



**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**MANAGEMENT INFORMATION CIRCULAR**

**(as at May 7, 2012)**

**FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 13, 2012**

**EMPIRE INDUSTRIES LTD.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that the annual and special meeting of the shareholders of Empire Industries Ltd. (the "Corporation") will be held at the Winnipeg Airport Sheraton Hotel, 1999 Wellington Avenue, Winnipeg, MB, R3H 1H5 on June 13, 2012 at 2:00 PM (Winnipeg time) for the purposes of:

- (a) receiving and considering the audited financial statements of the Corporation for the year ended December 31, 2011, and the report of its auditors;
- (b) electing the directors for the ensuing year;
- (c) appointing auditors for the ensuing year and authorizing the directors to fix the auditor's remuneration;
- (d) approving the Corporation's Stock Option Plan, as more particularly described in the accompanying Information Circular;
- (e) transacting such other business as may properly come before the said meeting or any adjournment thereof.

**DATED:** May 7, 2012.

**By Order of the Board of Directors**

**(Signed) "Ian Macdonald"**

**Ian Macdonald**

**Chairman of the Board**

If you are unable to be present at the meeting, PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY to: PROXY DEPT., Canadian Stock Transfer Company Inc., PO Box 721, Agincourt, ON M1S 0A1, or by fax at (416) 368-2502 (Toll Free: 1-866-781-3111 Canada & US only), not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the meeting or any adjournment thereof. A proxy is valid only at the meeting in respect of which it is given or any adjournment(s) of that meeting. Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company.

# **EMPIRE INDUSTRIES LTD.**

## **MANAGEMENT INFORMATION CIRCULAR (as at May 7, 2012)**

### **FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JUNE 13, 2012**

#### **PROXY SOLICITATION**

##### **PURPOSE OF SOLICITATION**

The information contained in this management information circular (the "Information Circular") is furnished to the holders of Common Shares (the "Shareholders" and each a "Shareholder") of Empire Industries Ltd. (the "Corporation") in connection with the solicitation by management and the directors of the Corporation of proxies to be used at the annual and special meeting (the "Meeting") of the Shareholders to be held at the Winnipeg Airport Sheraton Hotel, 1999 Wellington Avenue, Winnipeg, MB, R3H 1H5 on June 13, 2012 at 2:00 P.M. (Winnipeg time), and at all adjournments thereof, for the purposes set forth in the notice of the Meeting which accompanies this Information Circular.

The cost of such solicitation will be borne by the Corporation and will be made primarily by mail. Directors and officers of the Corporation may without special compensation solicit proxies by telephone, facsimile or in person.

##### **APPOINTMENT AND REVOCATION OF PROXIES**

**Shareholders have the right to appoint a nominee (who need not be a shareholder) to represent them at the Meeting other than the persons designated in the enclosed form of proxy, and may do so by inserting the name of the appointed representative in the blank space provided in the form of proxy.**

A form of proxy will not be valid for the Meeting or any adjournment unless it is completed by the Shareholder or by his attorney authorized in writing and must be delivered to: Proxy Department, Canadian Stock Transfer Company Inc., P.O. Box 721, Agincourt, ON, M1S 0A1, or by fax at (416) 368-2502 (Toll Free: 1-866-781-3111 Canada & US only), not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the Meeting or any adjournment thereof. A proxy is valid only at the meeting in respect of which it is given or any adjournment(s) of that meeting. Canadian Stock Transfer Company Inc. acts as the Administration Agent for CIBC Mellon Trust Company.

In addition to revocation in any other manner permitted by law, a Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. A proxy may be revoked by either executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Shareholder or by his authorized attorney in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by depositing the proxy bearing a later date with CIBC Mellon Trust Company at any time up to and including the last business day preceding the date of the Meeting or any adjournment at which the proxy is to be used, or by depositing the revocation of proxy with the chairman of the Meeting on the day of the Meeting, or any adjournment of the Meeting.

## **VOTING OF PROXIES**

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as proxy the Shareholder who appoints them. Each shareholder may instruct his proxy how to vote his shares by completing the proxy form.

The person indicated in the accompanying proxy shall vote the Common Shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them.

**In the absence of a direction to vote the shares in respect of which they are appointed, the management appointees named in the accompanying proxy will vote such Common Shares in favour of:**

- 1. the election of the persons proposed to be nominated by management as directors; and**
- 2. the appointment of MNP LLP as auditors of the Corporation.**

**Furthermore, in the absence of any direction to vote for or against, the Common Shares will be voted by management appointees in favour of:**

- 1. the approval of the Corporation's Stock Option Plan; and**

**all as more specifically described in this Information Circular.**

**THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSON INDICATED IN THE PROXY WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS (THE "NOTICE") AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.** At the time of printing of the Information Circular, the 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 and the Information Circular. If any matters which are not now known to the directors and senior officers of the Corporation should properly come before the meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgment.

## **ADVICE TO BENEFICIAL SHAREHOLDERS**

The information in this section is of significant importance to public Shareholders of the Corporation since most public Shareholders do not hold the 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 the account statement provided to the Shareholder by a broker, then in almost all cases those shares will not be registered in the Shareholder's name. Such shares are more likely held under the name of the broker or a broker's agent clearing house. Applicable corporate law provides that Beneficial Shareholders may request that the Beneficial Shareholder or the Beneficial Shareholder's nominee be appointed as the proxyholder for such shares. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against motions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the brokers/nominees are prohibited from voting the Common Shares for their clients.

The Corporation does not know for whom the Common Shares registered to CDS & Co. are held. Therefore, Beneficial Shareholders cannot be recognized by the Corporation at the Meeting. In order to ensure that their Common Shares are voted at the Meeting, Beneficial Shareholders should carefully follow the return instructions. Often, the form of proxy supplied to Beneficial Shareholders by their brokers is identical to that provided to registered Shareholders, however, its purpose is limited to instructing the brokers/registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of the brokers now delegate the job of obtaining instructions from clients and voting Common Shares according to their client's instructions to a corporation named Broadridge Financial Solutions Inc. ("Broadridge"). Broadridge typically applies a special sticker to the proxy forms produced by the Corporation, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return these proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and then votes the Common Shares to be voted at the Meeting according to the instructions received. A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Common Shares at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

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 (or an agent of the broker), a Beneficial Shareholder may attend at 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 Instrument 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 (or agent), well in advance of the Meeting.

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

## **VOTING SHARES AND PRINCIPAL SHAREHOLDERS**

Only the holders of Common Shares of the Corporation are entitled to vote at the Meeting. As of the date of this Information Circular, 193,239,608 Common Shares without nominal or par value are issued and outstanding. Each Common Share entitles the holder to one vote on all matters to come before the Meeting. No group of Shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares of the Corporation.

The directors of the Corporation have fixed April 27, 2012, as the record date (the "Record Date") for determination of the persons entitled to receive notice of the Meeting. A Shareholder of record as of the Record Date is entitled to vote his Common Shares except to the extent that he has transferred the ownership of any of his shares after the record date, and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares, and demands, not later than 10 days before the Meeting, that his name be included in the Shareholder list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of management of the Corporation, as of the date of this Information Circular, no person or company beneficially owned, directly or indirectly, or exercised control or direction over more than ten percent (10%) of the voting rights attached to all outstanding Common Shares of the Corporation other than those listed in the following table:

Name	Number of Voting Shares Owned or Controlled Directly or Indirectly	Percentage of Outstanding Voting Shares
Qiguang Qiu	25,000,000	12.9%

## INFORMATION CONCERNING THE CORPORATION

### STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this section, "NEO" or "Named Executive Officers" means the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and the three other most highly compensated executive officers of the Corporation and its subsidiaries, whose compensation, in the aggregate, exceeded \$150,000 for the most recently completed financial year. In the most recently completed financial year, only two executive officers of the Corporation and its subsidiaries had aggregate compensation exceeding \$150,000, other than the Chief Executive Officer and Chief Financial Officer.

#### Compensation Discussion and Analysis

The objectives of the Corporation's compensation program are to attract, retain and motivate key employees, and to align their interests with the interests of Shareholders. The compensation program is designed to reward profit performance (through the Incentive Bonus Program) and increases in Shareholder value (through the Stock Option based compensation.) The Base Salary component is largely market driven.

The significant elements of compensation awarded to, earned by, paid to or payable to NEO's for the most recently completed financial year are: Base Salary, Incentive Bonus Program payments, and Stock Option based compensation.

The Corporate Governance Committee of the Board of Directors serves as the Corporation's Compensation Committee. The Compensation Committee recommends the CEO's compensation package to the independent directors for their approval. The independent directors have sole authority to determine the CEO's compensation. The Corporate Governance Committee makes these recommendations based on the Corporation's performance and relative Shareholder returns, and the awards given to the Corporation's past CEOs where relevant.

The Corporate Governance Committee also reviews the recommendations of the CEO concerning overall compensation and other conditions of employment of executive management, including the other NEO's, and, in the Committee's discretion, makes recommendations to the Board for their consideration. This includes review and recommendation with respect to any incentive compensation plans and equity-based plans such as Stock Option Grants.

The 2011 CEO incentive plan provided for bonus payments from 0% to 100% of Base Salary, based on a number of performance indicators, including earnings per share, market price, share liquidity, book value per share, debt/equity ratio, organic growth, and acquisition growth. No bonus was awarded by independent board members for the CEO's 2011 performance, as shown in the Value Vested or Earned Chart on page 6.

The 2011 Executive incentive plan provides for bonus payments from 0% to 80% of Base Salary for other NEO's, based on a number of performance indicators, including the Corporation's overall financial performance, specific financial performance in the NEO's area of responsibility, safety record, working capital

management, and organic growth. No bonus was awarded by independent board members for other NEO's 2011 performance, as shown in the Value Vested or Earned Chart on page 6.

The Corporation does not disclose the specific performance targets of the incentive plan, because disclosing them would seriously prejudice the Corporation's interests. The incentive plan has 3 levels for each performance measure: Threshold, Target, and Stretch. These levels are progressively more difficult for the NEO to obtain. In 2011, no NEO reached the level of performance targets necessary to qualify for a bonus payment.

### Summary Compensation Table

The following table sets forth the total compensation earned by the Named Executive Officers during fiscal years 2011, 2010, and 2009.

Name and Principal Position	Year Ending Dec 31	Salary	Share-Based Awards <sup>(1)</sup>	Option-Based Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation		Pension Value <sup>(5)</sup>	All Other Compensation	Total Compensation
					Annual Incentive Plans <sup>(3)</sup>	Long-Term Incentive Plans <sup>(4)</sup>			
K. Guy Nelson Chief Executive Officer	2011	\$274,126	Nil	\$84,916	Nil	Nil	Nil	Nil	\$359,042
	2010	\$240,000	Nil	Nil	Nil	Nil	Nil	Nil	\$240,000
	2009	\$240,000	Nil	Nil	Nil	Nil	Nil	Nil	\$240,000
Campbell McIntyre Chief Financial Officer, President – Empire Iron Works	2011	\$160,000	Nil	\$33,542	Nil	Nil	Nil	Nil	\$193,542
	2010	\$157,333	Nil	Nil	Nil	Nil	Nil	Nil	\$157,333
	2009	\$144,000	Nil	Nil	Nil	Nil	Nil	Nil	\$144,000
David Halliday President – Dynamic Structures	2011	\$184,000	Nil	\$17,832	Nil	Nil	Nil	\$29,105 <sup>(6)</sup>	\$230,937
	2010	\$219,000	Nil	\$5,983	Nil	Nil	Nil	\$28,716 <sup>(6)</sup>	\$247,716
	2009	\$198,000	Nil	Nil	Nil	Nil	Nil	\$28,644 <sup>(6)</sup>	\$226,644
Bill Rollins President – Tornado Technologies	2011	\$142,363	Nil	\$19,955	Nil	Nil	Nil	Nil	\$162,318
	2010	\$145,808	Nil	Nil	Nil	Nil	Nil	Nil	\$145,808
	2009	\$155,846	Nil	Nil	\$70,324	Nil	Nil	Nil	\$226,170

**Note:**

- (1) The Corporation does not have a share-based awards plan.
- (2) Option based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted to the officers on the date of the grant. This value is determined using the Black-Scholes model, with various assumptions made at the time of grant relating to unit volatility and risk-free interest rates. All grants were made with exercise prices equal to the market price at the time of grant. As at December 31, 2011, none of the options granted were in-the-money.
- (3) The amounts set forth in this column are the cash bonuses earned by the Named Executive Officers.
- (4) The Corporation does not have a Long Term Compensation Plan ("LTIP").
- (5) The Corporation does not have a pension plan.
- (6) All Other Compensation for David Halliday is composed of Vehicle Usage and Life Insurance/Health Benefits.

### Incentive Plan Awards

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets out the information in respect of all share-based awards and option-based awards outstanding at the end of the fiscal year ended December 31, 2011 to the Named Executive Officers.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(1)</sup>	Number of Shares or Units that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested
	#	\$		\$	#	\$
Guy Nelson	200,000	0.55	1-Jul-13	Nil	Nil	Nil
	2,000,000	0.10	3-May-16	Nil	Nil	Nil
Campbell McIntyre	200,000	0.55	1-Jul-13	Nil	Nil	Nil
	790,000	0.10	3-May-16	Nil	Nil	Nil
David Halliday	60,000	0.62	24-Sep-14	Nil	Nil	Nil
	100,000	0.10	31-Aug-17	Nil	Nil	Nil
	420,000	0.10	3-May-16	Nil	Nil	Nil
Bill Rollins	470,000	0.10	3-May-16	Nil	Nil	Nil

**Note:**

(1) The closing market price on December 31, 2011 on the TSX Venture Exchange was \$0.025

Value Vested or Earned During the Year

Name	Option-Based Awards – Value Vested During the Year <sup>(1)</sup>	Share-Based Awards – Value Vested During the Year <sup>(2)</sup>	Non-Equity Incentive Plan Compensation Plan – Value Earned During the Year
	\$	\$	\$
Guy Nelson	Nil	Nil	Nil
Campbell McIntyre	Nil	Nil	Nil
David Halliday	Nil	Nil	Nil
Bill Rollins	Nil	Nil	Nil

**Note:**

(1) Outlines the net benefit the Named Executive Officer would have received had the Named Executive Officer exercised on the date of vesting.

(2) The Corporation does not have a share-based awards plan.

**Defined Benefit or Actuarial Plan Disclosure**

The Corporation does not have a defined benefit or actuarial plan.



## Termination and Change of Control Benefits

Except as disclosed herein, the Corporation does not have any compensatory plan or arrangement in respect of compensation received or that may be received by the Named Executive Officers in the Corporation's most recently completed or current financial year to compensate such executive officer in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change in control.

Guy Nelson has an employment contract which, if terminated without cause by the Corporation, or if there is a change of responsibilities following a change of control, provides for a termination payment equal to 2 years of current salary, plus two times the average annual bonus in the preceding two years. If these provisions had been triggered on the last business day of the most recently completed financial year, it would have resulted in a payment of approximately \$600,000.

Campbell McIntyre has an employment contract which, if terminated without cause by the Corporation, provides for a termination payment equal to 2 years of current salary, plus two times the average annual bonus in the preceding two years. If these provisions had been triggered on the last business day of the most recently completed financial year, it would have resulted in a payment of approximately \$320,000.

David Halliday has an employment contract which, if terminated without cause by the Corporation, provides for a termination payment equal to 6 months of current salary. If these provisions had been triggered on the last business day of the most recently completed financial year, it would have resulted in a payment of approximately \$92,000.

Bill Rollins has an employment contract which, if terminated without cause by the Corporation, provides for a termination payment equal to 2 ½ years of current salary, plus two times the average annual bonus in the preceding two years. If these provisions had been triggered on the last business day of the most recently completed financial year, it would have resulted in a payment of approximately \$355,000.

## Compensation to Directors

The following table sets out all amounts of compensation provided to the directors of the Corporation for the fiscal year ended December 31, 2011.

Name <sup>(1)</sup>	Fees Earned \$	Share-Based Awards \$ <sup>(2)</sup>	Option-Based Awards \$ <sup>(3)</sup>	Non-Equity Incentive Plan Compensation \$	Pension Value \$ <sup>(4)</sup>	All Other Compensation \$	Total \$
Robert Marshall	\$32,000	Nil	\$3,874	Nil	Nil	Nil	\$35,874
Bruce Jackson	\$22,000	Nil	\$12,950	Nil	Nil	Nil	\$34,950
Ian Macdonald	\$100,000	Nil	\$31,631	Nil	Nil	Nil	\$131,631
Terence Quinn	\$51,500	Nil	\$13,162	Nil	Nil	Nil	\$64,662
Jane Lin (from Dec 8, 2011)	\$4,125	Nil	Nil	Nil	Nil	Nil	\$4,125

**Note:**

- (1) Guy Nelson, Campbell McIntyre, Brett Third and Bill Rollins are or were directors during 2011 who are not independent directors and do not receive compensation for providing their services as a director.

- (2) The Corporation does not have a share-based awards plan.
- (3) Option based awards amounts do not represent cash received. They represent the theoretical value ascribed to options granted to the officers on the date of the grant. This value is determined using the Black-Scholes model, with various assumptions made at the time of grant relating to unit volatility and risk-free interest rates. All grants were made with exercise prices equal to the market price at the time of grant. As at December 31, 2011, none of the options granted were in-the-money.
- (4) The Corporation does not have a pension plan.

Independent Directors of the Corporation, other than the Independent Chairman/Audit Committee Chairman, receive the following compensation:

<b>Item</b>	<b>Amount</b>
Retainer for independent directors	\$10,000 per year
Additional retainer for independent committee chairs, except Audit Committee chair	\$5,000 per year
Board Meetings (in-person or conference call)	\$1,000 per meeting
Committee Meetings (in-person or conference call)	\$500 per meeting

Ian Macdonald serves as Independent Chairman of the Board and Chairman of the Audit Committee. In this capacity, he receives a retainer of \$100,000/year. He does not receive additional fees for Board Meetings or Committee Meetings.

In addition to his independent director fees as described above, Terence Quinn serves as the Corporation's representative on the Board of Athabasca Chipewyan Empire Industrial Services Ltd., the Corporation's aboriginal partnership in Fort McMurray. In this capacity, Mr. Quinn receives \$10,000.00 per quarter, paid by the Corporation.

All directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

The Corporation has a formalized stock option plan for the granting of incentive stock options to the directors, officers, key employees and consultants. The purpose of granting options pursuant to the stock option plan is to assist the Corporation in compensating, attracting, retaining and motivating the directors, officers, key employees and consultants of the Corporation and to closely align the personal interests of such persons to that of the shareholders. Details regarding the Corporation's current stock option plan are set out below under the heading "Particulars of Matters to be Acted Upon – Stock Option Plan".

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets out the information in respect of all share-based awards and option-based awards outstanding at the end of the fiscal year ended December 31, 2011 to the independent directors.

Name	Option-Based Awards				Share-Based Awards <sup>(2)</sup>	
	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(1)</sup>	Number of Shares or Units that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested
	#	\$		\$	#	\$
Robert Marshall	350,000 91,250	0.10 0.10	31-Aug-17 3-May-16	Nil Nil	Nil	Nil
Bruce Jackson	300,000 305,000	0.10 0.10	31-Aug-17 3-May-16	Nil Nil	Nil	Nil
Ian Macdonald	550,000 745,000	0.10 0.10	31-Aug-17 3-May-16	Nil Nil	Nil	Nil
Terence Quinn	250,000 310,000	0.10 0.10	31-Aug-17 3-May-16	Nil Nil	Nil	Nil
Jane Lin (from Dec 8, 2011)	Nil	N/A	N/A	Nil	Nil	Nil

**Note:**

- (1) The closing market price on December 31, 2010 on the TSX Venture Exchange was \$0.025.
- (2) The Corporation does not have a share-based awards plan.

Value Vested or Earned During the Year

Name	Option-Based Awards – Value Vested During the Year <sup>(1)</sup>	Share-Based Awards – Value Vested During the Year <sup>(2)</sup>	Non-Equity Incentive Plan Compensation Plan – Value Earned During the Year
	\$	\$	\$
Robert Marshall	Nil	Nil	Nil
Bruce Jackson	Nil	Nil	Nil
Ian Macdonald	Nil	Nil	Nil
Terence Quinn	Nil	Nil	Nil
Jane Lin (from Dec 8, 2011)	Nil	Nil	Nil

**Note:**

- (1) Outlines the net benefit the Director would have received had the Director exercised on the date of vesting.
- (2) The Corporation does not have a share-based awards plan.

**EQUITY COMPENSATION PLANS**

The following table sets forth details with respect to compensation plans under which equity securities of the Corporation are authorized for issuance as of year ended December 31, 2010.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weight-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by securityholders	11,124,000	\$0.20	8,199,961 <sup>(1)</sup>
<b>Total</b>	11,124,000	\$0.20	8,199,961

Notes:

- (1) Common Shares reserved for issuance under the Corporation's "rolling" stock option plan, which automatically increases the number of Common Shares available for issuance to 10% of the Corporation's issued and outstanding Common Shares.

Details regarding the Corporation's current stock option plan, and a proposed amendment to such plan are set out under the heading "Particulars of Matters to be Acted Upon – Stock Option Plan," below.

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

There is no indebtedness, now nor at any time since the beginning of the most recently completed financial year of the Corporation, of any director, executive officer, senior officer, proposed nominee for election as a director or associate of any of them to or guaranteed or supported by the Corporation or any of its subsidiaries either pursuant to an employee stock purchase program of the Corporation or otherwise.

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

Except as disclosed in the 2011 Financial Statements of the Corporation dated April 30, 2012, the directors, director nominees, officers and principal shareholders of the Corporation or any associate or affiliate of the foregoing have had, or will have, no direct or indirect interest in any material transaction involving the Corporation since the commencement of the Corporation's last financial year or in any proposed material transaction.

### **MANAGEMENT CONTRACTS**

The management functions of the Corporation are substantially performed by directors and senior officers of the Corporation, and not performed to any substantial degree by any other person with whom the Corporation has contracted.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as set out herein, no director or senior officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the meeting.

### **AUDIT COMMITTEE**

#### **1. The Audit Committee Charter**

The Audit Committee Charter is attached to this Information Circular as Schedule A2.

## 2. **Composition of the Audit Committee**

The Audit Committee consists of Ian Macdonald, Bruce Jackson, and Terry Quinn, all whom are independent and financially literate. The Board of Directors proposes to re-appoint each of these members to the Audit Committee.

## 3. **Relevant Education and Experience**

Ian Macdonald is a Chartered Accountant. He holds an MBA from Queen's University. He has been Managing Director of Tricapital Management Limited since 1986. Tricapital is a merchant bank that raises capital for mid-sized private and public companies. Since 2003, he has been Chairman of Quadrant Cosmetics Corporation, Canada's largest independent distributor of prestige fragrances and cosmetics. He has also served as VP Finance and Treasurer of Bacardi International Limited, and as a member of the Strategic Planning Advice unit of Currie Coopers & Lybrand, Management Consultants.

Bruce Jackson holds an MBA from McMaster University, as well as a B.A.Sc. Civil Engineering from the University of Toronto. He has served as Chief Executive Officer of several companies, including Dynamic Structures Inc. He has also served as a consultant in mergers and acquisitions for JR/Janus Merchant Brokers. In addition, he has served as an executive, manager, and engineer at several major steel fabrication businesses, including Canron, Niagara Steel, and Dominion Bridge.

Terence Quinn is the Principal at Quinn Consulting, a mergers and acquisitions consulting practise focussing on industrial services and construction businesses in the western Canada oil and gas basin. Previously, he has been General Manager of Delta Catalytic Corporation, President of Tru-Way Group, General Manager and Partner of National Construction Corporation. He sits on the board of directors of three private industrial companies.

All members and proposed members of the Audit Committee are familiar with the regulatory reporting requirements and process for audit committees. They all have experience in analyzing and evaluating financial statements necessary to understand the accounting principles used by the Corporation to prepare its financial statements.

## 4. **Audit Committee Oversight**

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

## 5. **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has it relied on any exemption under Section 2.4 (De Minimus Non-Audit Services) or Part 8 (Exemptions) of Multilateral Instrument 52-110.

## 6. **Pre-Approval Policies and Procedures**

The Board has approved a policy with respect to the engagement of non-audit services. This policy prohibits the Corporation from hiring external auditors to provide certain non-auditing services, such as bookkeeping and related functions, financial information systems design and implementation, appraisal/valuation/fairness opinions or contribution in kind reports, actuarial services, internal audit outsourcing, management functions, human resource functions, legal services, and expert services. In certain cases, the policy allows the

Corporation to retain the services of external auditors for the purpose of rendering non-audit services, provided that such services are not prohibited and that they have received the prior approval of the Audit Committee.

A copy of the policy regarding the range of services offered by external auditors can be obtained free of charge, upon request, from the Corporation's Corporate Secretary at 717 Jarvis Avenue, Winnipeg, MB, R2W 3B4.

## 7. External Auditor Service Fees

The fees paid by the Corporation to its auditor in each of the last two fiscal years are:

	Fiscal Year 2011	Fiscal Year 2010
Audit Fees <sup>(1)</sup>	\$198,354	\$406,299
Audit Related Fees <sup>(2)</sup>	\$32,100	\$29,489
Tax Fees <sup>(3)</sup>	\$23,000	\$92,043
All Other Fees	Nil	\$36,829
Total	\$253,454	\$564,660

**Note:**

- (1) Audit Fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit Related Fees consist of fees for insurance and related services that are reasonably related to the performance of the audit or the review of the Corporation's financial statements and are not reported as Audit Fees.
- (3) Tax Fees consist of fees paid to the auditors for preparation of the Corporation's T-2 corporate income tax return and General Index of Financial Information required by Canada Revenue Agency.

## 8. Venture Issuer Exemption

The Corporation, as a "Venture Issuer", is relying upon section 6.1 of Multilateral Instrument 52-110 exempting it from certain requirements relating to the composition of the audit committee requirements and reporting obligations.

## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the board of directors (the "Board"), the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices ("NI 58-101"), the Corporation provides disclosure of its corporate governance practices as set out in the attached Schedule A.

**PARTICULARS OF MATTERS TO BE ACTED UPON**

**FINANCIAL STATEMENTS**

Shareholders will be presented with the annual financial statements of the Corporation for the fiscal year ended December 31, 2011 and the auditors' report thereon; however, no action is required to be taken by shareholders thereon.

**ELECTION OF DIRECTORS**

At the meeting it is proposed that seven (7) directors be elected to serve until the next annual general meeting or until their successors are elected or appointed in accordance with the Business Corporations Act (Alberta) and the bylaws of the Corporation. There are presently seven (7) directors of the Corporation.

The following table indicates the names of the seven (7) nominees for directors, the date each such person first became a director (if applicable), the principal occupation of each such person and the number of Common Shares of the Corporation beneficially owned or controlled (directly or indirectly) by each such person as of the date of this Information Circular. The information contained in this table as to the number of shares of the Corporation beneficially owned or controlled, directly or indirectly, is based upon information furnished to the Corporation by the respective nominees. Proposed members of the Audit Committee, Corporate Governance Committee and Health, Safety, Environment, Community Committee are indicated in the table.

<b>Name, Municipality of Residence and Date First Became a Director</b>	<b>Principal Occupation during past five years</b>	<b>Common Shares beneficially owned or controlled</b>
Ian Macdonald <sup>(1,2)</sup> Toronto, Ontario June 16, 2010	Independent Chairman of Empire Industries Ltd. He has been Managing Director of Tricapital Management Limited since 1986. Tricapital is a merchant bank that raises capital for mid-sized private and public companies. Since 2003, he has been Chairman of Quadrant Cosmetics Corporation, Canada's largest independent distributor of prestige fragrances and cosmetics. He has also served as VP Finance and Treasurer of Bacardi International Limited, and as a member of the Strategic Planning Advice unit of Currie Coopers & Lybrand, Management Consultants. Ian is a Chartered Accountant and holds an MBA from Queen's University.	10,500,000
Guy Nelson Toronto, Ontario June 15, 2006	Chief Executive Officer of Empire Industries Ltd. Chairman of Empire Iron since 1997. Chairman of Better Work Place Inc. from Sept. 2001 to present. CEO and Director of Associated Proteins LP from 2004 to 2007. Vice President and Director of Bracknell Corporation between 1991 and 1997. VP Investments, Cavendish Investing Ltd. from 1988 to 1991. Guy holds an MBA from the Ivey Business School and a B.Comm from University of Alberta.	14,500,000
Campbell McIntyre <sup>(3)</sup> Winnipeg, Manitoba June 15, 2006	Chief Financial Officer of Empire Industries Ltd. since December 13, 2010, and from June 15, 2006 until November 17, 2008. President and Chief Financial Officer of Empire Iron since 1997, and a Director, Officer, and Controller with the Corporation since 1976. Campbell is a Chartered Accountant.	3,653,658
Robert Marshall <sup>(2,3)</sup> Calgary, Alberta Nov. 30, 2007	President of RGM Engineering Ltd. and Director/co-owner of RAIMS International Inc., a Safety & Remote Medical Services company focused on providing services to the oil & gas and industrial construction sectors in western Canada and the Arctic. Robert is a professional engineer (BSc. CE; M.Eng.).	3,708,230

Name, Municipality of Residence and Date First Became a Director	Principal Occupation during past five years	Common Shares beneficially owned or controlled
Bruce Jackson <sup>(1,2)</sup> Toronto, Ontario May 3, 2010	Partner of Hydropool Inc. (2010), CEO of Enviroshake Inc. (2007 – 2010). Part owner of Evolution Print and Design (2005 – 2009). He has served as Chief Executive Officer of several companies, including Dynamic Structures Inc. He has also served as a consultant in mergers and acquisitions for JR/Janus Merchant Brokers. In addition, he has served as an executive, manager, and engineer at several major steel fabrication businesses, including Canron, Niagara Steel, and Dominion Bridge. Bruce holds an MBA from McMaster University, as well as a B.A.Sc. Civil Engineering from the University of Toronto.	1,000,000
Terence Quinn <sup>(1,2,3)</sup> Oakville, Ontario June 16, 2010	Principal of Quinn Consulting, a mergers and acquisitions consulting practice focusing on industrial services and construction businesses in the western Canada oil and gas basin. Terence Quinn is the Principal at Quinn Consulting, a mergers and acquisitions consulting practise focussing on industrial services and construction businesses in the western Canada oil and gas basin. Previously, he has been General Manager of Delta Catalytic Corporation, President of Tru-Way Group, General Manager and Partner of National Construction Corporation. He sits on the board of directors of three private industrial companies.	1,046,000
Chao Jian (Jane) Lin <sup>(3)</sup> Vancouver, BC Dec 8, 2011	System developer/analyst for Accenture, a management consulting and information technology company. She is a Canadian citizen who was born and raised in China. Whe has degrees from Guangzhou University and the University of British Columbia.	Nil

**Notes:**

- (1) Proposed member of Audit Committee
- (2) Proposed member of Corporate Governance Committee
- (3) Proposed member of Health, Safety, Environment, Community Committee

**Cease Trade Orders**

To the knowledge of management of the Corporation, no proposed director of the Corporation is, or within the ten years before the date of this Information Circular has been, a director, chief executive officer or chief financial officer of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive or chief financial officer and which resulted from an event that occurred while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

**Bankruptcies and Insolvencies**

To the knowledge of management of the Corporation, no proposed director of the Corporation:



- (a) is, at the date of this Information Circular or has been within the ten years before the date of this Information Circular, a director or executive officer of any company 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
- (b) has, within the ten years before the date of this Information Circular, 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 the director, officer or shareholder.

### **Penalties and Sanctions**

To the knowledge of management of the Corporation, no proposed director of the Corporation has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **APPOINTMENT OF AUDITORS**

The shareholders of the Corporation will be asked to vote for the re-appointment of MNP LLP as auditors of the Corporation. Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution appointing MNP LLP as auditor of the Corporation for the next ensuing year, to hold office until the close of the next annual general meeting of shareholders or until the firm of MNP LLP is removed from office or resigns as provided by law or by the Corporation's Bylaws, and to authorize the directors to fix the remuneration of MNP LLP as auditor. MNP LLP have been the auditors of the Corporation since June 7, 2011

### **STOCK OPTION PLAN**

As required by TSX Venture Exchange (the "Exchange") rules, management is requesting that Shareholders provide their approval of the Corporation's stock option plan. On July 14, 2011, the Shareholders of the Corporation approved the current stock option plan (the "Plan"). The current state of the Plan is as follows:

Options granted pursuant to the Plan will not exceed a term of ten years and are granted at an option price and on other terms which the directors determine is necessary to achieve the goal of the Plan and in accordance with regulatory policies. The option price shall not be less than the market price of the stock.

The number of common shares allocated to the Plan will be determined by the board of directors from time to time. The aggregate number of shares reserved for issuance under the Plan may not exceed 10 percent of the

issued and outstanding shares. In addition, the aggregate number of shares so reserved for issuance in any 12 month period to any one person shall not exceed 2 percent, of the issued and outstanding Common Shares.

The Common Shares, when fully paid for by a participant, are not included in the calculation of Common Shares allocated to or within the Plan. Should a participant cease to be eligible due to the loss of corporate office (being that of an officer or director) or employment, the option shall cease for varying periods not exceeding 90 days. Loss of eligibility for consultants is regulated by specific rules imposed by the directors when the option is granted to the appropriate consultant. The Plan also provides that estates of deceased participants can exercise their options for a period not exceeding one year following death.

The board of directors may from time to time make rules, regulations and amendments to the Plan. Should any rule, regulation or amendment materially differ from the provisions set out in this Information Circular, the Corporation shall obtain the necessary regulatory or shareholder approvals.

However, any amendment of the Plan which would:

- (i) materially increase the benefits of the Plan;
- (ii) materially increase the maximum number of common shares issuable under the Plan,
- (iii) materially modify the requirements as to eligibility for participation in the Plan;
- (iv) add any form of financial assistance and, if applicable, any amendment to any existing financial assistance provision which is more favourable to participants;
- (v) add a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve; or
- (vi) otherwise require approval by shareholders (or disinterested shareholders as the case may be) in accordance with the requirements of any regulatory body having jurisdiction over the common shares of the Corporation

would be effective only upon the approval of the Shareholders (or disinterested shareholders as the case may be) of the Corporation. Further, any amendment to any provision of the Plan would also remain subject to approval by any regulatory body having jurisdiction over the securities of the Corporation.

Should the expiration date for an Option fall within a blackout period or within nine business days following the expiration of a blackout period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the blackout period, such tenth business day to be considered the expiration of the term of such option for all purposes under the Plan.

### **Proposed Plan**

Management proposes no amendments to the current Stock Option Plan. The Proposed Plan is attached to this Circular as Schedule B.

To be effective, the approval of the Plan must be given by resolution of the Shareholders. The Shareholders will be asked to consider and approve the following special resolution:

IT IS RESOLVED THAT:

1. Subject to regulatory approval, the Stock Option Plan in the form set out in Schedule "B" to the Information Circular of the Corporation in connection with the 2012 annual and special shareholder meeting be adopted and the same is approved;

2. Any one director or officer of the Corporation is hereby authorized and directed to do all things, carry out all actions, execute all instruments and documents as in his opinion may be necessary or desirable to carry out the foregoing, including without limitation, any reasonable amendments, changes or alterations to the foregoing, as such officer or director deems reasonable in the circumstances; and
3. The board of directors of the Corporation be, and it is hereby, authorized to cause all measures to be taken, such further agreements to be entered into and such further documents to be executed as may be deemed necessary or advisable to give effect to and fully carry out the intent of this resolution.

Unless otherwise directed, the persons named in the enclosed instrument of proxy intend to vote in favour of the above resolutions. In order to be approved, this ordinary resolution must be passed by a simple majority of the votes cast in person or by proxy at the Meeting in respect of such resolution.

### **OTHER BUSINESS**

The management of the Corporation is not aware of any matters to come before the Meeting other than those set out in the Notice of Meeting. If other matters come before the Meeting it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

### **ADDITIONAL INFORMATION**

Financial information relating to the Corporation is provided in the Corporation's comparative audited financial statements and management's discussion and analysis of financial and operating results as at and for the year ended December 31, 2011. Copies of this Information Circular, the Corporation's audited financial statements, management's discussion and analysis and the auditor's report for the Corporation's most recently completed financial year, any interim financial statements of the Corporation subsequent to those statements, as filed with the applicable Canadian regulatory authorities, are available on SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained without charge by contacting the Corporate Secretary at Empire Industries Ltd., 717 Jarvis Avenue Winnipeg, MB R2W 3B4. Additional information relating to the Corporation may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The contents and sending of the Information Circular have been approved by the directors of the Corporation.

**SCHEDULE A**  
**EMPIRE INDUSTRIES LTD.**  
**FORM 58-101F1**  
**CORPORATE GOVERNANCE DISCLOSURE**

**1. Board of Directors --**

(a) Disclose the identity of directors who are independent.

- Robert Marshall, Bruce Jackson, Ian Macdonald and Terence Quinn are independent.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

- Guy Nelson, Campbell McIntyre – are senior management of the Corporation.
- Jane Lin – is married to a senior officer of a subsidiary of the Corporation.

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the **“Board”**) does to facilitate its exercise of independent judgment in carrying out its responsibilities.

- A majority of the Board is independent.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

- None

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

- The Corporate Governance Committee is composed of all of the independent Board members, allowing the opportunity for the independent directors to meet separately from the non-independent board members. The Corporate Governance Committee met 4 times in 2011.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

- The Chairman is an independent director.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

<b>Director</b>	<b>Board Meeting Attendance</b>
Guy Nelson	7 out of 8 (87%)
Campbell McIntyre	7 out of 8 (87%)
Brett Third (to July 14, 2011)	4 out of 4 (100%)
William Rollins (to July 14, 2011)	3 out of 4 (75%)
Robert Marshall	8 out of 8 (100%)
Ian Macdonald	8 out of 8 (100%)
Terence Quinn	7 out of 8 (87%)
Bruce Jackson	8 out of 8 (100%)
Jane Lin (from Dec 8, 2011)	1 out of 1 (100%)

**2. Board Mandate --** Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the board delineates its role and responsibilities.

- The Board has adopted a written mandate, which is attached as Schedule A1.

**3. Position Descriptions --**

(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

- The Board has developed written position descriptions for the Board Chair and for the Chair of each Board Committee.

(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.

- The Board and the Chief Executive Officer have developed a written position description for the Chief Executive Officer.

**4. Orientation and Continuing Education --**

(a) Briefly describe what measures the Board takes to orient new directors regarding

(i) the role of the Board, its committees and its directors, and

(ii) the nature and operation of the issuer's business.

- Each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation to the nature and operations of the Corporation's business will be necessary and relevant to each new director.

(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

- The Corporation provides continuing education to its directors as such need arises and encourages open discussion at all meetings, which format encourages learning by the directors.

## 5. Ethical Business Conduct --

(a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:

(i) disclose how a person or company may obtain a copy of the code;

- The Board has adopted a Code of Business Conduct and Ethics. A copy can be obtained free of charge, upon request, from the Corporation's Corporate Secretary at 717 Jarvis Avenue, Winnipeg, MB, R2W 3B4.

(ii) describe how the board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and

- The Corporate Governance Committee reviews the terms of the Code of Business Conduct and Ethics, and monitors compliance with the Code.
- Once per year, each director and officer of the Corporation and its subsidiaries confirms in writing that he or she complies with the Code of Conduct.

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

- There has not been any material change report filed in the 2011 financial year or since the beginning of the 2012 financial year that pertains to any conduct of a director or executive officer that constitutes a violation of the Code.

(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

- The Audit Committee is responsible for reviewing the financial and accounting aspects of transactions where a director or executive officer has a material interest. The Corporate Governance Committee satisfies itself that all such transactions comply with corporate governance rules.
- Each director is required to disclose to the Board or the Committees on which he or she sits, his or her interest in any transaction when it is brought up for discussion at the Board or the Committees.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

- Management submits at least once a year to the Board the budgets and strategic direction of the Corporation's business units. Directors are encouraged to ask questions and offer recommendations on the Corporation's business conduct.

## **6. Nomination of Directors --**

(a) Describe the process by which the Board identifies new candidates for Board nomination.

- On an annual basis the Corporate Governance Committee examines and recommends to the Board a list of candidates for the composition of the Board and its committees. The list, as approved by the Board, is submitted to the vote of the shareholders at the Corporation's annual general meeting.
- In exceptional circumstances, the Board will appoint a new Board member directly to the Board, to serve until the next annual general meeting, when the shareholders will vote on the matter.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.

- The Corporate Governance Committee, composed entirely of independent directors, exercises the role of a nominating committee. The charter of the Corporate Governance Committee is attached in Schedule A3.

(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

- The Corporate Governance Committee, composed entirely of independent directors, exercises the role of a nominating committee. The charter of the Corporate Governance Committee is attached in Schedule A3.

## **7. Compensation --**

(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.

- The Corporate Governance Committee serves the function of a Compensation Committee. It recommends compensation and bonus plans for the CEO to the independent members of the Board, who make the final decisions. It also makes recommendations to the CEO with respect to compensation for senior officers of the Corporation. The same process is used to review and approve actual payouts under such bonus plans. Compensation of directors is handled in the same way, except that the full Board makes the final decisions in this regard.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

- The Corporate Governance Committee, which is composed entirely of independent directors, serves the function of a Compensation Committee.

(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

- The Charter of the Corporate Governance Committee is attached as Schedule A3.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

- No such consultant was retained.


**8. Other Board Committees** -- If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

- The Board has 3 standing committees: Audit, Corporate Governance, and Health, Safety, Environment, Community. The charter of each of these committees is attached as schedules A2, A3, and A4 respectively.

**9. Assessments** -- Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

- It is the Corporate Governance Committee's responsibility to assess the overall effectiveness of the Board and of its committees. This assessment is conducted formally once per year. The Committee's findings are reported to the Board. The Corporate Governance Committee's Chair discusses with the Board Chair the performance of each director.



 <b>Empire Industries Ltd.</b>	<b>BD 1</b>		<b>Schedule A1: Board Mandate</b>		
	Issued and Approved By:		Board of Directors		
	Date Issued:		August 25, 2010		
	Revision:		2		

The Board of Directors of Empire Industries Ltd. (the “Board”) is elected by the Corporation’s shareholders to supervise the management of the business and affairs of the Corporation pursuant to the powers vested in its articles and by-laws, and in accordance with the obligations under regulatory and public law.

Within its stewardship responsibility the Board is to preserve and enhance the viability of the Corporation and to ensure that it is managed in the interests of the shareholders as a whole in conformity with the law and legitimate interests of other stakeholders.

The Board delegates the responsibility for the day-to-day conduct of business to the management of the Corporation, through its Chief Executive Officer (“CEO”), within a policy framework established by the Board. In executing their responsibilities, each of the members of the Board is entitled to rely on the advice, reports and opinions of management.

### **CORE RESPONSIBILITIES**

The core responsibilities of the Board include stewardship and oversight in the following areas:

#### **Strategic Planning**

The Board ensures that the Corporation adopts a strategic planning process to guide its activities. The Board meets periodically to review the plan. In addition, at each regular meeting, the Board reviews the Corporation’s overall business strategies, its business plan, as well as major strategic initiatives, to allow the Board to evaluate whether the Corporation’s proposed actions are generally in accordance with its objectives.

#### **Identification of Principal Risks**


The Board, directly and through the Audit, Corporate Governance, and Environment/Safety/Community Committees, reviews the principal risks of the Corporation’s business and the appropriateness of the systems put in place to manage these risks.

#### **Selection and Remuneration of the CEO and the Senior Management Team**

The Board is responsible for selecting the CEO and for approving the selection of the members of the senior management team. Communication with the management team is through the CEO and the Board is responsible for judging the effectiveness of this officer and replacing him if such action is deemed to be in the best interests of the Corporation. The Board is also responsible for providing an effective system of remuneration. These functions are performed with the benefit of advice from the Corporate Governance Committee.

#### **Succession Planning**

On a regular basis, the Board reviews a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO and other key senior management positions, both in an emergency situation and in the ordinary course of business. The succession plan should

 <b>Empire Industries Ltd.</b>	<b>BD 1</b>		<b>Schedule A1: Board Mandate</b>		
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include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO currently in the Corporation’s senior management.

**Financial Reporting and Internal Controls**

The Board, acting through the Audit Committee, oversees the financial reporting and regulatory filing and disclosures of the Corporation. This includes monitoring the implementation of appropriate internal control systems to ensure the accuracy and timeliness of the information.

**Communication Policy**

The Disclosure Policy established by the Board summarizes practices regarding disclosure of material information to investors, analysts and the media. The Board, in consultation with the Corporate Governance Committee, monitors and advises on compliance with this Policy.

**Evaluating Board Performance**

The Board, acting through the Corporate Governance Committee, conducts an evaluation, at least annually, to assess the effectiveness of the Board, its Committees, the Chairman, and individual Directors. In addition, the Corporate Governance Committee periodically considers the mix of skills and experience that Directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

**BOARD COMPOSITION**


**Board Composition**

The composition of the Board should balance the following goals:

- i. The size of the Board should facilitate substantive discussions of the whole Board in which each Director can participate meaningfully;
- ii. The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Corporation’s business; and
- iii. Membership on the Board shall include an appropriate number of Directors whom the Board has determined have no material relationship with the Corporation or its principal shareholders and who are otherwise considered independent as contemplated by the corporate governance guidelines published by the Canadian Securities Administrators (the “CSA Guidelines”) and under the rules of the Toronto Stock Exchange (“TSX”)

**Selection of Directors**

The Corporate Governance Committee is responsible for recommending to the Board, from time to time, a list of potential Directors meeting the Corporation’s general criteria for Board membership, as well as suitable nominees to fill specific vacancies occurring between annual meetings of shareholders. The processes used by the Committee as well as the bases for its recommendations are outlined in the Corporate Governance Committee Charter. The Board is responsible for selecting nominees for election to membership on the Board for presentation at annual meetings of shareholders.

 <b>Empire Industries Ltd.</b>	<b>BD 1</b>		<b>Schedule A1: Board Mandate</b>		
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### **Orientation and Continuing Education**

The Corporate Governance Committee is responsible for the continuing education of Directors as outlined in the Committee's Charter.

### **Board Committees**

#### **Standing Committees**

The standing committees of the Board are the Audit Committee, the Corporate Governance Committee, and the Health/Environment/Safety/Community (HESC) Committee. Each of these three committees has a written Charter, satisfying at a minimum, applicable legislative and TSX rules.

All Directors, whether members of specific committees or not, may request attendance at any committee meeting and may make suggestions to committee chairs for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give periodic reports of his or her committee's activities to the Board.

#### **Assignment of Committee Members**

The Corporate Governance Committee is responsible, after consultation with the Chairman of the Board, for recommending the assignment of Board members to various committees and the selection of the committee chairs.

### **Board Meeting Procedures**

#### **Frequency of Meetings**


The Board holds regularly scheduled meetings on a quarterly basis as well as additional meetings to consider particular issues or strategic planning. Special meetings may be called from time to time as determined by the needs of the Corporation's business.

#### **Selection of Agenda Items for Board Meetings**

The Chairman, in consultation with the CEO and the Corporate Secretary, establishes the agendas for Board meetings. Any Board member, however, may recommend the inclusion of specific agenda items. The agenda is distributed in advance of a meeting to each Director.

#### **Board Materials Distributed in Advance**

Information, data and presentation materials that are important to the Board's understanding of the business are distributed in writing to the Board before each meeting. Management should provide materials that are as concise as possible while giving Directors sufficient information, and time for review (subject to availability of time sensitive materials), to make informed decisions. Under certain circumstances, written materials may be unavailable to Directors in advance of a meeting, and certain items to be discussed at Board meetings may be of a sensitive nature such that the distribution of materials on these matters prior to the Board meeting would not be appropriate.

 <b>Empire Industries Ltd.</b>	<b>BD 1</b>		<b>Schedule A1: Board Mandate</b>		
	Issued and Approved By:		Board of Directors		
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**Management at Meetings**

The Board invites members of management, in addition to the CEO and the Chief Financial Officer (“CFO”), to attend Board meetings from time to time to make presentations and provide additional insight into the various operations of the Corporation.

**Independent Director Meetings**

To encourage free and open discussion and communication among the non-management Directors of the Board, the Directors meet during, or at the end of each Board meeting, without members of management present.

**Expectations of Directors**

**Commitment and Attendance**

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Although attendance in person is encouraged, members may attend by telephone to mitigate schedule conflicts.

**Participation in Meetings**

Each Director should be sufficiently familiar with the business of the Corporation, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves.

**Financial Knowledge**


One of the most important roles of the Board is to monitor financial performance. A Director must know how to read financial statements, and should understand the use of financial ratios and other indices for evaluating financial performance.

**Code of Conduct**

The Corporation has adopted a Code of Conduct. Certain portions of this Code deal with the business conduct of Directors, particularly with respect to transactions in the securities of the Corporation, potential conflicts of interest, the taking of corporate opportunities for personal benefit, and competing with the Corporation. Directors should be familiar with the Code’s provisions in these areas and should consult with the Corporation’s counsel in the event of any issues or concerns.

**Other Directorships**

The Corporation values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director’s time and availability, and may also present conflicts or legal issues. Directors should advise the Chair of the Corporate Governance Committee before accepting any new membership on other boards of directors or any other significant commitment involving an affiliation with other related businesses or governmental units.

 <b>Empire Industries Ltd.</b>	<b>BD 1</b>		<b>Schedule A1: Board Mandate</b>	
	Issued and Approved By:		Board of Directors	
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**Contact with Management**

All Directors are invited to contact the CEO at any time to discuss any aspect of the Corporation’s business. While respecting organizational relationships and lines of communication, Directors have complete access to other members of management. There will be frequent opportunities for Directors to meet with the CEO, CFO and other members of management in Board and committee meetings and in other formal or informal settings.

**Confidentiality**


The proceedings and deliberations of the Board and its committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her services.

**Board Compensation**

The Board, acting through the Corporate Governance Committee, conducts a review on a regular basis of the components and amount of Board compensation in relation to other similar companies.

**Position Descriptions: Chairman of the Board, Committee Chairs**

The duties and responsibilities of the Chairman of the Board and the Committee Chairs are set out in their respective Position Descriptions.

 <b>Empire Industries Ltd.</b>	<b>BD 2      <i>Schedule A2: Audit Committee Charter</i></b>	
	Issued and Approved By:	Board of Directors
	Date Issued:	May 12, 2008
	Revision:	1

This Charter sets out the roles and responsibilities of the Audit Committee of Empire Industries Ltd. (the “Company”.) The roles and responsibilities described in this Charter must at all times be exercised in accordance with the requirements of the legislation and regulations governing the Company and its subsidiaries.

**COMPOSITION**

The audit committee is composed of three directors of the Company, all of whom shall meet the independence and experience requirements of the principal securities exchanges on which the Companies common shares are traded. The members of the Audit Committee must be “financially literate” as may be defined from time to time by the regulatory authorities. The quorum necessary to constitute a meeting of the Audit Committee is set at two directors.


“Independent” refers to an individual who has no direct or indirect material relationship with the Company. A material relationship refers to a relationship which could, in the view of the Company’s Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.

“Financial literacy” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

The Audit Committee’s responsibilities extend to the Company and its subsidiaries.


**AUDIT COMMITTEE OBJECTIVES**

1. To assist the Board of Directors in meeting their responsibilities.
2. To establish effective lines of communication between the Board of Directors, Management and Auditor.
3. To ensure independence, qualifications and performance of the Company’s external auditors.
4. To ensure the integrity of published financial reports.
5. To ensure the compliance by the Company with applicable legal and regulatory requirements relating to audit and internal controls.
6. To strengthen the role of the directors by facilitating in-depth discussions among directors, management and the auditor.

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**AUDIT COMMITTEE RESPONSIBILITIES**

1. Recommend to the Board of Directors:
  - a. 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 Company.
  - b. the compensation for the external auditor.
2. Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting and the auditors shall report directly to the Audit Committee. However, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate. This is the responsibility of Management and the independent auditor.
3. Pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company’s external auditor.
4. Review the Company’s financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.
5. Satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, other than the public disclosure referred to in (4) above, and periodically assess the adequacy of those procedures.
6. Establish procedures for:
  - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
  - b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
7. Review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
8. Recommend that the Board retain special legal, accounting or other consultants to advise the Committee and to conduct or authorize investigations into any matters within the scope of its responsibilities. The Audit Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.
9. Make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

 <b>Empire Industries Ltd.</b>	<b>BD 3     <i>Schedule A3: Corporate Governance Committee Charter</i></b>	
	Issued and Approved By:	Board of Directors
	Date Issued:	August 25, 2010
	Revision:	3

## **1. PURPOSES**

The purposes of the Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Empire Industries Ltd. (the “Company”) shall be to assist the Board in

- a) establishing the minimum qualifications for a director nominee, including the qualities and skills that Board members are expected to possess;
- b) identifying and evaluating individuals qualified to become Board members, consistent with criteria approved by the Board and Committee;
- c) recommending that the Board select, the director nominees for election at the next Annual Meeting of Shareholders, or to fill vacancies on the Board occurring between Annual Meetings of Shareholders; and
- d) developing, recommending to the Board, and assessing corporate governance policies for the Company.
- e) fulfilling its oversight responsibilities with respect to Chief Executive Officer and executive Management compensation.


## **2. COMPOSITION**

- a) At Least Three Members; Chairperson. The Committee shall consist of a minimum of three independent directors as defined by applicable law. The Board shall designate a Committee member as the Chairperson of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as Chairperson by a majority vote of the authorized number of Committee members.
- b) Appointment. Subject to the requirements of the listing standards and the Bylaws of the Company, the Board initially shall appoint the Committee members to serve until the first meeting of the Board following the next Annual Meeting of Shareholders. Thereafter, the Committee members shall be appointed by the Board for one year terms and until their successors are appointed and qualified, or until their earlier retirement, resignation or removal. The Board may fill any vacancies on the Committee; however, any member of the Committee may be removed, with or without cause, only by the approval of a majority of the independent directors then serving on the full Board.

## **3. MEETINGS; REPORTS AND RESOURCES OF THE COMMITTEE**

- a) Meetings. The Committee shall meet as often as it determines necessary or advisable, but not less than once a year. The Chairperson of the Committee or a majority of the Committee members may call meetings of the Committee. The Committee also may hold special meetings or act by unanimous written consent as the Committee may decide. The meetings may be in person or by telephone. The Committee shall keep written minutes of its meetings and shall deliver a copy of such minutes to the Board and to the Corporate Secretary of the Company for inclusion in the Company’s minute books. The Committee may meet separately with other directors, the Chief



 <b>Empire Industries Ltd.</b>	<b>BD 3      <i>Schedule A3: Corporate Governance Committee Charter</i></b>	
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Executive Officer and other Company employees, agents or representatives invited by the Committee.


- b) Procedures. The Committee may establish its own procedures in a manner not inconsistent with this Charter, the Company’s Bylaws, applicable laws or regulations, or the listing standards. A majority of the authorized number of Committee members shall constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at the meeting at which a quorum is present shall be the act of the Committee, unless in either case a greater number is required by this Charter, the Company’s Bylaws, applicable laws or regulations, or the listing standards. The Committee may form and delegate any of its responsibilities to a subcommittee so long as such subcommittee consists solely of independent members of the Committee.
- c) Reports. The Committee shall report its actions and recommendations to the Board after each Committee meeting, and shall report to the Board the director nominees for the Annual Meeting of Shareholders at an appropriate time prior to preparation of the Company’s proxy statement for the Annual Meeting of Shareholders. The Committee shall disclose to the Board information regarding the category or categories of persons or entities that recommended, and persons or entities that caused to be recommended, each director nominee (for instance, security holder, non-management director, chief executive officer, other executive officer, third-party search firm, or other, specified source), specifically noting those instances where a nominee was recommended by the Chief Executive Officer of the Company. The Committee also shall disclose to the Board whether any third parties received compensation related to identifying and evaluating candidates.
- d) Committee Access and Resources. The Committee is at all times authorized to have direct, independent and confidential access to the Company’s other directors, management and personnel, as well as to the Company’s books, records and facilities, to carry out the Committee’s purposes. The Committee shall have the sole authority, to the extent it deems necessary or appropriate, to retain and terminate at the Company’s expense any search firm to assist in identifying director candidates, and any independent counsel or other advisers selected by the Committee for matters related to the Committee’s purposes. The Committee shall have sole authority to approve related fees and retention terms.

**4. AUTHORITY AND RESPONSIBILITIES.**

In furtherance of its purposes, the Committee shall have the following authority and responsibilities:

Corporate Governance

- a) To assist the Board in establishing the minimum qualifications for a director nominee, including the qualities and skills that Board members are expected to possess; to lead the search for and identify individuals qualified to become Board members, consistent with criteria approved by the Board; and to recommend that the Board select, the director nominees to be presented for stockholder


 <b>Empire Industries Ltd.</b>	<b>BD 3      <i>Schedule A3: Corporate Governance Committee Charter</i></b>	
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approval at the next Annual Meeting of Shareholders, and one or more director nominees for each vacancy on the Board that occurs between Annual Meetings of Shareholders, subject to legal rights, if any, of third parties to nominate or appoint directors. The Committee shall select or recommend individuals as director nominees who meet the minimum qualifications approved by the Board and who shall have high personal and professional integrity, who shall have financial literacy or other professional or business experience relevant to an understanding of the Company and its business, who shall have demonstrated an ability to think and act independently and with sound judgment and who shall be effective, in conjunction with the other nominees to the Board, in collectively serving the long-term interests of the Company and its shareholders.

- b) To review and recommend to the Board a determination with respect to each director’s “independence” under any laws, regulations or standards applicable to the Company.
- c) To receive, review and respond to director nominations submitted in writing by the Company’s shareholders.
- d) To review and evaluate the Board’s committee structure. To recommend to the Board for its approval qualified directors to serve as members of each committee, giving consideration to the criteria for service on each committee as set forth in the charter for such committee. The Committee shall review and recommend committee slates annually and shall recommend additional committee members to fill vacancies as needed.
- e) To consider and recommend changes in the size or composition of the Board and matters relating to the retirement of Board members.
- f) To determine the reasons for the resignation of any director.

Chief Executive Officer (CEO)

- g) Annually review and, in the Committee’s discretion, make recommendations to the Board for consideration regarding the CEO’s short-term and long-term corporate goals and objectives and performance measurement indicators.
- h) Annually (i) review a report on CEO compensation from Management or, in the Committee’s discretion, an independent compensation consultant; (ii) evaluate the performance of the CEO considering the Position Description of the CEO, and the CEO’s short-term and long-term corporate goals and objectives and performance measurement indicators; and, (iii) recommend annual CEO compensation, including a long-term incentives component determined considering Empire’s performance and relative shareholder returns, the value of similar incentive awards to CEOs at comparable companies and the awards given to Empire’s past CEOs where relevant. Based on the evaluation, in the Committee’s discretion, make recommendations to the independent directors of the Board for consideration. The independent directors have sole authority to determine annual CEO

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compensation. The Committee, in its discretion, may approve a long-term incentive award (with or without ratification from the Board) as may be required to comply with applicable tax laws.


- i) Annually review, with the CEO, the Position Description for the CEO and, in the Committee’s discretion, recommend any changes to the Board for consideration.

Compensation

- j) Annually review the level and form of compensation of Empire’s Directors, considering peer practices and the duties and responsibilities of the Directors and, in the Committee’s discretion, recommend any changes to the Board for consideration.
- k) Annually review the level and form of compensation of Empire’s Board Chair, considering peer practices and the duties and responsibilities of the Board Chair and, in the Committee’s discretion, recommend any changes to the Board for consideration.
- l) Annually review the level and form of compensation of Empire’s Committee Chairs, considering peer practices and the duties and responsibilities of the Committee Chairs and, in the Committee’s discretion, recommend any changes to the Board for consideration.
- m) Annually review the recommendations of the CEO concerning overall compensation and other conditions of employment of executive Management, other than the CEO, and, in the Committee’s discretion, make recommendations to the Board for consideration.
- n) Regularly review all incentive compensation plans and equity-based plans and, in the Committee’s discretion, make recommendations to the Board for consideration.
- o) Review Management’s proposals for grants of equity-based incentives and, in the Committee’s discretion, make recommendations to the Board for consideration.

Other Duties and Responsibilities

- p) To annually evaluate its own performance as a committee, including its effectiveness and compliance with its Charter, and report to the Board the results of such evaluation and any recommended changes. To review and reassess, at least annually, the adequacy of this Charter and submit any recommended changes to the Board for its consideration.
- q) To perform any other activities, consistent with this Charter, the Company’s Bylaws and applicable listing standards and laws, as the Committee or the Board deems necessary or appropriate.
- r) To develop, assess annually, and make recommendations to the Board concerning, appropriate corporate governance policies, including the Company’s Code of Ethics and Business Conduct. To regularly review issues and developments related to matters of corporate governance. To monitor

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compliance with the Company's Code of Ethics and Business Conduct and other corporate governance policies.


- s) To oversee an annual review of the performance of the full Board and management, and to oversee the annual self-evaluation process of each Board committee.
- t) To perform any other functions required by applicable law, rules or regulations, including the rules of any exchange or market on which the Company's securities are traded. The Committee shall also perform such other functions as are delegated to it by the Board from time to time.

**5. PROCEDURES REGARDING DIRECTOR NOMINATIONS BY SHAREHOLDERS**

The Committee will consider nominees for the Board recommended by shareholders who meet the eligibility requirements for submitting stockholder proposals for inclusion in the Company's next proxy statement. If an eligible stockholder wishes to recommend a nominee, he or she should submit such recommendation in writing to the Chair, Corporate Governance Committee, care of the Corporate Secretary of the Company, specifying the following information:

- a. the name and address of the nominee;
- b. the name and address of the stockholder making the nomination;
- c. a representation that the nominating stockholder is a stockholder of record of the Company's stock entitled to vote at the next annual meeting and intends to appear in person or by proxy at such meeting to nominate the person specified in the notice;
- d. the nominee's qualifications for membership on the Board;
- e. all of the information that would be required in a proxy statement soliciting proxies for the election of the nominee as a director;
- f. a description of all direct or indirect arrangements or understandings between the nominating stockholder and the nominee and any other person or persons (naming such person or persons) pursuant to whose request the nomination is being made by the stockholder;
- g. all other companies to which the nominee is being recommended as a nominee for director;
- h. a signed consent of the nominee to cooperate with reasonable background checks and personal interviews, and to serve as a director of the Company, if elected.

All such recommendations will be brought to the attention of the Committee, and the Committee shall evaluate such director nominees in accordance with the same criteria, set forth in this Charter or otherwise approved by the Committee or the Board, applicable to the evaluation of all director nominees.

 <b>Empire Industries Ltd.</b>	<b>BD 4    Schedule A4: Health, Safety, Environment, Community Committee Charter</b>	
	Issued and Approved By:	Board of Directors
	Date Issued:	May 12, 2008
	Revision:	1

## 1. PURPOSES

The purposes of the Health, Safety, Environment, Community Committee (the “Committee”) of the Board of Directors (the “Board”) of Empire Industries Ltd. (the “Company”) shall be to assist the Board to


- a) Ensure that the Company makes all decisions with due consideration of environmental protection and sustainable development.
- b) Foster a culture of employee safety.
- c) Ensure that the Company meets the standards of a good corporate citizen in all of the communities where it carries on business.

## 2. COMPOSITION

- a) At Least Three Members; Chairperson. The Committee shall consist of a minimum of three directors to be appointed by the Board: One independent director, the Chief Executive Officer, and one other non-independent director. The independent director shall be the Chairperson of the Committee.
- b) Appointment. Subject to the requirements of the listing standards and the Bylaws of the Company, the Board initially shall appoint the Committee members to serve until the first meeting of the Board following the next Annual Meeting of Shareholders. Thereafter, the Committee members shall be appointed by the Board for one year terms and until their successors are appointed and qualified, or until their earlier retirement, resignation or removal. The Board may fill any vacancies on the Committee, or remove any member of the Committee, with or without cause.

## 3. MEETINGS; REPORTS AND RESOURCES OF THE COMMITTEE

- a) Meetings. The Committee shall meet as often as it determines necessary or advisable, but not less than once a year. The Chairperson of the Committee or a majority of the Committee members may call meetings of the Committee. The Committee also may hold special meetings or act by unanimous written consent as the Committee may decide. The meetings may be in person or by telephone. The Committee shall keep written minutes of its meetings and shall deliver a copy of such minutes to the Board and to the Corporate Secretary of the Company for inclusion in the Company’s minute books. The Committee may meet separately with other directors, or other Company employees, agents or representatives invited by the Committee.
- b) Procedures. The Committee may establish its own procedures in a manner not inconsistent with this Charter, the Company’s Bylaws, applicable laws or regulations, or the listing standards. A majority of the authorized number of Committee members shall constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at the meeting at which a quorum is present shall be the act of the Committee, unless in either case a greater number is required by this Charter, the Company’s Bylaws, applicable laws or regulations, or the listing standards. The Committee may form and delegate any of its responsibilities to a

 <b>Empire Industries Ltd.</b>	<b>BD 4    Schedule A4: Health, Safety, Environment, Community Committee Charter</b>	
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subcommittee so long as such subcommittee consists solely of independent members of the Committee.

- c) Reports. The Committee shall report its actions and recommendations to the Board after each Committee meeting.
- d) Committee Access and Resources. The Committee is at all times authorized to have direct, independent and confidential access to the Company's other directors, management and personnel, as well as to the Company's books, records and facilities, to carry out the Committee's purposes. The Committee shall have the sole authority, to the extent it deems necessary or appropriate, to retain and terminate at the Company's expense any independent counsel or other advisers selected by the Committee for matters related to the Committee's purposes. The Committee shall have sole authority to approve related fees and retention terms.

#### **4. AUTHORITY AND RESPONSIBILITIES**

In furtherance of its purposes, the Committee shall have the following authority and responsibilities:

- a) Develop and recommend to the Board policies and procedures to ensure that the Company makes all decisions with due consideration of environmental protection and sustainable development.
- b) Develop and recommend to the Board policies and procedures to foster a culture of employee safety. Assist in the development of appropriate employee safety monitoring tools.
- c) Develop and recommend to the Board policies and procedures to ensure that the Company meets the standards of a good corporate citizen in all of the communities where it carries on business.
- d) To annually evaluate its own performance as a committee, including its effectiveness and compliance with its Charter, and report to the Board the results of such evaluation and any recommended changes. To review and reassess, at least annually, the adequacy of this Charter and submit any recommended changes to the Board for its consideration.
- e) To perform any other activities, consistent with this Charter, the Company's Bylaws and applicable listing standards and laws, as the Committee or the Board deems necessary or appropriate.
- f) To perform any other functions required by applicable law, rules or regulations, including the rules of any exchange or market on which the Company's securities are traded. The Committee shall also perform such other functions as are delegated to it by the Board from time to time.

## SCHEDULE B

### EMPIRE INDUSTRIES LTD.

#### STOCK OPTION PLAN

#### 1. Purpose of the Plan

The purpose of this Stock Option Plan (the “**Plan**”) is to assist Empire Industries Ltd. (the “**Corporation**”) in attracting, retaining and motivating directors, officers, employees and consultants of the Corporation and of its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders of the Corporation by providing them with the opportunity, through options, to acquire common shares of the Corporation.

#### 2. Definitions

In this Plan, unless the context otherwise requires, the following terms shall have the following meanings:

- a) “**Exchange**” means the Toronto Stock Exchange and/or such other stock exchange as the Shares of the Corporation may then be listed;
- b) “**Insider**” means an insider of the Corporation, as defined in the Securities Act (Alberta) and includes associates or affiliates of the insider;
- c) “**Market Price**” shall have the meaning ascribed thereto in section 101 of the Toronto Stock Exchange Company Manual; and
- d) “**Shares**” means the common shares in the capital of the Corporation.

#### 3. Implementation

The grant and exercise of any options under the Plan are subject to compliance with the applicable requirements of the Exchange and of any governmental authority or regulatory body to which the Corporation is subject.

#### 4. Administration

The Plan shall be administered by the board of directors of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan, subject to any necessary shareholder or regulatory approval. The board of directors may delegate any or all of its authority with respect to the administration of the Plan and any or all of the rights, powers and discretions with respect to the Plan granted to it under this Plan to such other committee of directors of the Corporation as the board of directors may designate. Upon any such delegation the committee of directors, as well as the board of directors, shall be entitled to exercise any or all of such authority, rights, powers and discretions with respect to the Plan. When used in the context of this Plan “**board of directors**” shall be deemed to include the Compensation Committee or other committee of directors acting on behalf of the board of directors.

## 5. Number of Optioned Shares

A maximum number of common shares equal to 10% of the issued and outstanding common shares of the Corporation, from time to time, (the “**Optioned Shares**”) shall be reserved for issuance to such directors, officers, employees and consultants of the Corporation and of its subsidiaries as the board of directors may determine (“**Participants**”) in accordance with the Plan. If option rights granted to a Participant under the Plan expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, or if a Participant exercises its option rights, such Optioned Shares may be made available for other options to be granted under the Plan.

### a) Limitations on Issue

Options shall not be granted:

- i. to Insiders if such options, together with any other options previously granted by the Corporation (together, the “**Share Compensation Arrangements**”), could result, at any time, in:
  - a) the number of Shares issuable to Insiders, at any time, under the Share Compensation Arrangements, exceeding 10% of issued and outstanding Shares; and
  - b) the number of Shares issued to Insiders, within any twelve month period, under the Share Compensation Arrangements, exceeding 10% of issued and outstanding Shares.
- ii. if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to any one consultant of the Corporation.
- iii. if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to persons employed to provide investor relations activities.

### b) Inducements

Unless otherwise approved by the shareholders of the Corporation, no grant of options as an inducement of employment or as an inducement for any individual to become an officer of the Corporation shall exceed 2% of the number of shares issued on an undiluted basis.

## 6. Eligibility

Options may be granted under the Plan to any person who is a director, officer, employee or consultant of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”), as the board of directors may from time to time designate as a Participant under the Plan. Subject to compliance with applicable requirements of the Exchange, a Participant may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms of this Plan, the board of directors shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options



shall be granted and vested, and the number of common shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the board of directors shall so determine.

## 7. Terms and Conditions

### a) Exercise Price

- i. The exercise price to each Participant for each Optioned Share shall be determined by the board of directors, but shall in no event be less than the Market Price.
- ii. Once the exercise price has been determined by the board of directors, accepted by the Exchange and the option has been granted, the exercise price of an option held by insiders of the Corporation (as defined in the policies of the Exchange) may only be reduced if disinterested shareholder approval is obtained.

### b) Option Agreement

All options shall be granted under the Plan by means of an agreement between the Corporation and each Participant (the “**Option Agreement**”) in such form as may be approved by the board of directors, such approval to be conclusively evidenced by the execution of the Option Agreement by any one director or officer of the Corporation.

### c) Length of Grant

Each option granted under the Plan shall expire on the date set out in the option agreement, subject to earlier termination as provided in subsections 7(l), (m), (n) and (o) of this Plan but in no circumstances shall the duration of an option exceed 10 years.

### d) Vesting of Options

The board of directors, in its sole discretion, shall determine the vesting of options granted hereunder and may subject the vesting of any options granted hereunder to any number of reasonable conditions precedent.

### e) Transferability of Options

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided for herein or to the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

### f) Right to Postpone Exercise

Each Participant, upon becoming entitled to exercise the option in respect of any Optioned Shares in accordance with the Option Agreement, shall be entitled to exercise the option to

purchase such Optioned Shares at any time prior to the expiration or other termination of the Option Agreement.

g) Hold Period

Any options granted pursuant to the Plan or any Optioned Shares issued upon the exercise of such options shall be subject to any applicable statutory hold period or resale restriction as well as any hold period or resale restriction that may be imposed by the policies or regulations of the Exchange. Any hold period or resale restriction required by the Exchange shall be endorsed as a legend on the share certificate(s) representing the Optioned Shares.

h) Exercise and Payment

Subject to the Participant meeting any vesting provisions contained in an Option Agreement, any option granted under the Plan may be exercised by a Participant or the legal representative of a Participant giving notice to the Corporation specifying the number of shares in respect of which such option is being exercised, accompanied by payment (by cash or certified cheque payable to the Corporation) of the entire exercise price (determined in accordance with the Option Agreement) for the number of shares specified in the notice. Upon any such exercise of an option by a Participant the Corporation shall cause the transfer agent and registrar of the common shares to promptly deliver to such Participant or the legal representative of such Participant, as the case may be, a share certificate in the name of such Participant or the legal representative of such Participant, as the case may be, representing the number of shares specified in the notice. If payment is made by “cashless exercise”, then the Participant (or any other permitted person exercising the option) shall concurrently provide irrevocable instructions to a brokerage firm designated by the board of directors to effect the immediate sale of the such Optioned Shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the Optioned Shares to the Corporation and to deliver the certificates for the Optioned Shares directly to such brokerage firm in order to complete the sale.

i) Rights of Participants

A Participant shall have no rights as a shareholder in respect of any of the Optioned Shares (including, without limitation, any right to receive dividends or other distributions, voting rights, warrants or rights under any rights offering) other than Optioned Shares in respect of which a Participant has exercised their option to purchase and which have been issued by the Corporation.

j) Third Party Offer and Change of Control

If a bona fide offer (the “**Offer**”) for Shares is made to shareholders of the Corporation generally, or to a class of shareholders of the Corporation which, if options were exercised, would include Participants, and the Offer, if accepted in whole or in part, would result in the offeror exercising control over the Corporation within the meaning of subsection 1(3) of the *Securities Act* (Ontario) then, notwithstanding Section 7(h) but subject to the other provisions hereof:

- i. The board of directors may give its express consent to the exercise of any options which are outstanding although not yet exercisable at the time of the Offer in the manner hereinafter provided.

- ii. If the board of directors has so consented to the exercise of any options outstanding at the time of the Offer, the Corporation shall, immediately after such consent has been given, notify each Participant currently holding an option of the Offer, with full particulars thereof, together with a notice stating that, in order to permit the Participant to participate in the Offer, the Participant may, during the period that the Offer is open for acceptance (or, if no such period is specified, the period of 30 days following the date of such notice), exercise all or any portion of any such option held by the Participant.
- iii. In the event that the Participant so exercises any such option, such exercise shall be in accordance with Section 7 hereof; provided that, if necessary in order to permit the Participant to participate in the Offer, such option shall be deemed to have been exercised, and the issuance of Optioned Shares received upon such exercise shall be deemed to have occurred, effective as of the first day prior to the date on which the Offer was made.
- iv. If, upon the expiry of the applicable period referred to in subsection (ii) above, the Offer is completed, and:
  - a) the Participant has not exercised the entire or any portion of such option then, as of and from the expiry of such period, the Participant's right to purchase the Shares covered by such option shall not be exercisable, and shall expire and be null and void; and
  - b) the Participant has exercised the entire or any portion of such option, but has not tendered the Optioned Shares received in connection with such exercise to the Offer, then, as and from the expiry of such period, the Corporation may require the Participant to sell to the Corporation such Optioned Shares for a purchase price of \$0.0001 per Optioned Share.
- v. If:
  - a) the Offer is not completed (within the time specified therein, if applicable);  
or
  - b) all of the Optioned Shares tendered by the Participant pursuant to the Offer are not taken up and paid for by the offeror in respect thereof;then the Optioned Shares or, in the case of paragraph (b) above, the portion thereof that are not taken up and paid for by such offeror, shall be returned by the Participant to the Corporation for cancellation and the terms of the Option as set forth herein shall again apply to such option, or the remaining portion thereof, as the case may be.
- vi. If any Optioned Shares are returned to the Corporation pursuant to subsection (v) above, the Corporation shall refund the option price to the Participant in respect of such Optioned Shares.
- vii. In no event shall the Participant be entitled to sell the Optioned Shares otherwise than pursuant to the Offer, except as provided in paragraph (iv)(b) above.

k) Alterations in Shares

In the event of a share dividend, share split, issuance of shares or instruments convertible into common shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of shares, recapitalization, acquisition, merger,

consolidation, corporate arrangement, reorganization, liquidation or the like of or by the Corporation, the board of directors may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. In any such event, the maximum number of shares available under the Plan may be appropriately adjusted by the board of directors. If because of a proposed merger, acquisition or other corporate arrangement or reorganization, the exchange or replacement of shares in the Corporation of those in another company is imminent, the board of directors may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Participants and of the time for the fulfilment of any conditions or restrictions on such exercise. All determinations of the board of directors under this paragraph 7(k) shall be full and final.

l) Termination

If a Participant is dismissed as an officer, employee or consultant by the Corporation, or by one of its subsidiaries, for cause, all unexercised option rights of that Participant under the Plan shall terminate immediately upon such dismissal, notwithstanding the original term of the option granted to such Participant under the Plan.

m) Disability or Retirement

If a Participant ceases to be a director, officer, employee or consultant (or Management Company Employee) of the Corporation or of one of its subsidiaries as a result of:

- i. disability or illness preventing the Participant from performing the duties routinely performed by such Participant;
- ii. retirement at the normal retirement age prescribed by the Corporation pension plan;
- iii. resignation; or
- iv. such other circumstances as may be approved by the board of directors,

such Participant shall have the right, for a period not exceeding 90 days from the date of ceasing to be a director, officer, employee or consultant (or, if earlier, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the option under the Plan with respect to all Optioned Shares of such Participant to the extent they had vested and were exercisable on the date of ceasing to be a director, officer, employee or consultant. Upon the expiration of such 90 days period (or such earlier expiry date as provided for in the Option Agreement) all unexercised option rights of that Participant shall immediately terminate notwithstanding the original term of the option granted to such Participant under the Plan.

n) Investor Relations Participant

If a Participant providing investor relations services to the Corporation ceases to be employed to provide such services as a result of:

- i. disability or illness preventing the Participant from performing investor relations services;
- ii. retirement at the normal retirement age prescribed by the Corporation pension plan;

- iii. resignation; or
- iv. such other circumstances as may be approved by the board of directors,

such Participant shall have the right, for a period not exceeding 30 days from the date of ceasing to be employed to provide investor relations services (or, if earlier, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the option under the Plan with respect to all Optioned Shares of such Participant to the extent they had vested and were exercisable on the date of ceasing to be an investor relations employee. Upon the expiration of such 30 days period (or such earlier expiry date as provided for in the Option Agreement) all unexercised option rights of that Participant shall immediately terminate notwithstanding the original term of the option granted to such Participant under the Plan.

o) Deceased Participant

In the event of the death of a Participant, the legal representatives of the deceased Participant shall have the right for a period not exceeding one year from the date of death of the deceased Participant (or such shorter period being, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the deceased Participant's option with respect to all of the Optioned Shares of the deceased Participant to the extent they were vested and exercisable on the date of death. Upon the expiration of such period all unexercised option rights of the deceased Participant shall immediately terminate, notwithstanding the original term of the option granted to the deceased Participant under the Plan.

p) Black Out Expiration Term

Should the expiration of the term of an option fall within a period during which a Participant cannot exercise an option pursuant to a Corporation policy respecting restrictions on employee or insider trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Corporation or in respect of an Insider, that Insider, is subject) (a "Blackout Period") or within nine business days following the expiration of a Blackout Period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Blackout Period, such tenth business day to be considered the expiration of the term of such option for all purposes under the Plan. Notwithstanding Section 8, the ten business day period referred to in this subsection 7(p) may not be extended by the board of directors.

## **8. Amendments and Discontinuance of Plan**

The board of directors may, without shareholder approval, from time to time amend or revise the terms of the Plan or any Option Agreement or may discontinue the Plan at any time provided that no such action may in any manner adversely affect the rights under any options earlier granted to a Participant under the Plan without the consent of that Participant. Any amendment of the Plan which would:

- a) materially increase the benefits under the Plan;
- b) materially increase the number of Shares which would be issued under the Plan;
- c) materially modify the requirements as to eligibility for participation in the Plan;

- d) add any form of financial assistance and, if applicable, any amendment to any existing financial assistance provision which is more favourable to participants;
- e) add a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve; or
- f) otherwise require approval by shareholders (or disinterested shareholders as the case may be) in accordance with the requirements of any regulatory body having jurisdiction over the Shares,

shall be effective only upon the approval of the shareholders (or disinterested shareholders as the case may be) of the Corporation. Any amendment to any provision of the Plan shall be subject to approval by any regulatory body having jurisdiction over the securities of the Company.

Furthermore, the Exchange policy requires the Corporation to obtain disinterested shareholder approval should the Plan or any option grant result in:

- a) the number of common shares reserved for issuance under stock options granted to insiders of the Corporation exceeding 10% of the issued and outstanding common shares;
- b) the issuance to insiders of the Corporation, within a one year period, of a number of common shares exceeding 10% of the issued and outstanding common shares; or
- c) the issuance to any one Participant, within a 12 month period, of a number of common shares exceeding 5% of the issued and outstanding common shares.

## **9. No Further Rights**

Nothing contained in the Plan nor in any option granted under this Plan shall give any Participant or any other person, any interest or title in or to any Common Shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation other than as set out in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as an employee, officer, consultant or director of the Corporation or of its subsidiaries.

## **10. Compliance with Laws**

The obligations of the Corporation to sell common shares and deliver share certificates under the Plan are subject to such compliance by the Corporation and the Participants as the Corporation deems necessary or advisable with all applicable corporate and securities laws, rules and regulations.

## **11. Gender**

The use of the masculine gender in this Plan shall be deemed to include or be replaced by the feminine gender where appropriate to the particular Participant.