or regulation of any jurisdiction, or the consent or approval of any securities exchange or any governmental or regulatory body, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

3.7 This Plan shall be read and interpreted consistently with all applicable laws, rules, regulations and policies of any securities regulatory authority, stock exchange or trading facility having jurisdiction and, to the extent of any inconsistency between the terms of this Plan and the provisions of such laws, rules, regulations and policies, the provisions of such laws, rules, regulations and policies shall prevail.

4. SHARES SUBJECT TO THE PLAN

Options may be granted in respect of authorized and unissued Shares, provided that the aggregate number of Shares reserved for issuance upon the exercise of all Options granted under the Plan (including options that were granted under the Pifher Resources Inc. Stock Option Plan and which are outstanding at the date hereof), subject to any adjustment of such number pursuant to the provisions of Article 8 hereof, shall not exceed 8,000,000 or such greater number of Shares as may be determined by the Board and approved, if required, by the shareholders of the Corporation and by any relevant stock exchange or other regulatory authority. Optioned Shares in respect of which Options are not exercised shall be available for subsequent Options. No fractional Shares may be purchased or issued under the Plan.

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5. ELIGIBILITY; GRANT ; TERMS OF OPTIONS

- 5.1 Options may be granted to any Eligible Person in accordance with Section 5.2 hereof.
- 5.2 Options may be granted by the Corporation to the extent that they are approved by the Board.
- 5.3 Subject as herein and otherwise specifically provided in this Article 5, the number of Shares subject to each Option, the Option Price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board.
- 5.4 Each Option granted under this Plan shall be exercisable for a maximum period of five (5) years from the date the Option is granted to the Optionee. Subject to this section 5.4, the Board shall, at the time of granting an Option, determine the time or times when an Option or a part of an Option shall be exercisable.
- 5.5 Subject to any adjustments pursuant to the provisions of Article 8 hereof, the Option Price of any Option shall in no circumstances be lower than the Market Price on the date on which the grant of the Option is approved by the Board unless otherwise permitted under applicable laws, rules and regulations and the rules of any stock exchange or trading facility through which the Shares may be traded from time to time. If, as and when any Shares have been duly purchased and paid for under the terms of an Option, such Shares shall be conclusively deemed allotted and issued as fully paid non-assessable Shares at the price paid therefor.
- 5.6 An Option is personal to the Optionee and non-assignable (whether by operation of law or otherwise), except as provided for herein. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option contrary to the provisions of the Plan, or upon the levy of any attachment or similar process upon an Option, the Option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.
- 5.7 An Optionee may receive grants of no more than 5% of the outstanding Shares of the Corporation on a yearly basis.
- 5.8 No more than 2% of the outstanding Shares of the Corporation may be granted to any one Employee conducting Investor Relations Activities or any one Consultant in any 12-month period.
- 5.9 Options granted to an Optionee who is engaged in Investor Relations Activities shall expire within 30 days after the Optionee cease to be employed to provide Investor Relations Activities.
- 5.10 Options granted to Optionees shall vest over a period of 18 months on an equitable (though not necessarily equal) basis as determined by the Board under applicable laws, rules and regulations and the rules of any stock exchange or trading facility through which the Shares may be traded from time to time.

6. TERMINATION OF EMPLOYMENT, DEATH

- 6.1 Subject to Sections 6.2 and 6.3 hereof and to any express resolution passed by the Board with respect to an Option, an Option and all rights to purchase Shares pursuant thereto shall expire and terminate immediately upon the Optionee who holds such Option ceasing to be an Eligible Person.
- 6.2 If, before the expiry of an Option in accordance with the terms thereof, an Optionee shall cease to be an Eligible Person (an "Event of Termination") for any reason other than the termination for "cause" of his or her employment with the Corporation or any Subsidiary then the Optionee may:
- (a) exercise the Option to the extent that he or she was entitled to do so at the time of such Event of Termination, at any time up to and including, but not after, the forty-fifth (45th)

day after the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier; and

- (b) with the prior written consent of the Board, which consent may be withheld arbitrarily in the Corporation's sole discretion, exercise any part of the Option which was not exercisable at the time of the occurrence of the Event of Termination at any time up to and including, but not after, the ninetieth (90th) day after the date of such Event of Termination, or prior to the close of business on the expiration date of the Option, whichever is earlier, to purchase all or any of the Optioned Shares as the Board may designate but not exceeding the number of Optioned Shares the Optionee would have otherwise been entitled to purchase pursuant to the Option had the Optionee's status as an Eligible Person been maintained for the term of the Option.

6.3 If an Optionee dies before the expiry of an Option in accordance with the terms thereof, the Optionee's legal representative(s) may, subject to the terms of the Option and the Plan:

- (a) exercise the Option to the extent that the Optionee was entitled to do so at the date of his or her death at any time up to and including, but not after, the date which is one year after the date of death of the Optionee, or prior to the close of business on the expiration date of the Option, whichever is earlier; and
- (b) with the prior written consent of the Board, exercise at any time up to and including, but not after, the date which is one year after the date of death of the Optionee, or prior to the close of business on the expiration date of the Option, whichever is earlier, any part of the Option which was not exercisable at the time of the Optionee's death to purchase all or any of the Optioned Shares as the Board may designate but not exceeding the number of Optioned Shares the Optionee would have otherwise been entitled to purchase had the Optionee survived.

6.4 For greater certainty, Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director of the Corporation provided that the Optionee continues to be an Eligible Person.

6.5 For the purposes of this Article 6, a determination by the Corporation that an Optionee was discharged for "cause" shall be binding on the Optionee; provided, however, that such determination shall not be conclusive of the Optionee's potential entitlement to damages for the loss of the right to exercise an Option in the event that a court of competent jurisdiction ultimately determines that the discharge was without "cause".

6.6 If the Optionee is an Employee Corporation, the references to the Optionee in this Article 6 shall be deemed to refer to the Eligible Individual associated with the Employee Corporation.

6.7 If an Optionee has been terminated "for cause" or does not exercise his or her options in accordance with the provisions of sections 6.2 or 6.3 as the case may be, the number of options not exercised shall be added to the number of options remaining available to be granted under the Plan.

7. EXERCISE OF OPTIONS

7.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full, by cash or certified cheque, of the Option Price of the Shares then being purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

- 7.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of any Option shall be subject to:
- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed;
 - (c) the receipt from the Optionee of such representations, warranties, agreements and undertakings, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction; and
 - (d) the satisfaction of any conditions on exercise prescribed pursuant to Section 3.4 hereof.
- 7.3 Options shall be evidenced by a share option agreement, instrument or certificate in such form not inconsistent with this plan as the Board may from time to time determine as provided for under Subsection 3.2 (g), provided that the substance of Article 5 be included therein.

8. CERTAIN ADJUSTMENTS

- 8.1 In the event of any subdivision or redivision of the Shares into a greater number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Corporation shall deliver to such Optionee at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefor, such number of Shares as such Optionee would have held as a result of such subdivision or redivision if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.
- 8.2 In the event of any consolidation of the Shares into a lesser number of Shares at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Corporation shall deliver to such Optionee at the time of any subsequent exercise of his or her Option in accordance with the terms hereof, in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise, but for the same aggregate consideration payable therefor, such number of Shares as such Optionee would have held as a result of such consolidation if, on the record date thereof, the Optionee had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.
- 8.3 If at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Sections 8.1 and 8.2 or, subject to the provisions of Subsection 9.2(a) hereof, the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the "Successor Corporation"), or the Corporation shall pay a stock dividend (other than any dividends in the ordinary course), the Optionee shall be entitled to receive upon the subsequent exercise of his or her Option in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) and/or other consideration from the Corporation or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or, subject to the provisions of Subsection 9.2(a) hereof, as a result of such

consolidation, merger, amalgamation, or stock dividend, if on the record date of such reclassification, reorganization, other change or stock dividend, or the effective date of such consolidation, merger or amalgamation or dividend payment, as the case may be, he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

- 8.4 In the event the Corporation should declare and pay a special cash dividend or other distribution out of the ordinary course, a special dividend in specie on the Shares, or a stock dividend other than in the ordinary course, the Option Price of all Options outstanding on the record date of such dividend or other distribution shall be reduced by an amount equal to the cash payment or other distribution or the fair market value of the dividend in specie or stock dividend or other distribution, as determined by the Board in its sole discretion. Any such reduction in the Option Price shall be subject to regulatory approval and the Option Price shall not be less than \$0.01 per Share.

9. AMENDMENT OR DISCONTINUANCE OF THE PLAN

- 9.1 The Board may amend or discontinue the Plan at any time, provided, however, that no such amendment may materially and adversely affect any Option previously granted to an Optionee without the consent of the Optionee, except to the extent required by law. Any such amendment shall, if required, be subject to the prior approval of, or acceptance by, any stock exchange on which the Shares are listed and posted for trading.

- 9.2 Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board in implementation thereof:

- (a) in the event the Corporation proposes to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned Subsidiary) or to liquidate, dissolve or wind-up, or in the event an offer to purchase or repurchase the Shares of the Corporation or any part thereof shall be made to all or substantially all holders of Shares of the Corporation, the Corporation shall have the right, upon written notice thereof to each Optionee holding Options under the Plan, to permit the exercise of all such Options within the 20 day period next following the date of such notice and to determine that upon the expiration of such 20 day period, all rights of the Optionees to such Options or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever;
- (b) in the event of the sale by the Corporation of all or substantially all of the assets of the Corporation as an entirety or substantially as an entirety so that the Corporation shall cease to operate as an active business, any outstanding Option may be exercised as to all or any part of the Optioned Shares in respect of which the Optionee would have been entitled to exercise the Option in accordance with the provisions of the Plan at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is thirty (30) days following the date of completion of such sale; and (ii) the close of business on the expiration date of the Option; but the Optionee shall not be entitled to exercise the Option with respect to any other Optioned Shares; and
- (c) subject to the rules of any relevant stock exchange or other regulatory authority, the Board may, by resolution, advance the date on which any Option may be exercised or extend the expiration date of any Option. The Board shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Optionee.

Notwithstanding the provisions of this Article 9, should changes be required to the Plan by any securities commission, stock exchange or other governmental or regulatory body of any

jurisdiction to which the Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

10. MISCELLANEOUS PROVISIONS

- 10.1 An Optionee shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.
- 10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue or be re-elected as a director of the Corporation or any right to continue in the employ of the Corporation or any Subsidiary, or affect in any way the right of the Corporation or any Subsidiary to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the employment of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.
- 10.3 Notwithstanding Section 5.6 hereof, Options may be transferred or assigned between an Eligible Individual and the related Employee Corporation provided the assignor delivers notice to the Corporation prior to the assignment.
- 10.4 The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11. SHAREHOLDER AND REGULATORY APPROVAL

- 11.1 The Plan shall be subject to ratification by the shareholders of the Corporation to be effected by a resolution passed at a meeting of the shareholders of the Corporation, and to acceptance by any other relevant regulatory authority. Any Options granted prior to such ratification and acceptance shall be conditional upon such ratification and acceptance being given and no such Options may be exercised unless and until such ratification and acceptance are given.

| Dated this 26th day of May, 2006.

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