



**AMENDED AND RESTATED STOCK OPTION PLAN (2007)**  
**(the "Plan")**  
**Approved by the Directors March 29, 2010**

**1. Purpose of Plan**

The purpose of this Plan is to develop the interest of the directors, officers and key employees of, and certain other persons providing services on an ongoing basis to (collectively the "Optionees") Imperial Metals Corporation (formerly IMI Imperial Metals Inc.) and its subsidiaries (collectively the "Company") in the growth and development of the Company by providing them with the opportunity to acquire a proprietary interest in the Company.

**2. Administration**

This Plan will be administered by the Board of Directors of the Company, or if appointed, by a special committee of directors appointed from time to time by the Board of Directors of the Company (such committee or, if no such committee is appointed, the Board of Directors of the Company, is hereinafter referred to as the "Committee") pursuant to such rules of procedure as may be fixed by the Board of Directors of the Company.

**3. Granting of Stock Options**

The Committee may from time to time grant options ("Stock Options") to purchase common shares of the Company ("Common Shares") to such of the Optionees and fix the number of Common Shares subject to option to each Optionee on such terms and conditions as are permitted under this Plan.

**4. Limitations to the Plan**

Notwithstanding any other provision of this Plan, subject to Section 10 hereof:

- (a) the maximum number of Common Shares issuable pursuant to Stock Options outstanding under the Plan at any time will not exceed 10% of the number of Common Shares of the Company which are issued and outstanding at that time (the "Common Share Maximum"), provided that if any Stock Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Stock Option shall again be available for the purposes of granting Stock Options pursuant to this Plan;
- (b) the number of Common Shares issuable to insiders of the Company at any time pursuant to this Plan and all other established or proposed share compensation arrangements of the Company shall not exceed 10% of the outstanding Common Shares of the Company; and
- (c) the number of Common Shares issued to insiders of the Company within any one year period pursuant to this Plan and all other established or proposed share compensation arrangements of the Company shall not exceed 10% of the outstanding Common Shares of the Company,

and for greater certainty, reloading is permitted under this Section 4, which reloading will increase the aggregate number of Common Shares that may be issued under the Plan as the number of Stock Options that have been exercised shall be available for subsequent Stock Option grants under the Plan and the Company shall reserve additional Common Shares for issuance pursuant to such Stock Options.

Subject to all necessary regulatory approvals, the Common Share Maximum may be increased by the Board of Directors of the Company with, if required by the stock exchanges upon which the Common Shares are listed, the approval of the shareholders of the Company.

**5. Vesting of Stock Options**

The Committee may, in its sole discretion, determine the time during which Stock Options shall vest (the "Vesting Dates") and the method of vesting, or that no vesting restriction shall exist.

**6. Expiry Date**

All Stock Options granted pursuant to this Plan will expire on a date (the "Expiry Date") as determined by the Committee at the time of the grant, provided that the Stock Option period shall be reduced with respect to any Stock Option as provided in Sections 14 and 15 hereof regarding cessation as a director, officer, employee or consultant of the Company, or death of the Optionee, and further provided that if a Stock Option would otherwise expire during, or within five business days after the end of, a trading black-out period imposed by the Company to restrict trades in the Company's securities, then, notwithstanding any other provision of this Plan, the Expiry Date of that Stock Option shall be extended to the date which is ten business days after the end of that trading black-out period.

**7. Exercise Price**

The exercise price (the "Exercise Price") of any Stock Option granted pursuant to the Plan shall be fixed by the Committee when the Stock Option is granted, provided that such price shall not be less than the Market Price of the Common Shares on the last trading day immediately prior to the date of the grant. "Market Price", on any date, shall be the closing trading price of the Common Shares on The Toronto Stock Exchange (as reported by such exchange) on the date or, in the absence of a closing price on such date, on the most recent date (not exceeding 10 days) prior to such date or, if the Common Shares are not listed on The Toronto Stock Exchange, on such other stock exchange as the Committee may designate and, otherwise shall be as determined by the Committee or such price allowed by the applicable regulatory body or exchange.

**8. Non-assignability**

All Stock Options granted pursuant to the Plan will be personal to the Optionee and will not be assignable or transferable without the prior written consent of the Company, which consent may be withheld in the Company's sole discretion.

**9. Exercise of Stock Option**

Subject to the Plan, any Optionee may from time to time, exercise its Stock Options by delivery to the Company, at its head office, of a written notice of exercise ("Exercise Notice") specifying the number of Common Shares with respect to which the Stock Option is being exercised and accompanied by payment in full of the purchase price of the Common Shares then being purchased and upon exercise of the Stock Option, the Company will cause to be delivered to the Optionee a certificate or certificates representing such Common Shares in the name of the Optionee or the Optionee's legal personal representative or otherwise as the Optionee may or they may in writing direct.

**10. Alterations in Common Shares**

Appropriate adjustments in the number of Common Shares optioned and in the Exercise Price per Common Share, as regards Stock Options granted or to be granted, may be made or facilitated by the Committee in its discretion to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by the Company or other relevant changes in the capital of the Company, subject to the prior approval of any stock exchange or other regulatory body having jurisdiction, if required.

## **11. Take-over Bids and Other Transactions**

If, during the term of a Stock Option, a take-over bid (as defined in the *Securities Act* (Ontario), which is not exempt from the take-over bid requirements of Part 20 of the *Securities Act* (Ontario) or its replacement or successor provisions) shall be made for the Common Shares, the Company shall give notice of such take-over bid to all Optionees immediately upon becoming aware of such take-over bid and in any event at least 14 days before the expiration of such take-over bid. Each Optionee shall have the right, whether or not such notice is given to it by the Company, to exercise their Stock Options to purchase all of the Common Shares optioned to them which have not previously been purchased, notwithstanding any contingent vesting provision to which such Stock Options may have otherwise been subject, but such Common Shares may only be purchased for tender pursuant to such take-over bid. If for any reason such Common Shares are not so tendered or, if tendered, are not, for any reason, taken up and paid for pursuant to the take-over bid, any such Common Shares so purchased by an Optionee shall be and shall be deemed to be canceled and returned to the treasury of the Company, shall be added back to the number of Common Shares, if any, remaining unexercised and upon presentation to the Company of Common Share certificates representing such Common Shares properly endorsed for transfer back to the Company, the Company shall refund to the Optionee all consideration paid by the Optionee in the initial purchase thereof.

In the event of any reconstruction, reorganization or recapitalization of the Company, or its consolidation, amalgamation or merger into or with another company, or the entering into by the Company of an arrangement or other form of business combination with any other person or entity, the Company shall have the right to give written notice to the Optionees or the legal personal representatives of the Optionees, as the case may be, specifying a period (not shorter than 30 days following the sending of such notice) at the expiry of which the Stock Options shall terminate, whereupon the Stock Options shall terminate accordingly at the expiry of such period.

## **12. No Rights as a Shareholder**

An Optionee shall not have any of the rights or privileges of a shareholder of the Company in respect of any Common Shares issuable upon exercise of a Stock Option until certificates representing such Common Shares have been issued and delivered.

## **13. Option Agreement**

A written agreement will be entered into between the Company and each Optionee to whom a Stock Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the Exercise Price, the Vesting Dates, the Expiry Date and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Company to enter into and may contain such terms as may be considered necessary in order that the Stock Option will comply with any provisions respecting Stock Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Stock Option is granted may from time to time be a resident or citizen or the laws or rules of any regulatory body having jurisdiction over the Company or the Optionee.

Notwithstanding any provisions in this Plan or any Stock Option agreement, if any amendment, modification or termination to the provisions thereof is required by any regulatory authority, the Board of Directors of the Company is authorized to make such amendment and thereupon the terms of the Plan and any Stock Options, including any Stock Option agreement, shall be deemed to be amended accordingly without requiring the consent of or agreement of the Optionee or the approval of the shareholders of the Company.

#### 14. Ceasing to be a Director, Officer or Employee

If an Optionee ceases to be a director, officer, employee or consultant of the Company for any reason (other than death or retirement), the Optionee may, but only within a period determined by the Committee of up to a maximum of ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant of the Company, exercise the Stock Option but only to the extent that the Optionee was entitled to exercise it at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Company pursuant to any medical or disability plan of the Company shall be deemed to be an employee for the purposes of the Plan. Stock Options shall not be affected by any change of employment so long as the Optionee continues to be employed by the Company or any of its subsidiaries or continues to be a director, officer, employee or consultant of one of the foregoing. Nothing contained in the Plan, or in any Stock Option granted pursuant to the Plan, shall confer upon any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Company or any subsidiary of the Company. If an Optionee ceases to be a director, officer, employee or consultant of the Company by reason of his retirement from the Company, the Optionee may exercise the Stock Option until the Expiry Date, but only to the extent that the Optionee was entitled to exercise it at the date of such cessation.

#### 15. Death of Optionee

In the event of the death of an Optionee, the Stock Options previously granted to such Optionee shall be exercisable only within six (6) months following the date of the death of the Optionee or prior to the Expiry Date of such Stock Options, whichever is earlier, and then only by the person or persons to whom the Optionee's rights under the Stock Options shall pass by the Optionee's will or the laws of descent and distribution and if and to the extent that the Optionee was entitled to exercise the Stock Options at the date of the Optionee's death.

#### 16. Amendment or Discontinuance of the Plan

The Committee, subject to the prior approval of the Board of Directors of the Company and, if required, any stock exchange or other regulatory body having jurisdiction which may in turn require the approval of the shareholders of the Company, may discontinue the Plan or amend the Plan or any Stock Options. Notwithstanding the foregoing, the Committee, subject to the prior approval of the Board of Directors of the Company, is specifically authorized to amend the terms of the Plan and the terms of any Stock Options, without obtaining shareholder approval, for, among others, the following purposes:

- (a) amendments of a housekeeping nature, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein and those of a typographical, grammatical or clerical nature and updating provisions herein to reflect changes in governing laws, including tax laws, or to comply with the requirement of any regulatory authority;
- (b) changes to the vesting provisions;
- (c) changes to the manner of determining the Market Price;
- (d) a change to the termination provisions which does not entail an extension beyond the original expiry date;
- (e) any change to the eligible participants as Optionees which would have the potential of broadening or increasing insider participation;
- (f) the addition of a deferred or restricted share unit or any other provision which results in Optionees receiving securities while no cash consideration is received by the Company;
- (g) provide any form of financial assistance;

- (h) amend a financial assistance provision to be more favorable to the Optionees;
- (i) add a cashless exercise feature, payable in cash or securities, whether or not the feature provides for a full deduction of the number of underlying Common Shares from the reserved Common Shares; and
- (j) any reduction in the Exercise Price or purchase price or the extension of the term of any Stock Option which benefits a non-insider of the Company.

However, no amendments to the Plan to:

- (i) increase the number of Common Shares reserved for issuance under the Plan (including a change from a fixed maximum percentage of Common Shares to a fixed maximum number of Common Shares but excluding the reloading of securities after exercise under Section 4);
- (ii) any reduction in the Exercise Price or purchase price or the extension of the term of any Stock Option which benefits an insider of the Company, which securityholder approval must exclude the votes of securities held by the insiders benefiting from the amendment;
- (iii) change the manner of determining the Exercise Price so that the Exercise Price is less than the Market Price of the Common Shares on the last trading day immediately prior to the date of grant;
- (iv) increase the aggregate number of Common Shares in respect of which Stock Options have been granted and remain outstanding so that such number of Common Shares, when taken together with all of the Company's security based compensation arrangements then either in effect or proposed, shall at any time be such as to result in:
  - (A) the number of Common Shares reserved for issuance to insiders pursuant to Stock Options exceeding 10% of the issued and outstanding Common Shares;
  - (B) the issuance to insiders pursuant to Stock Options, within a one-year period, of a number of Common Shares exceeding 10% of the issued and outstanding Common Shares; or
- (v) an amendment to any amending provision of this Plan which does not fall within subsections 16(a) through (j) above,

shall be made without obtaining approval of the shareholders of the Company in accordance with the requirements of any stock exchange on which the Common Shares are listed for trading.

#### **17. Regulatory Authorities Approvals**

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Stock Options granted after March 28, 2010 and prior to such approval shall be conditional upon such approval being given and no such Stock Options may be exercised unless such approval, if required, is given.

#### **18. Common Shares Duly Issued**

Common Shares issued upon the exercise of a Stock Option granted hereunder will be validly issued and allotted as fully paid and non-assessable upon payment thereof in accordance with the terms of the particular agreement and this Plan. The Board of Directors of the Company shall approve by resolution the issuance of all Common Shares to be issued to Optionees upon the exercise of Stock Options on or in advance of the date they are granted, retroactively after the date they are granted, or by a general approval of this Plan.



**19. Compliance with Laws**

A Stock Option shall not be granted or exercised, and Common Shares shall not be issued pursuant to the exercise of any Stock Option, unless the grant and exercise of such Stock Option and the issuance and delivery of such Common Shares comply with all applicable laws and regulatory rules, and such Stock Options and Common Shares will be subject to all applicable trading restrictions in effect pursuant to such applicable laws and regulatory rules and the Company shall be entitled to legend the agreements or certificates relating to such Stock Options and the certificates representing such Common Shares accordingly.

**20. Outstanding Stock Options**

All Stock Options outstanding on the effective date of this Plan under any of the Company's previous stock option plans shall remain outstanding and shall be deemed to have been issued under this Plan. All option agreements entered into and remaining outstanding prior to the effective date of this Plan continue with full force and effect and have the rights and restrictions contained in this Plan.

**21. Effective Date**

This Plan is effective from March 20, 2007, as amended and restated and approved by the directors effective March 29, 2010.