



**NOTICE OF ANNUAL GENERAL MEETING  
AND MANAGEMENT INFORMATION CIRCULAR**

**Date: Thursday, September 12, 2019**

**Time: 10:00 AM (PST)**

**Place: Suite 451 - 409 Granville Street,  
Vancouver, British Columbia  
Canada, V6C 1T2**



## PROPHECY DEVELOPMENT CORP.

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### NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 12, 2019

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TO: The Shareholders of Prophecy Development Corp.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of **PROPHECY DEVELOPMENT CORP.** (the "**Company**") will be held at Suite 451 - 409 Granville Street, Vancouver, British Columbia on Thursday, September 12, 2019 at 10:00 AM (PST) (the "**Meeting**"), for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended December 31, 2018, and the auditors' report thereon;
2. To set the number of directors of the Company for the ensuing year at five;
3. To elect Directors of the Company for the ensuing year;
4. To appoint Davidson & Company LLP as auditors of the Company for the ensuing year and to authorize the Directors to fix the auditors' remuneration;
5. To consider an ordinary resolution of disinterested shareholders to approve the replenishment of and amendments to the Company's Share-Based Compensation Plan as approved by the Company's shareholders on June 2, 2016 and amended on June 13, 2017 (the "**2016 Plan**"), as are more particularly described in the accompanying Management Information Circular (the "**Management Information Circular**"); and
6. To transact such other business as may properly come before the Meeting.

Accompanying this Notice of Meeting is the Company's Management Information Circular, Form of Proxy (or Voting Instruction Form if you hold Common Shares through a broker or other intermediary) and a Supplemental Mailing List Return Card. The accompanying Management Information Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice. A copy of the audited Consolidated Financial Statements together with the Management Discussion and Analysis as at December 31, 2018 have been filed under the Company's System for Electronic Document Analysis and Retrieval ("**SEDAR**") profile and may be viewed by interested shareholders by visiting [www.SEDAR.com](http://www.SEDAR.com).

**SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO DATE AND SIGN THE ENCLOSED PROXY FORM AND RETURN IT PROMPTLY TO THE COMPANY'S REGISTRAR AND TRANSFER AGENT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE FORM OF PROXY AND INFORMATION CIRCULAR ACCOMPANYING THIS NOTICE. THE PROXY WILL NOT BE USED AT THE MEETING OR ANY ADJOURNMENT(S) THEREOF UNLESS THE SAME IS DEPOSITED AT THE OFFICE OF THE REGISTRAR AND TRANSFER AGENT, COMPUTERSHARE TRUST COMPANY OF CANADA BY FAX WITHIN NORTH AMERICA AT 1-866-249-7775, OUTSIDE NORTH AMERICA AT 1-416-263-9524, AND BY MAIL TO THE 9TH FLOOR, 100 UNIVERSITY AVENUE, TORONTO, ONTARIO, M5J 2Y1 OR BY HAND DELIVERY AT 3RD FLOOR, 510 BURRARD STREET, VANCOUVER, BRITISH COLUMBIA, CANADA V6C 3B9, AT LEAST 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) BEFORE THE HOLDING OF THE MEETING. THE ENCLOSED PROXY FORM IS SOLICITED BY MANAGEMENT AND YOU MAY AMEND IT, IF YOU SO DESIRE, BY STRIKING OUT THE NAMES LISTED THEREIN AND INSERTING IN THE SPACE PROVIDED THE NAME OF THE PERSON YOU WISH TO REPRESENT YOU AT THE MEETING. IF A SHAREHOLDER RECEIVES MORE THAN ONE PROXY FORM IT IS BECAUSE SUCH SHAREHOLDER OWNS SHARES REGISTERED IN DIFFERENT NAMES OR ADDRESSES; EACH PROXY FORM SHOULD BE COMPLETED AND RETURNED.**

Dated at Vancouver, British Columbia, this 25<sup>th</sup> day of July, 2019.

**BY ORDER OF THE BOARD**

*"Michael Doolin"*

Michael Doolin, Interim Chief Executive Officer

*If you are a non-registered shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.*

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**Management Information Circular**  
**July 25, 2019**

**PROPHECY DEVELOPMENT CORP.**  
**(the "Company")**

**Suite 1610 – 409 Granville Street**  
**Vancouver, B.C. Canada, V6C 1T2**  
**Telephone No.: (604) 569-3661/Fax No.: (604) 569-3617**

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**MANAGEMENT INFORMATION CIRCULAR**  
as at July 25, 2019 *(except as otherwise indicated)*

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This Management Information Circular (the "**Information Circular**") is furnished in connection with the solicitation of proxies by the management of the Company for use at the Annual General Meeting (the "**Meeting**") of its shareholders to be held on September 12, 2019 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting. In this Information Circular, references to "**the Company**", "**we**" and "**our**" refer to Prophecy Development Corp. "**Common Shares**" means the Common Shares without par value in the capital of the Company.

The Company is utilizing the notice-and-access mechanism (the "**Notice-and-Access Provisions**"), that came into effect February 11, 2013 for meetings held on or after March 1, 2013, under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") and National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") for distribution of this Information Circular to non-Registered Shareholders (as defined herein) of the Company. See *General Proxy Information – Notice-and-Access* for further information.

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

The solicitation of proxies by management will be conducted primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the Meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

**Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the "**Proxy**") are directors or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy. If your Common Shares are held in physical (i.e. paper) form and actually registered in your name, then you are a registered shareholder ("Registered Shareholder"). However, if like most shareholders you keep your Common Shares in a brokerage account, then you are a beneficial shareholder ("Beneficial Shareholder" as described herein). The manner for voting is different for Registered and Beneficial Shareholders and you need to carefully read the instructions below.** "Beneficial Shareholders" means shareholders who do not hold Common Shares in their own name and "intermediaries" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

### Voting by Proxyholder

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

- (a) each matter or group of matters identified therein for which a choice is not specified;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that may properly come before the Meeting.

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

### Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed Proxy and returning it to the Company's transfer agent, Computershare Trust Company of Canada ("**Computershare**"), by fax within North America at 1-866-249-7775, outside North America at 1-416-263-9524, or by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll-free number. Registered Shareholders must follow the instructions of the voice response system and refer to the enclosed Proxy for the toll free number, the holder's account number and the proxy access number; or
- (c) using the internet through the website of the Company's transfer agent at [www.computershare.com/ca/proxy](http://www.computershare.com/ca/proxy). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed Proxy for the holder's account number and the Proxy access number.

In all cases ensuring that the Proxy must be received by no later than 10:00 AM (PST) on September 10, 2019 or at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting at which the Proxy is to be used.

### Notice-and-Access

As noted above, the Company is utilizing Notice-and-Access Provisions that came into effect on February 11, 2013 under NI 54-101 and NI 51-102 for distribution of this Information Circular to non-Registered Shareholders.

The Notice-and-Access Provisions are a set of rules that allow reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and at least one other website, rather than mailing paper copies of such materials to non-Registered Shareholders. Electronic copies of this Information Circular, annual financial statements of the Company for the year ended December 31, 2018 and the Management Discussion and Analysis (the "**Management Discussion and Analysis**") of the Company's results of operations and financial condition for

the year ended December 31, 2018 may be found under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com) and on the Company's website at [www.prophesydev.com](http://www.prophesydev.com) under "Investor – Shareholder Meetings – 2019 AGM".

The Company will not use procedures known as "stratification" in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of this Information Circular to some shareholders with the notice package.

In relation to the Meeting, non-Registered Shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of this Information Circular. Shareholders are reminded to review this Information Circular.

### **Beneficial Shareholders**

**The following information is of significant importance to shareholders who do not hold their Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of beneficial owners – those who object to their name being made known to the issuers of securities which they own (called OBOs for objecting beneficial owners), and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for non-objecting beneficial owners).

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable Voting Information Form ("VIF") from Computershare, our transfer agent. The VIF is to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

The Meeting materials are being sent to Beneficial Shareholders who are NOBOs. If you are a Beneficial Shareholder, and the Company or its agent sent these materials directly to you, your name, address and information about your holdings of securities were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf. By choosing to send the Meeting materials to you directly, the Company (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please



return your VIF as specified in the request for voting instructions sent to you.

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials indirectly through intermediaries to its OBOs. The Company will pay these intermediaries to deliver Meeting materials to OBOs. Intermediaries are responsible for delivering the Meeting materials to OBOs unless the OBO has waived the right to receive them. Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The Proxy supplied to you by your broker will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Company) different from the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, insert the name of the desired representative (which may be you) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, it must be completed and returned to Broadridge in accordance with Broadridge's instructions, well in advance of the Meeting in order to: (a) have your Common Shares voted as you instruct; or (b) have any alternate representative you may choose duly appointed to attend the Meeting and vote your Common Shares.**

Alternatively, you can request in writing that your broker send you a Proxy which would enable you, or a person designated by you, to attend the Meeting and vote your Common Shares.

#### Notice to Shareholders in the United States

The solicitation of proxies and the transactions contemplated in this Information Circular involve securities of an issuer located in Canada and are being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The Proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is amalgamated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), as amended, certain of its directors and its executive officers are residents of Canada or elsewhere, and its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment made by a United States court.

## Revocation of Proxies

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

- (a) executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare at the address shown on the preceding page or at the address of the registered office of the Company at Suite 1610 – 409 Granville Street, Vancouver, British Columbia Canada V6C 1T2 at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the Registered Shareholder's Common Shares.

Beneficial Shareholders who wish to change their votes must arrange for their respective intermediaries to revoke the Proxy on their behalf.

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

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

**Other than as set out herein, no director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.**

## RECORD DATE, VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the "**Board**") of the Company has fixed July 25, 2019 as the record date (the "**Record Date**") for determination of persons entitled to receive notice of and vote their Common Shares at the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Common Shares commenced trading on the Toronto Stock Exchange ("**TSX**") on October 19, 2011. Prior thereto the Common Shares were listed on the TSX Venture Exchange ("**TSXV**"). The Company is authorized to issue an unlimited number of Common Shares, and as of the Record Date, there were 95,816,127 Common Shares issued and outstanding, each carrying the right to one vote. 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.

To the knowledge of the directors and executive officers of the Company, as at the Record Date, no person beneficially owns, directly or indirectly, or exercise control or direction over, Common Shares carrying 10% or more of the voting rights attached to all outstanding voting securities of the Company, other than as follows:

Shareholder Name	Number of Shares Held	Percentage of Issued Shares
John Lee	14,088,925	14.70%

## FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2018, report of the auditor, and related Management Discussion and Analysis will be placed before the Meeting. These documents have been filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada, other than Québec. Copies of the documents may be obtained upon request without charge from the Company via mail at: Prophecy Development Corp., Suite 1610 – 409 Granville Street, Vancouver, British Columbia Canada V6C 1T2, via telephone at: (604) 569-3661, via fax at: (604) 569-3617 or via email: at [ir@prophecydev.com](mailto:ir@prophecydev.com). These documents are also available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on Edgar at [www.sec.gov](http://www.sec.gov).

## VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein.

If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation. See also *Majority Voting Policy* below.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) of the Company or any associate or affiliate of any informed person had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended, or has any interest in any material transaction in the current year other than as set out in a document already disclosed to the public.

## DIRECTORS

### NUMBER OF DIRECTORS

The Company currently has four directors, The Board proposes that the number of directors be fixed at five. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at five, and the Board be authorized to appoint new directors a necessary to fill any vacancies on the Board.

**Management of the Company recommends that you vote IN FAVOUR of fixing the number of directors at five, and authorizing the Board to appoint new directors to fill any vacancies on the Board. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by each form of proxy, properly executed, FOR fixing the number of directors at five, and authorizing the board to appoint new directors as necessary to fill any vacancies on the Board.**

## ELECTION OF DIRECTORS

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is vacated earlier in accordance with the provisions of the BCBCA, each director elected at the Meeting will hold office until the conclusion of the next annual meeting of the Company's shareholders or if no director is then elected, until a successor is elected.

The Board has determined that four directors be elected to the Board at the Meeting. The following disclosure and accompanying biographical information sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years where required, the period of time during which each has been a director of the Company, and the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction. The information as to Common Shares owned or controlled as at the Record Date has been provided by each of the nominees.

Name of Nominee, Current Position with the Company, and Residence <sup>(1)</sup>	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled
John Lee <sup>(2)</sup> Executive Chairman, Director Taipei, Taiwan	Since June 13, 2011 (Director of Pre-amalgamated company <sup>(4)</sup> since October 21, 2009)	14,088,925 <sup>(5)</sup>
Greg Hall <sup>(2)(3)</sup> Director North Vancouver, British Columbia, Canada	Since June 13, 2011 (Director of Pre-amalgamated company <sup>(4)</sup> since October 21, 2009)	196,970
Masa Igata <sup>(2)(3)</sup> Director Ulaanbaatar, Mongolia	Since April 23, 2014	1,131,245 <sup>(6)</sup>
Marc Leduc Director Colorado, United States	Since July 22, 2019	Nil

**Notes:**

- (1) For more information about each nominee, please see Biographical Information of Management's Nominees for Director below.
- (2) Member of the Audit Committee (the "**Audit Committee**"). Mr. Hall is Chair of the Audit Committee
- (3) Member of the Corporate Governance and Compensation Committee (the "**CGCC**"). Mr. Hall is Chair of the CGCC.
- (4) Northern Platinum Ltd., Prophecy Holdings Inc. and Prophecy Resource Corp. were amalgamated on June 13, 2011 as one company under the name "Prophecy Resource Corp." Prophecy Resource Corp. changed its name to "Prophecy Coal Corp." on June 14, 2011. Prophecy Coal Corp. changed its name to "Prophecy Development Corp." on January 5, 2015.
- (5) 284,310 of these Common Shares are held by Merit Holdings Ltd., a private company wholly owned and controlled by Mr. Lee.
- (6) These Common Shares are held by Sophir Asia Limited, a private company wholly owned and controlled by Mr. Igata.

### Biographical Information of Management's Nominees for Director

The following information as to principal occupation, business or employment is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years unless otherwise indicated.

**John Lee** is Executive Chairman and a Director of the Company. He has been a mining analyst and accredited investor in the resource industry since 2001. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University.

**Greg Hall** is an independent business advisor with 30 years experience in advancing international exploration, development, and mining ventures, and all aspects of their structuring and finance. Mr. Hall is currently President of Water Street Assets and previously a director of Silvercorp Metals, the largest primary silver producer in China. Mr. Hall has been senior executive officer and founder of several successful Vancouver-based brokerage firms.

**Masa Igata** is Founder and Chief Executive Officer of Frontier Securities, the first foreign investment bank in Mongolia. With more than 31 years' experience in financial markets, he focuses primarily on advising state-owned and other major companies in Mongolia. Mr. Igata received his Graduate of Law from Kyoto University, and he is a member of the Securities Analysts Association of Japan and Mongolian Stock Exchange.

**Marc Leduc** is a mining engineer and geologist with more of 30 years' experience involving all aspects of the development, operations, planning and evaluation of mining projects. Mr. Leduc holds a B.Sc. (Hons) degree in Mining Engineering from Queen's University Kingston, and B.Sc. degree in Geology from the University of Ottawa, and he is a registered professional engineer in both Ontario and BC. Mr. Leduc has led technical teams in the design and construction of large mines, heap leach and tailings facilities. Mr. Leduc has held top management positions with several mining companies including most recently Chief Operating Officer of NewCastle Gold Ltd. before it was acquired in 2017 via merger with Trek Mining Inc. and Anfield Gold Corp. (now named Equinox Gold Corp.), and currently serves on the Board of Directors of a publicly listed resource exploration company.

No director or officer of the Company is as of the date hereof, or has been within the past 10 years, a director or officer of any company that, while that person was acting in that capacity, was the subject of a cease trade order, penalties, sanctions or bankruptcy, during the time the individual was a director or within one year thereafter, or was a director or officer of a company during the time in which an event occurred which led to a cease trade order, penalties, sanctions or bankruptcy subsequent to the individual ceasing to act as a director or officer.

A shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees.

**Management of the Company recommends that you vote IN FAVOUR of the election of each of the above nominees to the Board. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by each Proxy, properly executed, FOR the election of each of the above nominees to the Board.**

#### **Majority Voting Policy**

The Board adopted a majority voting policy on March 25, 2014. The policy stipulates that if the votes in favour of the election of an individual director nominee at a meeting of shareholders represent less than the number that voted "withheld" in respect of such election, the nominee will submit his or her resignation promptly after the Meeting for the consideration of the CGCC. The CGCC will make a recommendation to the Board after reviewing the matter, and the Board will then decide whether to accept or reject the resignation. The Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any CGCC deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

### Advance Notice Policy

The Board adopted an advance notice policy (the "**Advance Notice Policy**") on March 25, 2014. The Advance Notice Policy provides for advance notice to the Company in circumstances where nominations of persons for election to the Board are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the BCBCA or (ii) a shareholder proposal made pursuant to the provisions of the BCBCA.

The purpose of the Advance Notice Policy is to foster a variety of interests of the shareholders and the Company by ensuring that all shareholders - including those participating in a meeting by proxy rather than in person - receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. Among other things, the Advance Notice Policy fixes a deadline by which holders of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

As of the date of this Information Circular, the Company has not received notice of a nomination in compliance with the Advance Notice Policy.

### APPOINTMENT OF AUDITOR

Davidson & Company LLP, Chartered Accountants, ("**Davidson & Company**") of 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6, will be proposed at the Meeting for appointment as auditor of the Company until the close of business at the next annual meeting, at remuneration to be fixed by the directors. The Audit Committee and Board approved Davidson & Company, who have been auditors for the Company since November 21, 2013.

### AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

#### Audit Committee Charter

The Audit Committee's charter sets out the Audit Committee's mandate and responsibilities. The charter is attached to the Company's SEC Form 20-F Annual Report for 2018, filed in lieu of its Annual Information Form, which can be found under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com).

The Audit Committee currently consists of Greg Hall (Chairman), Masa Igata and John Lee (on the Audit Committee temporarily). All members of the Audit Committee are independent (except John Lee) and financially literate within the meaning of *National Instrument 52-110 Audit Committees* ("**NI 52-110**").

The Audit Committee reviews all financial statements of the Company prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The Audit Committee charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with NI 52-110 and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Company's auditors to discuss the various aspects of the Company's financial statements and the independent audit.

### Relevant Education and Experience

As a result of their education and experience, each member of the Audit Committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements; and
- an understanding of internal controls and procedures for financial reporting.

See disclosure under *Biographical Information of Management's Nominees for Director* for relevant education and experience of members of the Audit Committee.

### Pre-Approval Policies for Non-audit Services

The Company's auditor, Davidson & Company, has not provided any material non-audit services during the most recently completed fiscal year other than tax fees captioned below.

The Company has procedures for the review and pre-approval of any services performed by its auditor. The procedures require that all proposed engagements of its auditor for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests and, if acceptable to a majority of the Audit Committee members, pre-approves such audit and non-audit services by a resolution authorizing management to engage the Company's auditor for such audit and non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested and the fees related to such services could impair the independence of the auditors.

### External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the audit and non-audit services provided by Davidson & Company to the Company to ensure auditor independence. Fees incurred with Davidson & Company for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Year Ended December 31, 2018	Year Ended December 31, 2017
Audit Fees <sup>(1)</sup>	\$100,000	\$100,000
Audit-Related Fees <sup>(2)</sup>	\$52,340	\$20,000
Tax Fees <sup>(3)</sup>	\$13,000	\$15,000
All Other Fees <sup>(4)</sup>	Nil	Nil
<b>Total</b>	<b>\$165,340</b>	<b>\$135,000</b>

**Notes:**

- (1) "Audit Fees" are the aggregate fees billed by our independent auditor for the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee

*benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.*

- (3) *"Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.*
- (4) *"All Other Fees" include all other non-audit services.*

## CORPORATE GOVERNANCE

### Mandate of the Board of Directors

The Board has a formal mandate as outlined in the Corporate Governance Policies and Procedures Manual, as amended (the "**Manual**"). The Manual mandates the Board to: (i) oversee management of the Company, (ii) exercise business judgment, (iii) understand the Company and its business, (iv) establish effective systems, (v) protect confidentiality and proprietary information, and (vi) prepare for and attend Board, committee and shareholder meetings. The Manual also includes written charters for each committee, and it contains a Code of Ethics ("**Code of Ethics**"), policies dealing with issuance of news releases and disclosure documents, as well as share trading black-out periods. Further, in the Manual, the Board encourages but does not require continuing education for all the Company's directors.

### Composition of the Board

Applicable governance policies require that a listed issuer's board of directors determine the status of each director as independent or not, based on each director's interest in or other relationship with the Company. Applicable governance policies recommend that a board of directors be constituted with a majority of directors who qualify as independent directors (as defined herein). A board of directors should also examine its size with a view to determining the impact of the number of directors upon the effectiveness of the board of directors, and the board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The Company's policies permit retention of independent advisors for members of the Board and committees when they consider it advisable.

An "independent" director is one who "has no direct or indirect material relationship" with the Company. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to materially interfere with the exercise of the director's independent judgement. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Company or employed by the Company's external auditor. An individual who (or whose family member) is or has been within the last three years, an executive officer of such an entity is deemed to have a material relationship as is any individual who (or whose family members or partners) received directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Company (other than compensation for acting as a director or as a part time chairman or vice-chairman).

The Board is proposing four nominees to be elected to the office of director, of whom three of the nominees, being a majority of the Board, can be considered "independent" directors. The "independent" nominees are: Greg Hall, Masa Igata and Marc Leduc. These nominees are considered independent by virtue of not being executive officers of the Company and having received no compensation other than in their role as directors. The sole non-independent director is John Lee (on the Audit Committee temporarily until the next annual meeting of the Company's shareholders), who is Executive Chairman of the Board of the Company.



## Committees of the Board

Applicable regulatory governance policies require that: (i) committees of the Board be composed of at least a majority of independent directors; (ii) the Board expressly assume responsibility, or assign to a committee of the Board, responsibility for the development of the Company's approach to governance issues; (iii) the Board's Audit Committee be composed only of independent directors, and the role of the Audit Committee be specifically defined and include the responsibility for overseeing management's system of internal controls; (iv) the Audit Committee have direct access to the Company's external auditor; and (v) the Board appoint a committee, composed of a majority of independent directors, with the responsibility for proposing new nominees to the Board and for assessing directors on an on-going basis.

### *Corporate Governance and Compensation Committee*

The Board has a CGCC (as previously defined) that formalizes the process of ensuring high calibre directors and proper director succession planning. The CGCC considered and recommended re-election of each member of the current Board at the Meeting. The CGCC currently consists of Greg Hall (Chairman) and Masa Igata. All members are "independent" and have direct experience relevant to their responsibilities on the CGCC.

The Board monitors the activities of the senior management through regular meetings and discussions amongst the Board and between the Board and senior management. The Board is of the view that its communication policy between senior management, members of the Board and shareholders is good. The CGCC also recommends compensation for the directors and executive officers of the Company. See further disclosure under *Statement of Executive Compensation*. The CGCC charter is available for review on request.

The function of the CGCC further includes the review, on an annual basis, of the compensation paid to the Company's executive officers and directors, to review the performance of the Company's executive officers and to make recommendations on compensation to the Board.

The CGCC periodically considers the grant of incentive Awards under the Company's 2016 Plan (as defined herein). Stock options to purchase Common Shares ("**Options**") have been granted to directors, executive officers, employees and consultants taking into account competitive compensation factors and the belief that Options help to align the interests of directors, executive officers, employees and consultants with the interests of shareholders.

### *Disclosure Protocol*

The Company has a Disclosure Controls and Procedures Policy that seeks input from senior management, and independent directors to assess material relating to disclosure matters and regulatory requirements. The Disclosure Controls and Procedures Policy is available for review on request.

## Board Decisions

Any responsibility which is not delegated to senior management or to a Board committee remains with the full Board, which is addressed through Board discussions, meetings and resolutions.

## Recruitment of New Directors and Assessment of Board of Directors Performance

Good governance policies include that (i) the Board implements a process for assessing the effectiveness of the Board and its committees, and the contribution of individual directors, (ii) provide an orientation and education program for new directors, and (iii) review the adequacy and form of compensation of directors to reflect the responsibilities and risks involved in being an effective director.

Please see the discussion concerning the CGCC above.

The following table sets forth the record of attendance at Board, Audit Committee and CGCC meetings by Directors for the year ended December 31, 2018.

Director	Board of Directors Meetings	Audit Committee	Corporate Governance and Compensation Committee
John Lee <sup>(1)</sup>	3/3	N/A	N/A <sup>(8)</sup>
Gerald Panneton <sup>(2)</sup>	N/A	N/A	N/A <sup>(8)</sup>
Greg Hall <sup>(3)</sup>	3/3	4/4	N/A <sup>(8)</sup>
Harald Batista <sup>(4)</sup>	3/3	3/3	N/A <sup>(8)</sup>
Masa Igata <sup>(5)</sup>	3/3	4/4	N/A <sup>(8)</sup>
Daniel Fidock <sup>(6)</sup>	3/3	N/A	N/A <sup>(8)</sup>
Louis Dionne <sup>(7)</sup>	N/A	1/1	N/A <sup>(8)</sup>

**Notes:**

- (1) Mr. Lee was appointed to the Board on June 13, 2011 and as a member of the Audit Committee on March 1, 2019 to temporarily fill a vacancy until the next annual general meeting of shareholders.
- (2) Mr. Panneton was appointed to the Board on October 10, 2018 and resigned from the Board on February 15, 2019.
- (3) Audit Committee & CGCC Chairman.
- (4) Mr. Batista was appointed to the Board on July 27, 2012, as a member of the Audit Committee and CGCC on August 7, 2012 and resigned from the Board on October 9, 2018.
- (5) Mr. Igata was appointed to the Board and as a member of the Audit Committee and CGCC on April 23, 2014.
- (6) Mr. Fidock was appointed to the Board on August 14, 2018 and resigned from the Board on October 9, 2018.
- (7) Mr. Dionne was appointed to the Board and as a member of the Audit Committee and CGCC on October 10, 2018 and resigned from the Board on February 28, 2019.
- (8) No CGCC meetings were held during the year ended December 31, 2018.

## Directorships

Other than Marc Leduc, who is also currently a director of South Star Mining Corp. (TSX-V: STS), none of the Company's directors serve on the board of any other reporting companies.

## Orientation and Continuing Education

The Company has traditionally retained experienced mining and public company professionals as directors and hence any orientation needed is minimized. When new directors are appointed, they are acquainted with the Company's mineral projects and the expectations of directors. Board meetings generally include presentations by the Company's senior management and project staff in order to give the directors insight into the Company's operations and plans.

## Position Descriptions

Written position descriptions have been developed by the Board for the Chairman of the Board and the CEO of the Company.

The position description for the Chairman of the Board delegates to him the responsibility for, among other things, leadership of the Board, ensuring its effectiveness including:

- Preparation for, and the conduct of, Board meetings
- Ensuring quality, quantity and timeliness of the information that goes to Board members
- Formation of Board committees and the integration of their activity with the work of the Board
- Evaluation of the Board's effectiveness and implementation of improvements
- Development of the Board, including Director recruitment, evaluation and compensation, and the ongoing formal and informal communication with and among Directors
- Chairing annual and special meetings of the shareholders
- Meeting with various groups (such as major shareholder groups), governments, the financial press, industry associates, etc.

The position description for the CEO delegates to him the responsibility for, among other things, executing the strategy agreed by the Board and developing the Company's objectives through leadership of the senior executive team including:

- Participation in the development of the Company's vision, strategic agenda, and business plan to facilitate communication and understanding between management and the Board
- Ensuring operations conform with the Board's view on company policy
- Ensuring, in consultation with the committees and the full Board, that succession plans are in place at senior executive levels
- Participation in external relationships which fulfil the Company's obligations as a member of industry and the community
- Providing the key link between the Board and management, and as a result, has a significant communication, coaching and team-building responsibility
- Ensuring that the Company's risks are adequately addressed, and appropriate internal controls are in place
- Representing the shareholders and Board to management and management to the shareholders and Board
- Carrying out special assignments in collaboration with management or the Board

The Company does not maintain separate written descriptions of the roles of the Chairs of each of the committees of the Board. Instead, it has developed written charters for each of the committees which are attached as appendices to the Manual and available for review on the Company's website at [www.prophecydev.com](http://www.prophecydev.com) under "Corporate – Corporate Governance" or upon request by contacting the Company. The Chair of each committee is responsible for ensuring that the applicable committee fulfils its responsibilities and duties under its governing charter.

## Code of Ethics

The Board adopted a Code of Ethics on March 27, 2012, as amended on February 26, 2015, which is attached as Appendix 4 to the Manual and available for review on the Company's website at [www.prophecydev.com](http://www.prophecydev.com) under "Corporate – Corporate Governance" or upon request by contacting the Company. The Board also believes that

the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has a material interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

The Code sets out the principles that should guide the behavior of the Company's directors, officers and employees. The Company's Board, the Audit Committee and the Corporate Governance and Compensation Committee have established the standards of business ethics and conduct contained in the Code, and it is their responsibility to oversee compliance with the Code.

The Board advocates a high standard of integrity for all its members and the Company. To this end, all directors and officers are required to read and understand the Corporation's Code of Ethics Policy. The Board relies upon the selection of directors, officers, employees and consultants whom it considers as meeting the highest ethical standards to promote a culture of ethical business conduct.

To ensure directors of the Company exercise independent judgment in considering transactions, agreements or decisions in respect of which a director or executive officer has declared a material personal interest (in accordance with relevant corporate law requirements), the Board follows a practice whereby any such Board member must be absent during any Board discussion pertaining thereto and not cast a vote on any such matter. Significant contracts that may be deemed to be a conflict are also reviewed and approved by the Company's Corporate Governance and Compensation Committee.

#### **Nomination of Directors**

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the Company's annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience. The CGCC is composed entirely of independent directors, and is responsible for the identification of new director candidates for Board nomination.

#### **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees. The CGCC oversees the performance of the Board and its Audit Committee.

#### **Director Term Limits and Renewal**

The Company has not adopted term limits for directors or other specific mechanisms for Board renewal, as it is satisfied that the terms of management's current nominees for election as directors are not high, compared to other similar public companies and prevailing governance standards. None of the nominees have served as a director of the Company for more than 10 years, with one having served the shortest period at five years. The CGCC believes that the Board composition being proposed is adequately balanced between more experienced members with historical knowledge of the Company and the mining industry, and newer members who bring with them fresher perspectives. The Board recognizes the value of consistency of tenure and therefore, seeks to retain this unique skillset among its members unless circumstances require otherwise. As well, the Board believes prescribed term limits or other prescriptive mechanisms are unnecessary where boards follow good corporate governance practices and properly govern themselves. The CGCC continually reviews and assesses the contributions of existing directors and the needs of the Company with respect to Board renewal as part of its

nomination process. The Board will periodically consider whether term limits or other mechanisms for Board renewal should be adopted and will implement changes if, and when appropriate.

### **Gender Diversity**

The Company is committed to supporting a culture of inclusiveness and diversity although it has not adopted any written policy specifically relating to the identification and nomination of women directors, nor does the Board currently consider the level of representation of women when making executive officer appointments or set arbitrary targets regarding women on the Board or in executive positions. Although the Board acknowledges that diversity, including diversity of experience, perspective, education, race, gender and national origin is of value to the Company, in considering potential directors and executive officers, the CGCC will continue to seek the most qualified candidates, regardless of their gender. While the CGCC is not specifically focused on achieving any particular level of representation of women on the Board, it will continue to consider that as one of the various factors it reviews as part of its nomination and Board assessment process. The Company does not believe that having a written policy which sets specific quotas or targets is an appropriate method to achieve diversity objectives.

The Company has been successful in recruiting women to two of its key leadership positions, and does not believe that any gender bias has existed or exists in its hiring or promotion decisions. For that reason, no affirmative action is required to ensure women have an equal opportunity within the Company. As of July 25, 2019, there are no female members of the Board. Of the eight executive officers of the Company, two are women, Ms. Irina Plavutska, Chief Financial Officer, who joined the Company on August 23, 2010 and has been an executive officer of the Company since September 11, 2013; and Ms. Rocio Echegaray, Corporate Secretary, who joined the Company on May 21, 2018 and has been appointed as an officer of the Company since March 5, 2019. They both, Ms. Plavutska and Ms. Echegaray, represent 29% of the overall executive officer positions within the Company. The Company will continue to monitor its gender diversity and disclose the results to its shareholders on an annual basis.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

As indicated above, the CGCC assists the Board in carrying out its responsibilities and decision making process relating to executive and director compensation for the Company and its subsidiaries. The CGCC has the following duties, responsibilities and authority:

- (a) to recommend to the Board the form and amount of compensation to be paid by the Company to directors for service on the Board and on its committees. The CGCC shall review director compensation at least annually;
- (b) to annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other share-based compensation plans and recommend changes in or additions to such structure and plans to the Board as needed;
- (c) to recommend to the Board the annual base compensation of the Company's executive officers;
- (d) to recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for officers and non-officer personnel providing services to the Company, and recommend incentive compensation participation levels for officers and non-officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive

- component of compensation, the CGCC will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years;
- (e) to evaluate the performance of officers generally and in light of annual corporate goals and objectives under any incentive compensation plan;
  - (f) to provide oversight of the performance evaluation and incentive compensation of non-officer personnel providing services to the Company; and
  - (g) to administer the Company's stock option and other share-based compensation plans and determine the grants of Options and other share-based compensation.

See disclosure under *Biographical Information of Management's Nominees for Director* for relevant education and experience of members of the CGCC.

The CGCC has not considered the implications of the risks associated with the Company's compensation program.

### **Named Executive Officers**

In this section "Named Executive Officer" (or "**NEO**") means each of the following individuals:

- (a) the Chief Executive Officer (the "**CEO**");
- (b) the Chief Financial Officer (the "**CFO**");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at December 31, 2018.

The following disclosure sets out the compensation that the Board intended to pay, make payable, award, grant, give or otherwise provide to each NEO and director of the Company or its subsidiaries for the financial year ended December 31, 2018.

Although an NEO or director may purchase financial instruments that are designed to hedge or offset a decrease in market value of Common Shares granted as compensation or held, directly or indirectly, by the NEO or director, no such persons currently hold or plan to purchase such financial instruments.

### **Report on Executive Compensation**

This report on executive compensation has been approved by the CGCC. The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Company's senior management, although the CGCC guides it in this role. As part of its mandate, the Board determines the type and amount of compensation for the Company's NEOs. In addition, the Board reviews the methodology utilized by the Company for setting salaries of employees throughout the organization.

The CGCC receives competitive market information on compensation levels for executives. The Company's compensation policies and programs are designed to be competitive with similar mining exploration and development companies and to recognize and reward executive performance consistent with the success of the Company's business.

### ***Philosophy and Objectives***

The Company's senior management compensation program is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company employs a combination of base salary, bonus compensation and equity participation through its share-based compensation plan.

### ***Base Salary/Compensation***

In the Board's view, paying compensation that is competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. The NEOs are remunerated in order to ensure that the compensation package offered by the Company is in line with that offered by other companies in our industry, and as an immediate means of rewarding the NEO for efforts expended on behalf of the Company.

The compensation to be paid to a particular NEO is determined by gathering competitive information on comparable companies within the industry from a variety of sources, including surveys conducted by independent consultants and national and international list publications. The Company does not engage in formal benchmarking. Payment of cash compensation fits within the objective of the compensation program since it rewards each NEO for performance of his duties and responsibilities.

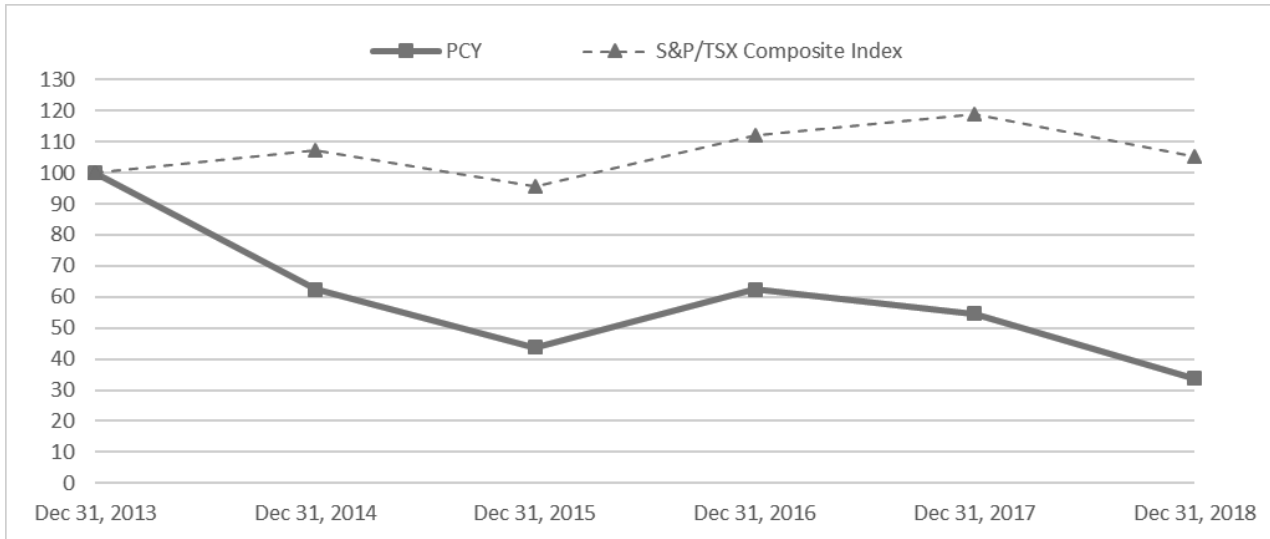
Compensation of the CEO is approved by the Board. Base compensation and bonus levels are determined taking into account independent market survey data.

### ***Bonus Compensation***

There are currently no specific performance goals set by the Company for executive bonus compensation. Bonus compensation is awarded at the discretion of the Board and the Board considers performance of the individual and the Company, competitive factors and other matters in awarding bonuses. The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive cash and share bonus compensation dependent upon the Company meeting the Company's strategic objectives and milestones and sufficient cash resources being available.

### ***Performance Graph***

The following graph compares the cumulative shareholder return on an investment of \$100 in the Common Shares for the past five years with the S&P/TSX Composite Index from December 31, 2013 to December 31, 2018.



**Note:** The Company does not, nor is it contemplating in the near term, paying a dividend on its Common Shares.

Compensation levels for NEOs over the period indicated reflect their accomplishment of performance goals that are targeted at building a foundation for the long-term success of the Company. In particular, NEOs were instrumental in identifying, negotiating and closing key project acquisitions for the Company. Given the early stage of the Company's development, these achievements may not yet be recognized in the market price of the Company's Common Shares, particularly in light of difficult market conditions for mining stocks in recent years. A significant proportion of compensation for the Company's NEOs continues to be "at risk" compensation in the form of Common Shares and Option grants, with the value of such Common Shares and Options being directly affected by changes in share price. However, base salaries are not determined on benchmarks, performance goals or specific formula but are set to be competitive with industry levels. Discretionary cash bonuses may also be paid based upon a review of various operational and other objectives of the Company, the results of which may not have necessarily been reflected in the Company's share price in a particular year. Although certain discretionary cash bonuses were paid to officers on January 8, 2018 for meeting operational and other objectives during the last fiscal year, only Gerald Panneton, former President and CEO of the Company, was granted a share bonus during 2018. In addition, the trading price of the Common Shares may be affected by various factors not related to the results of the Company such as changes in commodity prices and general economic conditions. Accordingly, it is difficult to specifically correlate total compensation to the trends shown in totality in the above performance graph. Over the period December 31, 2013 through December 31, 2018, total compensation received by the NEOs fluctuated significantly – they increased during the first fiscal year, decreased significantly during the second and third fiscal years, increased during the fourth fiscal year, before decreasing significantly in the last fiscal year despite previously reduced base consulting fees and salaries being restored to previous levels in 2017, and a number of previously issued Options coming "into the money" with the increase in the trading price of the Common Shares since they were issued (See *Incentive Plan Awards – Value Vested or Earned During the Year* for NEOs). During most of the latest fiscal year, total compensation levels for officers remained reduced in line with the total return on the Common Shares being relatively volatile but generally trending slightly down. During the period from January 13, 2016 to August 31, 2017, consulting fee/salary levels for all NEOs employed by the Company at the time, were drastically reduced by between 41.18% to 50%. On September 1, 2017, following improvement in the Company's financial position, all such NEO consulting fees/salaries were restored



to their original, pre-reduction levels. All NEOs employed by the Company at the time, agreed to receive a portion of their reduced salaries to February 28, 2017 and (except for Irina Plavutska, CFO) September 26, 2017, in the form of Common Shares to conserve cash resources. Furthermore, Irina Plavutska, CFO deferred subsequent payment of her reduced salary until September 1, 2017, and John Lee, former Interim CEO at the time (now Executive Chairman), deferred subsequent payment of his reduced and restored consulting fee until February 20, 2018, after the Company's cash flow situation improved. On February 1, 2018, for the first time in the Company's history, modest salary raises of between 10-15% were given to three executive officers including NEOs: Irina Plavutska, CFO and Tony Wong, former Corporate Secretary.

#### **Equity Participation – Share-Based and Option-Based Awards**

The Company has a 20% fixed share-based compensation plan in place, as approved by the Company's shareholders on June 2, 2016 and amended on June 13, 2017 (the "**2016 Plan**"), under which the Company may grant Options, Bonus Shares (as defined herein) or Stock Appreciation Rights (each, an "**Award**" as defined herein) to acquire the equivalent of a maximum of 10,778,490 of the Company's Common Shares. As at the date of this Information Circular, there are the equivalent of 8,546,000 Options outstanding under the 2016 Plan, which constitutes 8.92% of the total issued and outstanding Common Shares.

The original 2016 share-based compensation plan (the "**Original Plan**"), was approved by the Company's shareholders at the June 2, 2016 annual general meeting. Company shareholders approved an amendment to the Original Plan at the June 13, 2017 annual general meeting. The 2016 Plan was established to provide incentive to qualified parties being directors, officers, employees and consultants, to increase their proprietary interest in the Company through equity participation and foster their continued association with the Company. The Company believes that encouraging its directors, officers and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Awards are granted to staff taking into account a number of factors, including the amount and term of Options or Awards previously granted, base salary and bonuses and competitive compensation factors. Award Options vest according to terms established by the 2016 Plan. At least annually, the CGCC reviews grants of Awards to directors, officers, employees and consultants.

The Company's long term incentives are designed to foster and promote the long-term financial success of the Company by strengthening the ability of the Company to attract and retain directors, officers and qualified employees, motivate performance through incentive compensation, promote greater alignment of interests between employees and shareholders in creating long-term shareholder value, and enable employees to participate in the long-term growth and financial success of the Company. The Black-Scholes method is used to value Options. Awards provide employees with the opportunity to participate in the growth of the Company's share price as well as benefit from the favourable tax treatment applicable to this form of compensation.

The CGCC approves Awards to facilitate consideration of targeted direct compensation to officers. Award Options are generally granted to directors and officers annually as part of the annual compensation review. Award Options are granted at other times of the year to individuals commencing employment with the Company. The exercise price (the "**Exercise Price**") for Award Options is set in accordance with TSX policies and is based on the five-day volume weighted average trading price prior to the date of grant.

The CGCC may make additional amendments to the 2016 Plan subject to any necessary shareholder and regulatory approvals. Amendments to the 2016 Plan, which would require such approvals include any amendment to the 2016 Plan, which increases the number of Common Shares issuable pursuant to Awards under the 2016 Plan. During the last financial year ended December 31, 2018, the CGCC has not approved any further amendments to

the 2016 Plan. See *Particulars of Additional Matters to be Acted Upon* with regard to the Board's recommendation that shareholders approve certain amendments to the 2016 Plan.

The following is a summary of certain provisions of the 2016 Plan and is qualified in its entirety by the full text of the 2016 Plan, subject to any revisions or amendments (including the proposed amendments to the 2016 Plan) deemed necessary by the CGCC and Board.

### ***Purpose***

The purpose of the 2016 Plan is to promote the interests and long-term success of the Company by: (i) providing certain employees, directors, officers and consultants with greater incentive to further develop and promote the Company's business and financial success; (ii) furthering the alignment of interests of persons to whom Awards (as defined herein) may be granted with those of the shareholders generally through a proprietary ownership interest in the Company; and (iii) assisting the Company in attracting, retaining and motivating its employees, directors, officers and consultants.

### ***Eligible Persons***

Awards may be granted to an employee, director, officer or consultant of the Company or any of its subsidiaries (an "**Eligible Person**"). A participant ("**Participant**") is an Eligible Person to whom an Award has been granted. An "**Award**" means any Option, Bonus Share or Stock Appreciation Right (each as defined herein) granted under the 2016 Plan.

### ***Number of Common Shares Available for Awards***

Subject to the adjustment provisions provided for in the 2016 Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the Toronto Stock Exchange (the "**Stock Exchange**")), defined in the 2016 Plan to mean: "such stock exchange or other organized market on which the Common Shares are principally listed or posted for trading from time to time, and which, for greater certainty, is the TSX" as at the date of this Information Circular), the aggregate number of Common Shares issuable pursuant to Awards granted under the 2016 Plan plus the aggregate number of Common Shares issuable pursuant to outstanding Options granted under the 2014 Plan (as such term is defined in the 2016 Plan), must not exceed the equivalent of 10,778,490 being 20% of the total issued and outstanding Common Shares as at June 13, 2017, the date the amendments to the Original Plan were approved by the Company's shareholders, or 11.24% of the total issued and outstanding Common Shares as at the date of this Information Circular. There is currently the equivalent of 8,546,000 Options outstanding under the 2016 Plan, representing 8.92% of the total issued and outstanding Common Shares, following the exercise of an aggregate of 117,500 Options subsequent to the 2016 Plan being amended on June 13, 2017. Taking into account the Company's Options outstanding as well as the 1,000,000 Bonus Shares which the Company granted in 2018 and the 500,000 Bonus Shares which the Company has granted so far in 2019, the Company currently has available for issuance an additional equivalent of 614,990 Common Shares under the 2016 Plan, representing 0.64% of the total issued and outstanding Common Shares. Common Shares available under the 2016 Plan may be used for any Option, Bonus Share or Stock Appreciation Right.

If the resolution approving the Amended and Restated Plan (as defined below) is approved, then the aggregate number of Common Shares issuable pursuant to Awards granted under the Amended and Restated Plan plus the aggregate number of Common Shares issuable pursuant to outstanding Options granted under the 2014 Plan (as

such term is defined in the 2016 Plan), must not exceed the equivalent of 14,372,419, representing 15% of the total issued and outstanding Common Shares as at the date of this Information Circular. There would be the 8,546,000 Options outstanding under the Amended and Restated Plan, representing 8.92% of the total issued and outstanding Common Shares.

If the resolution approving the Replenishment and Amended and Restated Plan (each as defined below) of an aggregate of 1,617,500 Common Shares issued under the 2016 Plan (upon exercises of 117,500 Options and issuances of 1,500,000 Bonus Shares) after the last amendment to the 2016 Plan on June 13, 2017 is approved, the Company would have available for issuance an additional equivalent of 5,826,419 Common Shares under the Amended and Restated Plan, representing 6.08% of the total issued and outstanding Common Shares.

For purposes of the above, if an Award entitles the holder to receive or purchase Common Shares, the number of Common Shares covered by such Award or to which such Award relates will be counted on the date of grant of such Award against the aggregate number of Common Shares available for granting Awards under the 2016 Plan as follows: (a) every Common Share subject to a stock option to purchase Common Shares granted under the 2016 Plan will be counted as one Common Share for every Common Share subject to such Option; (b) every Common Share that may be issued on account of a Bonus Share will be counted as one Common Share for every Common Share that may be issued on account of such Bonus Share; and (c) every Common Share that may be issued on account of a Stock Appreciation Right will be counted as one Common Share for every Common Share that may be issued on account of such Stock Appreciation Right.

If an outstanding Award for any reason expires or is terminated or cancelled without having been exercised or settled in full, or if Common Shares acquired pursuant to an Award are forfeited, the Common Shares will again be available for issuance under the 2016 Plan. Common Shares will not be deemed to have been issued pursuant to the 2016 Plan with respect to any portion of an Award that is settled in cash.

#### ***Number of Common Shares under Award Grant***

Subject to complying with all requirements of the Stock Exchange and the provisions of the 2016 Plan, the number of Common Shares that may be purchased under any Award will be determined and fixed by the CGCC at the date of grant.

#### ***Maximum Award Grant***

There are no maximum award grant limits under the 2016 Plan for individuals or insiders in the aggregate.

If the Amended and Restated Plan is approved, then the following restrictions will apply to grants of Awards made to Non-Employee Directors (as defined in the Amended and Restated Plan):

- (i) the annual grant of Awards to any one Non-Employee Director shall not exceed \$150,000 in value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board), of which no more than \$100,000 may comprise Options; and
- (ii) the maximum number of Common Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors within any one-year period shall not exceed 1% of the number of Common Shares that are outstanding as at a specified time, on a non-diluted basis (as of the commencement of such one-year period).

### ***Exercise Price of Options***

The Exercise Price per Common Share under each Option will be the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that the Exercise Price of an Option shall not be less than the Current Market Price (the "**Current Market Price**" as such term is defined in the 2016 Plan) calculated on the Award date.

### ***Vesting and Restrictions***

Options vest according to the terms of the Option Agreement (as such term is defined in the 2016 Plan) under which they are granted.

Except as determined from time to time by the CGCC and Board, all Options will cease to vest as at the date upon which the Participant ceases to be an Eligible Person (which, in the case of an employee or consultant of the Company or its subsidiaries, will be the date on which active employment or engagement, as applicable, with the Company or its subsidiaries terminates, specifically without regard to any period of reasonable notice or any salary continuance).

Notwithstanding the above, in the event of the death of a Participant prior to the Participant ceasing to be an Eligible Person, all Options of such Participant will become immediately vested.

### ***Term of Options and Causes of Cessation***

Subject to s. 8.3 of the 2016 Plan that deals with extensions for blackout periods and the requirements of the Stock Exchange, each Option will expire (the "**Expiry Date**") on the earlier of:

- (a) the date determined by the CGCC and specified in the Option Agreement pursuant to which such Option is granted, provided that such date may not be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Option is granted, and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;
- (b) in the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for cause, such period of time after the date on which the Participant ceases to be an Eligible Person as may be specified by the CGCC, which date must not exceed 90 days following the termination of the Participant's employment with the Company, or in the case of Options granted to a director, officer or consultant, 90 days following the Participant ceasing to be a director, officer or a consultant, unless the CGCC otherwise determines, and which period will be specified in the Option Agreement with the Participant with respect to such Option;
- (c) in the event of the termination of the Participant as an officer, employee or consultant of the Company or a subsidiary for cause, the date of such termination;
- (d) in the event that a director is subject to any order, penalty or sanction by an applicable securities regulatory authority which relates to such director's activities in relation to the Company, and the CGCC determines that such director's Options should be cancelled, the date of such determination;
- (e) in the event of the death of a Participant prior to: (i) the Participant ceasing to be an Eligible Person; or (ii) the date which is the number of days specified by the CGCC pursuant to subparagraph (b) above from

- the date on which the Participant ceased to be an Eligible Person; the date which is one year after the date of death of such Participant or such earlier date as may be specified by the CGCC and which period will be specified in the Option Agreement with the Participant with respect to such Option; and
- (f) notwithstanding the foregoing provisions of subparagraphs (b), (c), (d) and (e) above, the CGCC may, subject to the 2016 Plan, and to regulatory approval, at any time prior to expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension must not be granted beyond the original Expiry Date of the Option as provided for in subparagraph (a) above.

### ***Blackout Extension***

Where the Expiry Date for an Option occurs during a blackout period, the Expiry Date for such Option shall be extended to the date which is ten business days following the end of such blackout period, provided that, the Expiry Date for an Option will not be extended if the Eligible Person or the Company is subject to a cease trade order (or similar order under securities laws) in respect of the Company's securities.

### ***Share Bonus Plan***

The CGCC will have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of Common Shares (the "**Bonus Shares**") as the CGCC may determine. The price at which such Bonus Shares are issued will be equal to the Current Market Price.

"**Current Market Price**" means: (a) in respect of Options, the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) Trading Days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the Stock Exchange; (b) in respect of Bonus Shares, means the most recent closing price of the Common Shares on the Stock Exchange immediately prior to the grant of the Bonus Shares; and (c) in respect of Stock Appreciation Rights (as defined herein) which are exercised: (i) the closing price of the Common Shares on the Stock Exchange on the date the notice of exercise in respect thereof is received by the Company, if such day is a Trading Day (the "**Trading Day**") and the notice of exercise is received by the Company after regular trading hours; or (ii) the closing price of the Common Shares on the Stock Exchange on the Trading Day immediately prior to the date the notice of exercise in respect thereof is received by the Company, if the notice of exercise is received by the Company during regular trading hours, or on a non-Trading Day.

### ***Stock Appreciation Rights Plan***

The CGCC has the right, subject to the paragraphs below, to grant to any Eligible Person stock appreciation rights ("**Stock Appreciation Rights**"), with the specific terms and conditions thereof to be as provided in the 2016 Plan and in the award agreement (the "**Award Agreement**") entered into in respect of such grant.

A Stock Appreciation Right will entitle the Participant to receive from the Company the number of Common Shares, disregarding fractions, as determined on the following basis:

$$\text{Number of Common Shares} = \frac{\text{Number of Stock Appreciation Rights} \times (\text{Current Market Price} - \text{SAR Exercise Price})}{\text{Current Market Price}}, \text{ less any amount withheld on account of income taxes}$$

The Exercise Price per Common Share under each Stock Appreciation Right ("**SAR Exercise Price**") will be the fair market value of the Common Shares, expressed in terms of money, as determined by the CGCC, in its sole discretion, provided that such price may not be less than the SAR Fair Market Value (as defined herein) or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange. Subject to the foregoing, the fair market value (the "**SAR Fair Market Value**") of any Common Share for the purpose of determining the SAR Exercise Price for any Stock Appreciation Right will be, unless otherwise determined by the CGCC in their discretion, the trading price at which the Common Shares traded on the Stock Exchange as of close of market on the day immediately prior to the date such Stock Appreciation Right is granted.

The obligation of the Company to issue and deliver any Stock Appreciation Rights pursuant to an Award or to deliver any Common Shares pursuant to the exercise thereof will be subject to receipt of all necessary approvals of any applicable securities regulatory authority and the Stock Exchange. The Company may grant Stock Appreciation Rights with the grant of Options.

***Non-Transferability of Awards***

Each Award Agreement will provide that the Award granted thereunder is not transferable or assignable to anyone other than by will or by the laws governing the devolution of property, to the Participant's executor, administrator or other personal representative in the event of death of the Participant.

***Procedure for Suspending, Amending or Terminating the 2016 Plan***

Subject to the provisions of the 2016 Plan and the requirements of the Stock Exchange, the CGCC has the right at any time to suspend, amend or terminate the 2016 Plan or any Award Agreement, including, but not limited to, the right without approval of the shareholders, to: (a) make amendments of a clerical nature, including, but not limited to, the correction of grammatical or typographical errors or clarification of terms; (b) make amendments to reflect any requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange; (c) make amendments to vesting provisions of Awards; (d) extend the term of any Award held by non-insiders of the Company; (e) prior to the expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original Expiry Date of the Option; and (f) reduce the Exercise Price per Common Share under any Award held by non-insiders of the Company, or replace such Award with a lower Exercise Price per Common Share under such replacement Award.

If the Amended and Restated Plan is approved, the CGCC will have the right at any time to suspend, amend or terminate the 2016 Plan or any Award Agreement, including, but not limited to, the right without approval of the shareholders, to: (a) make amendments of a clerical nature, including, but not limited to, the correction of grammatical or typographical errors or clarification of terms; (b) make amendments to reflect any requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange; (c) make amendments to vesting provisions of Awards; (d) extend the term of any Award held by non-insiders of the Company, as long as the extended term remains within the original expiry of the Award; and (e) prior to the expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original Expiry Date of the Option.

### **Other Material Information**

Subject to the provisions of the 2016 Plan, appropriate adjustments to the 2016 Plan and to Awards will be made, and will be conclusively determined, by the CGCC, to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Common Shares, the payment of share dividends by the Company (other than dividends in the ordinary course) or other changes in the capital of the Company or from a Merger and Acquisition Transaction ("**Merger and Acquisition Transaction**" as defined in the 2016 Plan). In the event of a Merger and Acquisition Transaction, or a proposed Merger and Acquisition Transaction, the CGCC will: (a) in an appropriate and equitable manner, determine any adjustment to the number and type of Common Shares (or other securities or other property) that thereafter will be made the subject of Awards; (b) in an appropriate and equitable manner, determine the number and type of Common Shares (or other securities or other property) subject to outstanding Awards; (c) in an appropriate and equitable manner, determine the Exercise Price with respect to any Award, provided, however, that the number of securities covered by any Award or to which such Award relates will always be a whole number; (d) in an appropriate and equitable manner, determine the manner in which all unexercised rights granted under the 2016 Plan will be treated including, without limitation, requiring the acceleration of the time for the exercise of such rights by the Participants, the time for the fulfilment of any conditions or restrictions on such exercise, and the time for the expiry of such rights; (e) offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Common Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Common Shares under the Award and the Exercise Price (and otherwise substantially upon the terms of the Award being replaced, or upon terms no less favourable to the Participant); and (f) commute for or into any other security or any other property or cash, any Award that is still capable of being exercised, upon giving to the Participant to whom such Award has been granted at least 30 days' written notice of its intention to commute such Award, and during such period of notice, the Award, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of the Award will lapse and be cancelled.

The following table sets out the annual burn rate of the 2016 Plan for each of the Corporation's three most recently completed fiscal years. The annual burn rate represents the total number of securities granted under the 2016 Plan during the applicable fiscal year, divided by the weighted average number of securities outstanding for the applicable fiscal year.

<b>Fiscal Year</b>	<b>Annual Burn Rate (%)</b>
2018	5.2%
2017	7.3%
2016	3.8%

## SUMMARY COMPENSATION TABLE

The compensation paid to the NEOs during the Company's three most recently completed financial years ended December 31 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary (\$)	Share-Based Awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
Gerald Panneton <sup>(2)</sup> Former President and Former CEO	2018	91,026	350,000 <sup>(3)</sup>	41,904	Nil	Nil	Nil	1,356	484,286
John Lee <sup>(4)</sup> Executive Chairman	2018	Nil	Nil	80,064	Nil	Nil	Nil	406,468	486,532
	2017	Nil	316,719 <sup>(5)</sup>	451,140	Nil	Nil	Nil	283,781	1,051,640
	2016	Nil	79,145 <sup>(6)</sup>	76,815	Nil	Nil	Nil	132,717	288,647
Irina Plavutska <sup>(7)</sup> CFO	2018	118,500	Nil	17,617	Nil	Nil	Nil	5,424	141,541
	2017	74,000	29,098 <sup>(8)</sup>	86,861	Nil	Nil	Nil	1,386	191,298
	2016	45,000	37,520 <sup>(9)</sup>	18,436	Nil	Nil	Nil	1,526	102,482
Tony Wong <sup>(10)</sup> Former Corporate Secretary	2018	163,750	Nil	17,617	Nil	Nil	Nil	2,073	183,440
	2017	100,000	48,678 <sup>(11)</sup>	76,115	Nil	Nil	Nil	1,386	226,179
	2016	56,250	59,131 <sup>(9)</sup>	18,436	Nil	Nil	Nil	636	134,453
Michael Drozd <sup>(12)</sup> VP, Operations	2018	218,687	Nil	33,437	Nil	Nil	Nil	24,735	276,860

### Notes:

- (1) Options granted on or after June 19, 2014 are governed by the 2016 Plan. The only "in-the-money" Options held by any NEOs at December 31, 2018, were those that expire on June 2, 2021 and October 10, 2023 all of which, are subject to a two-year vesting schedule whereby 12.5% of the Options granted vest at the end of each quarter for the first two years following the date of grant. The value at December 31, 2018 is calculated by determining the difference between the closing price on the TSX of the Common Shares as of the vesting date for each of the: (i) eight quarters for the Options expiring on June 2, 2021: September 2, 2016, December 2, 2016, March 2, 2017, June 2, 2017, September 2, 2017, December 2, 2017, March 2, 2018 and June 2, 2018 (being the equivalent of \$0.425, \$0.380, \$0.435, \$0.310, \$0.361, \$0.469, \$0.315 and \$0.285 per Common Share, respectively), (ii) first quarter for the Options expiring on October 10, 2023: January 10, 2019 (being \$0.255 per Common Share), and the Exercise Price of the Options.
- (2) Mr. Panneton was appointed as President, CEO and Director of the Company on October 10, 2018 and resigned on February 15, 2019. Mr. Panneton's services were provided pursuant to an employment agreement with the Company dated October 10, 2018. Under the employment agreement, a base salary of \$400,000 per year was paid to Mr. Panneton for services rendered as President and CEO of the Company.
- (3) These Share-Based Awards ("**Share-Based Awards**") were granted in the form of Bonus Shares the value of which, is the fair market value of the Bonus Shares as at October 10, 2018 (being \$0.35).
- (4) Mr. Lee was appointed as the Company's CEO upon amalgamation on June 13, 2011. Mr. Lee's services were provided pursuant to a consulting agreement (the "**Mau Agreement**") which the Board accepted, ratified and approved on January 24, 2013 between the Company and Mau Capital Management LLC ("**Mau**"), a personal holding company of Mr. Lee. Under the Mau Agreement, a base fee of \$35,000 per month was paid to Linx Partners Ltd. ("**Linx**") (another personal holding company of Mr. Lee) for services rendered by Mr. Lee as Executive Chairman of the Board, and a further \$1 per month was paid to Linx for services rendered by Mr. Lee as former Interim CEO of the Company. The Company subsequently entered into discussions with Mau to amend the Mau Agreement



so that it may be terminated by either party by providing the other party with at least 90 days written notice. As Mr. Lee intended to wind-up Mau, the Company entered into a consulting agreement with Linx (the "**Old Linx Agreement**") on the same terms as the Mau Agreement which terminated upon signing of the Old Linx Agreement on April 7, 2015. On January 13, 2016, the Old Linx Agreement was amended to reduce the base fee of \$35,000 per month by 50% to \$17,500 per month, and to defer payment of the reduced base fee, until such time as the Company's cash flow situation improves. On September 1, 2017, the Old Linx Agreement was amended to restore the previously reduced base fee of \$17,500 per month, back to the restored base fee of \$35,000 per month, and to defer payment of 25% of the restored base fee, until such time as the Company's cash flow situation improved. On February 20, 2018, the Old Linx Agreement was amended to cancel any further deferral of payment of the restored base fee. On October 9, 2018, the Old Linx Agreement was replaced by a new agreement (the "**New Linx Agreement**") that reduced the base fee of \$35,000 per month by 20% to \$336,000 per year. On October 10, 2018, Mr. Lee resigned as Interim CEO of the Company and was appointed as the Company's Head of International Affairs. On February 16, 2019 Mr. Lee ceased to be the Company's Head of International Affairs and acted as Interim CEO of the Company until March 31, 2019 remaining as Executive Chairman of the Company.

- (5) A portion of these Share-Based Awards were paid in two tranches, in lieu of accrued and deferred partial consulting fees for the pay period from July 1, 2016 to February 28, 2017, and March 1, 2017 to September 26, 2017. The value of this portion of these Share-Based Awards is the fair market value of the Shares as at June 13, 2017 and December 18, 2017, the dates of issuance respectively. The remaining portion of these Share-Based Awards were granted in the form of Bonus Shares the value of which, is the fair market value of the Bonus Shares as at January 12, 2017 (being the equivalent of \$0.488).
- (6) These Share-Based Awards were paid in lieu of accrued and deferred consulting fees to June 30, 2016. The value of these Share-Based Awards is the fair market value of the Shares as at June 2, 2016 (being the equivalent of \$0.199).
- (7) Ms. Plavutska was appointed as Interim CFO of the Company on August 11, 2011 and resigned November 11, 2012. She was appointed as CFO of the Company on September 11, 2013. Ms. Plavutska's services are provided pursuant to an employment agreement with the Company dated July 1, 2013. Under the employment agreement, a base salary of \$8,500 per month was paid to Ms. Plavutska for services rendered as CFO of the Company. On January 13, 2016, the employment agreement was amended to reduce the base salary of \$8,500 per month by 41.18% to \$5,000 per month until such time as the Company's cash flow situation improves. On September 1, 2017, the employment agreement was amended to restore the previously reduced base salary of \$5,000 per month, back to the restored base salary of \$8,500 per month. On February 1, 2018, the Company and Ms. Plavutska entered into a new employment agreement under which, a base salary of \$10,000 per month was paid to Ms. Plavutska for services rendered as CFO of the Company.
- (8) A portion of these Share-Based Awards were paid in lieu of accrued and deferred partial salary for the pay period from January 1, 2016 to February 28, 2017. The value of this portion of these Share-Based Awards is the fair market value of the Shares as at June 13, 2017, the date of issuance. The remaining portion of these Share-Based Awards were granted in the form of Bonus Shares the value of which, is the fair market value of the Bonus Shares as at January 12, 2017 (being the equivalent of \$0.488).
- (9) These Share-Based Awards were paid in two tranches, in lieu of accrued salaries, expenses and (in the case of Irina Plavutska only) vacation pay for the pay period from November 16, 2015 to March 31, 2016. The value of these Share-Based Awards is the equivalent of \$0.30 per Share for those Shares issued as at January 13, 2016 and the equivalent of \$0.20 per Share for those Shares issued as at February 29, 2016.
- (10) Mr. Wong was appointed as General Counsel & Corporate Secretary of the Company on February 3, 2014. Mr. Wong's services are provided pursuant to an employment agreement with the Company dated February 3, 2014. Under the employment agreement, a base salary of \$12,500 per month was paid to Mr. Wong for services rendered as General Counsel & Corporate Secretary of the Company. On January 13, 2016, the employment agreement was amended to reduce the base salary of \$12,500 per month by 50% to \$6,250 per month until such time as the Company's cash flow situation improves. On September 1, 2017, the employment agreement was amended to restore the previously reduced base salary of \$6,250 per month, back to the restored base salary of \$12,500 per month. On February 1, 2018, the Company and Mr. Wong entered into a new employment agreement under which, a base salary of \$13,750 per month was paid to Mr. Wong for services rendered as General Counsel & Corporate Secretary of the Company. On February 22, 2019 Mr. Wong ceased to be the General Counsel & Corporate Secretary of the Company.
- (11) A portion of these Share-Based Awards were paid in two tranches, in lieu of accrued and deferred partial salary for the pay period from March 1, 2016 to February 28, 2017, and March 1, 2017 to September 26, 2017. The value of this portion of these Share-Based Awards is the fair market value of the Shares as at June 13, 2017 and December 18, 2017, the dates of issuance respectively. The remaining portion of these Share-Based Awards were granted in the form of Bonus Shares the value of which, is the fair market value of the Bonus Shares as at January 12, 2017 (being the equivalent of \$0.488).
- (12) Mr. Drozd was hired as a consultant of the Company on January 25, 2018. Mr. Drozd's services were provided pursuant to a consulting agreement between the Company and Detox and Treatment Consulting, Inc., a personal holding company of Mr. Drozd. Under the consulting agreement, a base consulting fee of USD\$125 per hour was paid to Mr. Drozd for services rendered as a consultant of the Company. On May 1, 2018, the consulting agreement was replaced with an employment agreement between a subsidiary of the Company and Mr. Drozd dated February 17, 2018. Under the employment agreement, a base salary of USD\$250,000 per year was paid to Mr. Drozd for services rendered as an employee of the Company's subsidiary. Mr. Drozd was appointed as Vice-President, Operations of the Company on August 16, 2018.

The Company has calculated the "grant date fair value" amounts in the Option-Based Awards (the "**Option-Based Awards**") column using the Black-Scholes model, a mathematical valuation model that ascribes a value to an Option based on a number of factors in valuing the Option-Based Awards, including the Exercise Price of the Options, the price of the underlying security on the date the Option was granted, and weighted average assumptions with respect to the volatility of the price of the underlying security and the risk-free rate of return. For the year ended December 31, 2018, the following weighted average assumptions were used: Risk-free interest rate – 1.77%, expected life Options in years – 4.4 years, expected volatility – 135.71%, expected forfeiture rate – 12%, expected dividend yield – Nil, weighted average fair value of Options granted during the year - \$0.32.

On May 1, 2014, further to the voluntary forfeiture of share purchase Options held by certain directors, officers, employees and service providers with expiry dates on October 19, 2014, October 29, 2014, January 26, 2015, May 10, 2015, September 21, 2015, December 24, 2015 and June 18, 2017 at Exercise Prices the equivalent of \$2.50 or \$2.80, the Company granted the equivalent of 357,500 new share purchase Options to such individuals with an expiry date of May 1, 2019 at an Exercise Price the equivalent of \$0.65 per share subject to a two year vesting schedule whereby 12.5% of the Options granted vest at the end of each quarter for the first two years following the date of grant. The re-issuing and re-pricing of these Options was approved by the shareholders at the Company's annual general meeting held on June 19, 2014; consequently, the incremental fair value of these Options was determined using the Black-Scholes option pricing model.

## INCENTIVE PLAN AWARDS

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

The Company currently has a Share-Based Awards plan (i.e. the 2016 Plan). Although it also contains provisions for the awarding of Stock Appreciation Rights, as at December 31, 2018, the Company had yet to grant any Awards other than Options and Bonus Shares to officers under the 2016 Plan. The following table sets out the Option-Based Awards and Share-Based Awards outstanding as at December 31, 2018, for each NEO:

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 of shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Gerald Panneton <sup>(2)</sup>	500,000	0.26	Oct. 10, 2023	5,000	Nil	Nil	Nil
John Lee	150,000	0.65	May 1, 2019	35,000	Nil	Nil	Nil
	235,000	0.50	Apr. 7, 2020				
	134,000	0.50	June 22, 2020				
	500,000	0.20	June 2, 2021				
	300,000	0.49	Jan. 12, 2022				
	550,000	0.33	June 12, 2022				
	680,000	0.35	Sept. 1, 2022				
	400,000	0.28	Apr. 6, 2023				
	350,000	0.33	Oct. 17, 2023				

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 of shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Irina Plavutska	15,000	0.65	May 1, 2019	6,300	Nil	Nil	Nil
	30,000	0.50	Apr. 7, 2020				
	20,000	0.50	June 22, 2020				
	90,000	0.20	June 2, 2021				
	70,000	0.49	Jan. 12, 2022				
	120,000	0.33	June 12, 2022				
	100,000	0.35	Sept. 1, 2022				
	100,000	0.28	Apr. 6, 2023				
Tony Wong <sup>(3)</sup>	10,000	0.65	May 1, 2019	8,400	Nil	Nil	Nil
	40,000	0.50	Apr. 7, 2020				
	20,000	0.50	June 22, 2020				
	120,000	0.20	June 2, 2021				
	70,000	0.49	Jan. 12, 2022				
	80,000	0.33	June 12, 2022				
	100,000	0.35	Sept. 1, 2022				
	100,000	0.28	Apr. 6, 2023				
Michael Drozd	200,000	0.31	May 1, 2023	Nil	Nil	Nil	Nil
	50,000	0.33	Oct. 17, 2023				

**Note:**

- (1) The value at December 31, 2018 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2018 (\$0.27 per Common Share) and the Exercise Price of the Options. The only "in-the-money" Options held by any NEOs at December 31, 2018, were those that expire on June 2, 2021 and October 10, 2023.
- (2) Mr. Gerald Panneton was appointed President and CEO effective October 10, 2018 and ceased to be President and CEO of the Company effective February 15, 2019
- (3) Mr. Wong was appointed Legal Consul & Corporate Secretary effective February 3, 2014 and ceased to be Corporate Secretary of the Company effective February 22, 2019

**Incentive Plan Awards – Value Vested or Earned During the Year**

The following table sets out the value vested or earned as at the year ended December 31, 2018, for incentive plan awards outstanding for each NEO:

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 – Value earned during the year (\$)
Gerald Panneton <sup>(3)</sup>	Nil	250,052	Nil
John Lee	86,250	Nil	Nil
Irina Plavutska	15,525	Nil	Nil
Tony Wong <sup>(4)</sup>	20,700	Nil	Nil
Michael Drozd	Nil	Nil	Nil

**Note:**

- (1) The only "in-the-money", vested Options held by any NEOs at December 31, 2018, were those that expire on June 2, 2021 (none of the Options that expire on October 10, 2023 vested before the year ended December 31, 2018) all of which, are subject to a two-year

vesting schedule whereby 12.5% of the Options granted vest at the end of each quarter for the first two years following the date of grant. The value at December 31, 2018 is calculated by determining the difference between the closing price on the TSX of the Common Shares as of the vesting date for each of the eight quarters for the Options expiring on June 2, 2021: September 2, 2016, December 2, 2016, March 2, 2017, June 2, 2017, September 2, 2017, December 2, 2017, March 2, 2018 and June 2, 2018 (being the equivalent of \$0.425, \$0.380, \$0.435, \$0.310, \$0.361, \$0.469, \$0.315 and \$0.285 per Common Share, respectively), and the Exercise Price of the Options.

- (2) The value at December 31, 2018 is calculated by multiplying the number of Bonus Shares awarded, by their fair market value as at the date they were granted on October 10, 2018 (being \$0.250052).
- (3) Mr. Gerald Panneton was appointed President and CEO effective October 10, 2018 and ceased to be President and CEO of the Company effective February 15, 2019.
- (4) Mr. Wong was appointed Legal Consul & Corporate Secretary effective February 3, 2014 and ceased to be Corporate Secretary of the Company effective February 22, 2019.

## PENSION PLAN BENEFITS

The Company has no pension, defined contribution, or deferred compensation plans for its NEOs, directors, officers or employees.

## DIRECTOR COMPENSATION

Independent directors are paid varying amounts depending on the degree to which they are active on behalf of the Company. See the table below for amounts paid or accrued in 2017. During the period from January 13, 2016 to August 31, 2017, compensation levels for all directors was drastically reduced by 50%, from \$2,000 to \$1,000 per month, to reflect the Company's overall performance, and payment (other than for the month of September 2016) deferred to conserve cash resources, until such time as the Company's cash flow situation improved. On September 1, 2017, following improvement in the Company's financial position, all previously reduced directors fees were partially restored to \$1,300 per month, with no further deferral of any payment thereof, until such time that the Company is able to fully restore directors fees back to their original level.

The compensation provided to directors who were not an NEO for the Company's most recently completed financial year of December 31, 2018, is:

Name	Fees earned (\$)	Share-based awards (\$)	Option-Based Awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Greg Hall	21,200	Nil	8,966	Nil	Nil	Nil	30,166
Harald Batista	18,600	Nil	8,966	Nil	Nil	Nil	27,566
Masa Igata	19,100	Nil	8,966	Nil	Nil	Nil	28,066
Daniel Fidock	7,455	Nil	3,199	Nil	Nil	Nil	10,654
Louis Dionne	4,023	Nil	4,190	Nil	Nil	Nil	8,213

The following table sets out all Option-Based and Share-Based Awards outstanding as at December 31, 2018, for directors who were not an NEO for the Company's most recently completed financial year of December 31, 2018:

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 of shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Greg Hall	40,000	0.65	May 1, 2019	8,400	Nil	Nil	Nil
	60,000	0.50	Apr. 7, 2020				
	20,000	0.50	June 22, 2020				
	120,000	0.20	June 2, 2021				
	50,000	0.49	Jan. 12, 2022				
	50,000	0.33	June 12, 2022				
	50,000	0.35	Sept. 1, 2022				
	40,000	0.28	Apr. 6, 2023				
	50,000	0.33	Oct. 17, 2023				
Masa Igata <sup>(2)</sup>	50,000	0.65	May 1, 2019	8,400	Nil	Nil	Nil
	30,000	0.50	Apr. 7, 2020				
	20,000	0.50	June 22, 2020				
	120,000	0.20	June 2, 2021				
	70,000	0.49	Jan. 12, 2022				
	50,000	0.33	June 12, 2022				
	50,000	0.35	Sept. 1, 2022				
	40,000	0.28	Apr. 6, 2023				
	50,000	0.33	Oct. 17, 2023				
Daniel Fidock <sup>(3)</sup>	50,000	0.33	Oct. 17, 2023	Nil	Nil	Nil	Nil
Harald Batista <sup>(4)</sup>	20,000	0.65	May 1, 2019	7,000	Nil	Nil	Nil
	30,000	0.50	Apr. 7, 2020				
	20,000	0.50	June 22, 2020				
	100,000	0.20	June 2, 2021				
	50,000	0.49	Jan. 12, 2022				
	50,000	0.33	June 12, 2022				
	50,000	0.35	Sept. 1, 2022				
	40,000	0.28	Apr. 6, 2023				
	50,000	0.33	Oct. 17, 2023				
Louis Dionne <sup>(5)</sup>	50,000	0.26	Oct. 10, 2023	Nil	Nil	Nil	Nil
	100,000	0.33	Oct. 17, 2023				

**Notes:**

- (1) The value at December 31, 2018 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2018 (\$0.27 per Common Share) and the Exercise Price of the Options.
- (2) These Options are held by Sophir Asia Limited, a company wholly-owned and controlled by Mr. Igata.
- (3) Mr. Daniel Fidock was appointed Director effective August 14, 2018 and ceased to be a Director of the Company effective October 9, 2018.
- (4) Mr. Harald Batista was appointed Director effective July 27, 2012 and ceased to be a Director of the Company effective October 9, 2018.
- (5) Mr. Louis Dione was appointed Director effective October 10, 2018 and ceased to be a Director of the Company effective February 28, 2019.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value vested or earned as at the year ended December 31, 2018, for incentive plan awards outstanding for each director:

Name	Option-Based Awards – Value vested during the year (\$) <sup>(1)</sup>	Share-Based Awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Greg Hall	20,700	Nil	Nil
Harald Batista	17,250	Nil	Nil
Masa Igata	20,700	Nil	Nil
Daniel Fidock	Nil	Nil	Nil
Louis Dionne	Nil	Nil	Nil

**Note:**

(1) The only "in-the-money" Options held by any directors at December 31, 2018, were those that expire on June 2, 2021 all of which, are subject to a two-year vesting schedule whereby 12.5 of the Options granted vest at the end of each quarter for the first two years following the date of grant. The value at December 31, 2018 is calculated by determining the difference between the closing price on the TSX of the Common Shares as of the vesting date for each of the eight quarters for the Options expiring on June 2, 2021: September 2, 2016, December 2, 2016, March 2, 2017, June 2, 2017, September 2, 2017, December 2, 2017, March 2, 2018 and June 2, 2018 (being the equivalent of \$0.425, \$0.380, \$0.435, \$0.310, \$0.361, \$0.469, \$0.315 and \$0.285 per Common Share, respectively), and the Exercise Price of the Options.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

Other than as set out below, there are no contracts, agreements, plans or arrangements that provide for payments to a NEO following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, Change of Control (as defined herein) of the Company or change in responsibilities of the NEO following a Change of Control of the Company.

#### ***Gerald Panneton, Former President and Chief Executive Officer***

Mr. Panneton entered into his employment agreement with the Company effective October 10, 2018. The employment agreement is for an indefinite term, and provides for: (1) salary, of \$400,000 per year, annual increases up to \$40,000 per year starting 2020 fiscal year until the 2022 fiscal year at the discretion of the Board; (2) bonus, based on the criteria disclosed above under *Bonus Compensation*; (3) 1,000,000 Common Shares upon signing of the employment agreement; (4) 500,000 Options upon signing of the employment agreement, in addition to eligibility for further awards under the 2016 Plan; (5) employee benefits; and (6) vacation pay. His employment agreement also stipulates that provided the Company successfully raises through one or more equity financing(s) undertaken after the commencement of his employment but prior to the Company's election to terminate his employment without cause: (a) total gross aggregate proceeds of no less than \$10,000,000, the Company will pay a termination payment to him of \$1,000,000; or (b) total gross aggregate proceeds of no less than \$25,000,000, the Company will pay a termination payment to him of \$1,600,000.

#### ***John Lee, Executive Chairman and Former Head of International Affairs and Former Interim CEO of the Company***

On January 1, 2010, the Company entered into a consulting agreement with a holding company solely owned by Mr. Lee, at an annual fee of \$16,000 (as amended). On November 6, 2012 this agreement was terminated and on November 7, 2012 a new consulting agreement was entered into (aggregately, referred to as previously disclosed, as the Mau Agreement). On April 7, 2015 the Mau Agreement was terminated, and the Company entered into

the Old Linx Agreement. On October 9, 2018 the Old Linx Agreement was replaced with the New Linx Agreement for an indefinite term, and provides for: (1) consulting fees, with up to \$36,600 per year annual increases during fiscal years 2020 to 2022, at the discretion of the Board; (2) bonus, based on the criteria disclosed above under *Bonus Compensation*; (3) up to 3,000,000 Common Shares upon meeting certain milestone targets described in the New Linx Agreement; (4) Options; (5) health and dental benefits; and (6) vacation pay. For further information regarding Mr. Lee's consulting agreements with the Company, refer to the disclosure under *Summary Compensation Table*.

The New Linx Agreement is for an indefinite term and may be terminated by the Company for any reason other than for cause upon 90 days' written notice. The Company has the option of paying the consulting fees due under the New Linx Agreement for that 90-day period in lieu thereof. In such case, provided the Company successfully raises through one or more equity financing(s) undertaken after the commencement of the New Linx Agreement: (a) total gross aggregate proceeds of less than \$25,000,000, the Company will pay a termination payment to him of \$1,000,000; or (b) total gross aggregate proceeds of more than \$25,000,000, the Company will pay a termination payment to him of \$1,600,000. Mr. Lee's consulting agreement with the Company also provides that in the event the New Linx Agreement is terminated as a result of, or within six months following, a significant change in the affairs of the Company such as a take-over bid, Change of Control of the Board, the sale, exchange or other disposition of a majority of the outstanding Common Shares, the merger or amalgamation or other corporate restructuring of the Company in a transaction or series of transactions in which the Company's shareholders receive less than 51% of outstanding Common Shares of the new or continuing company (a "**Change of Control**"), Mr. Lee shall receive from the Company within 30 days, a payment equivalent to two years' worth of his regular annual consulting fees (currently \$336,000). In the event Mr. Lee's consulting agreement is terminated as a result of a Change of Control all of his rights to any Options he holds shall be governed by the provisions of his stock option agreements with the Company.

***Irina Plavutska, Chief Financial Officer***

Ms. Plavutska entered into her latest employment agreement with the Company effective February 1, 2018 as amended January 31, 2019. The employment agreement is for an indefinite term, and provides for: (1) salary; (2) bonus, at the discretion of the Company; (3) Options; (4) employee benefits; and (5) vacation pay (see *Summary Compensation Table*). Her employment agreement with the Company also provides that in the event her employment is terminated as a result of, or within six months following, a Change of Control, Ms. Plavutska shall receive from the Company within 30 days, a payment equal to two years of her regular annual salary (currently \$132,000). In the event Ms. Plavutska's employment agreement is terminated as a result of a Change of Control, all of her rights to any Options she holds shall be governed by the provisions of her stock option agreements with the Company.

***Tony Wong, Former General Counsel and Corporate Secretary***

Mr. Wong entered into his latest employment agreement with the Company effective February 1, 2018. The employment agreement is for an indefinite term, and provides for: (1) salary; (2) bonus, at the discretion of the Company; (3) Options; (4) employee benefits; and (5) vacation pay (see *Summary Compensation Table*). His employment agreement with the Company also provides that in the event his employment is terminated as a result of, or within six months following, a Change of Control, Mr. Wong shall receive from the Company within 30 days, a payment equal to two years of his regular annual salary (currently \$165,000). In the event Mr. Wong's employment agreement is terminated as a result of a Change of Control, all of his rights to any Options he holds shall be governed by the provisions of his stock option agreements with the Company.

The criteria used to determine the amounts payable to the NEOs is based on industry standards and the Company's financial circumstances. The agreements with the NEOs and subsequent changes were accepted by the Board based on recommendations of the CGCC.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The 2016 Plan, a 20% fixed share-based compensation plan, was approved by shareholders at the Company's annual general meeting on June 2, 2016, with amendments approved by shareholders at the Company's annual general meeting on June 13, 2017.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2018.

#### *Equity Compensation Plan Information*

	Number of securities issuable upon exercise of outstanding Options	Weighted-average Exercise Price of outstanding Options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	9,591,000	\$0.34	1,187,490
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	9,591,000		1,187,490

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the most recently completed financial year or as at the date hereof.

#### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended December 31, 2018, or has any interest in any material transaction in the current year other than as set out in a document already disclosed to the public.



## PARTICULARS OF ADDITIONAL MATTERS TO BE ACTED UPON

### A. APPROVAL OF REPLENISHMENT AND AMENDMENTS TO SHARE-BASED COMPENSATION PLAN

Shareholders of the Company are requested at the Meeting to consider and, if thought fit, to pass an ordinary resolution to approve an amendment and restatement of the 2016 Plan in order to (i) increase the maximum number of Common Shares issuable pursuant to the 2016 Plan to 14,372,419 (representing approximately 15% of the outstanding Common Shares); (ii) revise the *Suspension, Amendment or Termination of Plan* provision in section 17.1(b) of the 2016 Plan to limit the ability of the CGCC to amend the plan without shareholder approval; (iii) revise the *Maximum Award Grant* provision in section 6.3 of the 2016 Plan to restrict grants of Awards to Non-Employee Directors (the "**Amended and Restated Plan**"); and (iv) replenish an aggregate of 1,617,500 Common Shares issued under the 2016 Plan (upon exercises of 117,500 Options and issuances of 1,500,000 Bonus Shares) after the last amendment to the 2016 Plan on June 13, 2017 (the "**Replenishment**"). A copy of the Amended and Restated Plan has been filed as Schedule "A" to the Company's 2019 Management Information Circular under the Company's SEDAR profile and may be viewed by shareholders by visiting [www.SEDAR.com](http://www.SEDAR.com). The description of the amendments to the 2016 Plan set out below is subject to and qualified in its entirety by the provisions of the Amended and Restated Plan. Reference should be made to the provisions of the Amended and Restated Plan with respect to any particular provision described below. See *Statement of Executive Compensation – Equity Participation – Share-Based and Option-Based Awards* for additional information.

#### (a) Increase the Maximum Number of Common Shares Issuable Pursuant to the 2016 Plan

As of the date hereof, there are currently a maximum of 10,778,490 Common Shares reserved for issuance under the 2016 Plan, representing 11.24% of the issued and outstanding Common Shares. As at the date of this Information Circular, there are the equivalent of 8,546,000 Options outstanding under the 2016 Plan, which constitutes 8.92% of the total issued and outstanding Common Shares. On July 19, 2019 the Board approved the Amended and Restated Plan, which includes an amendment to increase to the plan maximum whereby the maximum number of Common Shares issuable pursuant to the Amended and Restated Plan will be fixed at 14,372,419 Common Shares (the "**Increase**"), representing 15% of the issued and outstanding Common Shares as at the date of this Circular. Shareholders of the Company are being asked to approve such Increase and the full text of the resolution to be approved by shareholders is set out below.

#### (b) Restriction in Amendments to Plan without Shareholder Approval

The 2016 Plan allows the Company to make the several amendments to any Award Agreement or the 2016 Plan without the approval of shareholders, including the following: (i) amendments that extend the term of any Award held by non-Insiders of the Company; and (ii) amendments that reduce the exercise price per Common Share under any Award held by non-Insiders of the Company or replacements of such Award with a lower exercise price per Common Share under such replacement Award.

On July 19, 2019 the Board approved the Amended and Restated Plan, which includes: (i) an amendment to limit the ability to extend the term of any Award held by non-Insiders of the Company, such that the term may not be extended beyond the original expiry of the Award, without shareholder approval; and (ii) an amendment to remove the Company's ability to reduce the exercise price per Common Share

under any Award held by non-Insiders of the Company or replacements of such Award with a lower exercise price per Common Share under such replacement Award, without shareholder approval.

Shareholders of the Company are being asked to approve such amendments and the full text of the resolution to be approved by shareholders is set out below.

**(c) Restriction in Grants to Non-Employee Directors**

There are no maximum award grant limits under the 2016 Plan for individuals or insiders in the aggregate. On July 19, 2019 the Board approved the Amended and Restated Plan, which includes an amendment to restrict (i) the annual grant of Awards to any one Non-Employee Director to a maximum of \$150,000 in value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board), of which no more than \$100,000 may comprise Options; and (ii) the number of Common Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors within any one-year period to a maximum of 1% of the number of Common Shares that are outstanding as at a specified time, on a non-diluted basis (as of the commencement of such one-year period).

Shareholders of the Company are being asked to approve such amendments and the full text of the resolution to be approved by shareholders is set out below.

**(d) Replenishment**

Following the last amendment to the 2016 Plan on June 13, 2017, the Company issued 1,500,000 Bonus Shares and 117,500 Options were exercised. On July 19, 2019 the Board approved the Replenishment of the Common Shares reserved for issuance under the 2016 Plan by an aggregate of 1,617,500 Common Shares.

Shareholders of the Company are being asked to approve such Replenishment and the full text of the resolution to be approved by shareholders is set out below.

The Replenishment and amendment to the plan maximum is proposed because the CGCC and Board consider it important to have a sufficient number of Common Shares available for Awards for new and existing eligible employees, officers and directors. Historically, the 2016 Plan has been a fixed share-based compensation plan providing for the number of Common Shares authorized for issuance to be approximately 20% of the Company's issued and outstanding Common Shares. Given the increases in the Company's outstanding Common Shares since the 2016 Plan was adopted, the Board determined to reserve a maximum number of Common Shares for the Amended and Restated Plan equivalent to approximately 15% of the outstanding Common Shares. The amendments to introduce additional restrictions on amending the Amended and Restated Plan without shareholder approval and to impose limitations on the value of awards granted to Non-Employee Directors, were introduced in order to better align the Amended and Restated Plan with corporate governance best practice. All other terms of the 2016 Plan and Awards granted thereunder will remain the same. The Amended and Restated Plan is subject to the approval of the TSX and disinterested shareholders of the Company in accordance with the requirements of the TSX. Disinterested shareholder approval is the approval by a majority of the votes cast by all shareholders excluding votes attached to Common Shares beneficially owned by insiders of the Company who are eligible to participate in the 2016 Plan. The number of Common Shares held by interested parties and thus,

excluded from voting on this particular resolution is 16,166,600 which constitutes 16.87% of the total issued and outstanding Common Shares.

If the TSX and shareholder approvals are not obtained, the Amended and Restated Plan will be terminated, the 2016 Plan will remain in effect, and the maximum number of Common Shares issuable pursuant to Awards under the 2016 Plan will revert to 10,778,490 Common Shares.

At the Meeting, disinterested shareholders will be asked to consider, and if deemed advisable, to pass the following ordinary resolution, with or without variation:

**"BE IT RESOLVED, as an ordinary resolution of the disinterested shareholders of the Company, THAT:**

1. the Company's fixed share-based compensation plan (the "**2016 Plan**") as amended and restated effective September 12, 2019 (as may be amended, varied or supplemented from time to time), in the form attached as Schedule "A" to this Management Information Circular (the "**Amended and Restated Plan**"), be amended to (i) increase the maximum number of Common Shares issuable pursuant to the 2016 Plan to 14,372,419 (representing approximately 15% of the outstanding Common Shares); (ii) revise the *Suspension, Amendment or Termination of Plan* provision in section 17.1(b) of the 2016 Plan to limit the ability of the Corporate Governance and Compensation Committee to amend the plan without shareholder approval; and (iii) revise the *Maximum Award Grant* provision in section 6.3 of the 2016 Plan to restrict grants of awards to non-employee directors, and the same is hereby ratified, confirmed and approved;
2. the replenishment of an aggregate of 1,617,500 Common Shares issued under the 2016 Plan (upon exercises of 117,500 Options and issuances of 1,500,000 Bonus Shares) after the last amendment to the 2016 Plan on June 13, 2017, is hereby approved, ratified and confirmed;
3. the Company is hereby authorized to file the Amended and Restated Plan with the Toronto Stock Exchange and to make any revision to the text of the Amended and Restated Plan if and as required by the Toronto Stock Exchange prior to its approval of the Amended and Restated Plan; and
4. any one director or officer of the Company be and is hereby authorized for and on behalf of and in the name of the Company, to do all such acts and things and to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to carry out the foregoing resolution."

**Management of the Company believes that the amendments to the 2016 Plan are in the Company's best interests and recommends that disinterested shareholders vote IN FAVOUR of approving the Amended and Restated Plan. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by each Proxy, properly executed, FOR approving the Amended and Restated Plan.**

#### ADDITIONAL INFORMATION

Additional information relating to the Company is included in the Company's Annual Information Form, comparative annual audited financial statements for the years ended December 31, 2018, 2017 and 2016, auditor's report, and related Management Discussion and Analysis for 2018 filed under the Company's SEDAR

profile at [www.SEDAR.com](http://www.SEDAR.com). Copies of the Company's most recent interim financial statements and related Management Discussion and Analysis, and additional information, may also be obtained from the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com) or upon request from the Company via telephone at (604) 569-3661 or via fax at (604) 569-3617.

#### **OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

**DATED** at Vancouver, British Columbia this 25<sup>th</sup> day of July, 2019.

**BY ORDER OF THE BOARD**

**"Michael Doolin"**

**Michael Doolin, Interim Chief Executive Office**

**Schedule "A"**  
**Share-Based Compensation Plan**

# **Prophecy Development Corp.**

## **SHARE-BASED COMPENSATION PLAN**

**Effective June 2, 2016**

**(Amended June 13, 2017 and Further Amended September 12, 2019)**

**Prophecy Development Corp.**  
(the “Company”)

**SHARE-BASED COMPENSATION PLAN**  
(the “Plan”)

**1. PURPOSE OF THIS PLAN**

**1.1 Purpose of this Plan.** The purpose of this Plan is to promote the interests and long-term success of the Company by:

- (a) furnishing certain Employees, directors, officers and Consultants of the Company, or its Subsidiaries, and other Persons as the CGCC may determine, with greater incentive to further develop and promote the business and financial success of the Company;
- (b) furthering the alignment of interests of Persons to whom Awards may be granted with those of the shareholders of the Company generally through a proprietary ownership interest in the Company; and
- (c) assisting the Company in attracting, retaining and motivating its Employees, directors, officers and Consultants.

The Company believes that these purposes may best be effected by granting Awards and affording such Persons an opportunity to acquire a proprietary interest in the Company.

**2. DEFINITIONS AND INTERPRETATION**

**2.1 Definitions.** In this Plan, unless there is something in the subject matter or context inconsistent therewith, capitalized words and terms will have the following meanings:

- (a) “**2014 Plan**” means the Company’s previous share-based compensation plan which was approved by the Company’s shareholders on June 19, 2014;
- (b) “**Affiliate**” means an affiliated company as defined in the Securities Act;
- (c) “**Associate**” means an associate as defined in the Securities Act;
- (d) “**Award**” means any Option, Bonus Share or Stock Appreciation Right granted under this Plan;
- (e) “**Award Agreement**” means (i) in respect of an Option, an Option Agreement; and (ii) in respect of any other Award, the written agreement, contract or other instrument or document evidencing the Award granted. Each Award Agreement shall be subject to the applicable provisions of this Plan and any other terms and conditions (not inconsistent with this Plan) determined by the CGCC;
- (f) “**Blackout Period**” means an interval of time during which the Company has determined that one or more Participants may not trade any securities of the Company because they may be in possession of undisclosed material information pertaining to the Company, or otherwise

prohibited by law from trading any securities of the Company;

- (g) **“Board of Directors”** means the board of directors of the Company as constituted from time to time;
- (h) **“Bonus Share”** means any Common Share granted under Section 9 of this Plan;
- (i) **“Business Day”** means a day other than a Saturday, Sunday or a statutory or civic holiday in Vancouver, British Columbia;
- (j) **“Cause”** in respect of any Participant means:
  - (i) if “Cause” is defined in an employment agreement between such Participant and the Company, the meaning of “Cause” as provided for in such employment agreement; and
  - (ii) if “Cause” is not so defined, a circumstance that would entitle or require the Company, at law, to terminate the employment or services of such Participant at law without notice or compensation as a result of such termination;
- (k) **“CGCC”** means the Corporate Governance and Compensation Committee of the Board of Directors;
- (l) **“Change in Control”** means:
  - (i) any transaction in which voting securities of the Company possessing more than 50% of the total combined voting power of the Company’s outstanding securities are transferred to a Person or Persons different from the Persons holding those securities immediately prior to such transaction and the composition of the Board of Directors following such transaction is such that the directors of the Company prior to the transaction constitute less than 50% of the number of directors comprising the Board of Directors following the transaction;
  - (ii) any acquisition, directly or indirectly, by a Person or Related Group of Persons (other than a Person that is a registered dealer as described in Subsection 2.1(dd)(iii) of this Plan and other than the Company or a Person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership of voting securities of the Company possessing more than 50% of the total combined voting power of the Company’s outstanding securities;
  - (iii) any acquisition, directly or indirectly, by a Person or Related Group of Persons of the right to appoint a majority of the directors of the Company or the right or ability to otherwise directly or indirectly control the management, affairs and business of the Company;
  - (iv) any sale, transfer or other disposition of all or substantially all of the assets of the Company;
  - (v) a complete liquidation or dissolution of the Company; or
  - (vi) any transaction or series of transactions involving the Company or any of its Affiliates that

the Board of Directors, acting reasonably, deems to be a Change in Control;

provided however, that a Change in Control shall not be deemed to have occurred if such Change in Control results solely from the issuance, in connection with a *bona fide* financing or series of financings by the Company or any of its Affiliates, of voting securities of the Company or any of its Affiliates, or any rights to acquire voting securities of the Company or any of its Affiliates which are convertible into voting securities;

- (m) **“Common Shares”** means the common shares in the capital of the Company as constituted on the Effective Date, provided that if the rights of any Participant are subsequently adjusted pursuant to Section 18 hereof, **“Common Shares”** thereafter means the shares or other securities or property which such Participant is entitled to purchase after giving effect to such adjustment;
- (n) **“Company”** means Prophecy Development Corp. and includes any successor company thereto;
- (o) **“Consultant”** means any individual consultant, or a company or partnership of which the individual consultant is an employee, shareholder or partner (other than an Employee, director or officer) that:
  - (i) is engaged, to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or any of its Affiliates other than services provided in relation to a distribution (as defined in the Securities Act);
  - (ii) provides the services under a written contract between the Company or any of its Affiliates and the individual, company or partnership;
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its Affiliates; and
  - (iv) has a relationship with the Company or any of its Affiliates that enables the individual to be knowledgeable about the business and affairs of the Company;
- (p) **“Current Market Price”** means:
  - (i) in respect of Options, the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the Stock Exchange;
  - (ii) in respect of Bonus Shares, the most recent closing price of the Common Shares on the Stock Exchange immediately prior to the grant of the Bonus Shares; and
  - (iii) in respect of Stock Appreciation Rights which are exercised: (A) the closing price of the Common Shares on the Stock Exchange on the date the notice of exercise in respect thereof is received by the Company, if such day is a Trading Day and the notice of exercise is received by the Company after regular trading hours; or (B) the closing price of the Common



Shares on the Stock Exchange on the Trading Day immediately prior to the date the notice of exercise in respect thereof is received by the Company, if the notice of exercise is received by the Company during regular trading hours, or on a non-Trading Day;

- (q) **“Effective Date”** has the meaning ascribed thereto by Section 3 of this Plan;
- (r) **“Eligible Person”** means an Employee, director, officer or Consultant of the Company or any of its Subsidiaries;
- (s) **“Employee”** means:
  - (i) an individual who is considered an employee of the Company or its Subsidiary under the *Income Tax Act (Canada)* (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
  - (ii) an individual who works full-time for the Company or one of its Subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
  - (iii) an individual who works for the Company or one of its Subsidiaries on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source;
- (t) **“Exercise Price”** means the price per Common Share at which a Participant may purchase Common Shares pursuant to an Option, provided that if such price is adjusted pursuant to Section 18 of the Plan, **“Exercise Price”** thereafter means the price per Common Share at which such Participant may purchase Common Shares pursuant to such Option after giving effect to such adjustment;
- (u) **“Expiry Date”** has the meaning ascribed thereto by Subsection 8.2 of this Plan;
- (v) **“Insider”** means an insider as defined in the TSX Company Manual;
- (w) **“Merger and Acquisition Transaction”** means:
  - (i) any merger;
  - (ii) any acquisition;
  - (iii) any amalgamation;
  - (iv) any offer for shares of the Company which if successful would entitle the offeror to acquire all of the voting securities of the Company; or
  - (v) any arrangement or other scheme of reorganization;

in each case that results in a Change in Control;

- (x) **“Non-Employee Director”** means a member of the Board of Directors who is not otherwise an employee or executive officer of the Company or a Subsidiary;
- (y) **“Notice of Exercise”** means the notice of exercise to be appended to each Option Agreement, which notice must be submitted, under, and in accordance with, the terms of the Option Agreement, to the Company by a Participant that wishes to exercise any of his or her Options under this Plan;
- (z) **“Option Agreement”** means an agreement evidencing an Option, entered into by and between the Company and an Eligible Person;
- (aa) **“Options”** means stock options granted hereunder to purchase Common Shares from the Company, pursuant to the terms and conditions hereof and as evidenced by an Option Agreement and **“Option”** means any one of them;
- (bb) **“Participant”** means an Eligible Person to whom an Award has been granted;
- (cc) **“Person”** means and includes an individual, corporation, partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not;
- (dd) **“Plan”** means this Share-Based Compensation Plan, as the same may from time to time be supplemented or amended and in effect;
- (ee) **“Related Group of Persons”** means:
  - (i) Persons and any one or more of their respective Associates and Affiliates; and
  - (ii) any two or more Persons who have an agreement, commitment or understanding, whether formal or informal, with respect to:
    - (A) the acquisition of or the intention to acquire, directly or indirectly, beneficial ownership of, or control and direction over, Voting Shares; or
    - (B) the exercise of voting rights attached to the securities of the Company beneficially owned by such Persons, or over which such Persons have control and direction, on matters regarding the appointment of directors or control of the management, affairs and business of the Company;
  - (iii) notwithstanding Subsection 2.1(dd)(ii)(A) above, a registered dealer acting solely in an agency capacity for a person or Related Group of Persons in connection with the acquisition of beneficial ownership of, or control and direction over, securities of the Company, and not executing principal transactions for its own account or performing services beyond customary dealer’s functions, shall not be deemed solely by reason of such agency relationship to be a related person for the purposes of the definition of Related Group of Persons;

- (ff) **“SAR Exercise Price”** has the meaning ascribed thereto in Subsection 10.3;
- (gg) **“SAR Fair Market Value”** means, for the purpose of determining the SAR Exercise Price for any Stock Appreciation Right, unless otherwise determined by the CGCC in their discretion, the trading price at which the Common Shares traded on the Stock Exchange as of close of market on the day immediately prior to the date such Stock Appreciation Right is granted;
- (hh) **“Securities Act”** means the *Securities Act* (Ontario);
- (ii) **“Stock Appreciation Right”** has the meaning ascribed thereto in Subsection 10.1;
- (jj) **“Stock Exchange”** means such stock exchange or other organized market on which the Common Shares are principally listed or posted for trading from time to time, and which, for greater certainty, is the TSX as at the Effective Date;
- (kk) **“Subsidiary”** means a subsidiary as defined in the Securities Act;
- (ll) **“Trading Day”** means any day on which the Stock Exchange is open for regular securities trading business;
- (mm) **“TSX”** means the Toronto Stock Exchange; and
- (nn) **“Voting Shares”** means a security of the Company that:
  - (i) is not a debt security; and
  - (ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

**2.2 Interpretation.** In this Plan, except as otherwise expressly provided:

- (a) any reference in this Plan to a designated **“Section”** or **“Subsection”** is a reference to the designated Section or Subsection of this Plan;
- (b) the recitals hereto are incorporated into and form part of this Plan;
- (c) the words **“herein”**, **“hereof”** and **“hereunder”** and other words of similar import refer to this Plan as a whole and not to any particular Section(s) or Subsection(s) of this Plan;
- (d) the headings are for convenience only and do not form a part of this Plan and are not intended to interpret, define or limit the scope, extent or intent of this Plan;
- (e) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include any other gender, the word **“or”** is not exclusive and the word **“including”** is not limiting whether or not non-limiting language (such as **“without limitation”** or **“but not limited to”** or words of similar import) is used with reference thereto;

- (f) unless otherwise provided, all amounts are stated and are to be paid in Canadian dollars;
- (g) where the time for doing an act falls or expires on a day which is not a Business Day, the time for doing such act is extended to the next Business Day; and
- (h) unless otherwise stated, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant to it, with all amendments thereto and in force from time to time, and to any statute or regulations that may be passed which supplement or supersede such statute or regulation.

### **3. EFFECTIVE DATE OF PLAN**

The effective date (the “**Effective Date**”) of this Plan is June 2, 2016.

### **4. ADMINISTRATION OF PLAN**

**4.1 Administration of Plan.** The Board of Directors may at any time appoint the CGCC to, among other things, interpret, administer and implement this Plan on behalf of the Board of Directors in accordance with such terms and conditions as the Board of Directors may prescribe, consistent with this Plan (provided that if at any such time such a committee has not been appointed by the Board of Directors, this Plan will be administered by the Board of Directors, and in such event references herein to the CGCC shall be construed to be references to the Board of Directors). The Board of Directors will take such steps that in its opinion are required to ensure that the CGCC has the necessary authority to fulfill its functions under this Plan.

**4.2 Powers of the CGCC.** The CGCC is authorized, subject to the provisions of this Plan and the rules and policies of the Stock Exchange, to establish from time to time such rules and regulations, make such determinations and to take such steps in connection with this Plan as in the opinion of the CGCC are necessary or desirable for the proper administration of this Plan. For greater certainty, without limiting the generality of the foregoing, the CGCC will have the power, where consistent with the general purpose and intent of this Plan and subject to the specific provisions of this Plan and any approvals or requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange:

- (a) to delegate such duties and powers as the CGCC may see fit with respect to this Plan (including, for greater certainty, the powers set out in Subsections 4.2(c) through (q) below, pursuant to guidelines approved by the CGCC, and in such event and in respect of those powers so delegated, references herein to the CGCC shall be construed to be references to those Persons to whom such powers have been so delegated);
- (b) to interpret and construe this Plan and any Award Agreement and to determine all questions arising out of this Plan and any Award Agreement, and any such interpretation, construction or determination made by the CGCC will be final, binding and conclusive for all purposes;
- (c) to determine Persons who are Eligible Persons;
- (d) to grant Awards to Eligible Persons;
- (e) to determine the type or types of Awards to be granted to each Eligible Person;

- (f) to determine the time or times when Awards will be granted;
- (g) to determine the number of Common Shares covered by each Award (or the then method by which payments or other rights are to be determined in connection therewith);
- (h) to determine whether, to what extent and under what circumstances Awards may be exercised in cash, Common Shares, other securities, other Awards or other property, or cancelled, forfeited or suspended;
- (i) to enter into an Award Agreement evidencing each Award which will incorporate such terms as the CGCC in its discretion deems consistent with this Plan;
- (j) to prescribe the form of the instruments relating to the grant, exercise and other terms and conditions of an Award;
- (k) to determine the Exercise Price for each Option, subject to Subsection 8.1 of this Plan;
- (l) to determine the time or times when Options will vest and be exercisable and to determine when it is appropriate to accelerate when Options otherwise subject to vesting may be exercised;
- (m) to determine if the Common Shares that are subject to an Option will be subject to any restrictions upon the exercise of such Option, including, where applicable, the endorsement of a legend on any certificate representing Common Shares acquired on the exercise of any Option to the effect that such Common Shares may not be offered, sold or delivered except in compliance with the applicable securities laws and regulations of Canada, the United States and any other applicable country and if any rights or restrictions exist they will be described in the applicable Option Agreement;
- (n) to determine the expiration date for each Option, subject to Section 8;
- (o) to take such steps and require such documentation from each Eligible Person which in its opinion are necessary or desirable to ensure compliance with the rules and regulations of the Stock Exchange and all applicable laws;
- (p) to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws of Canada, the United States and other countries in which the Company or its Affiliates may operate to ensure the viability and maximization of the benefits from the Awards granted to Participants residing in such countries and to meet the objectives of this Plan; and
- (q) to do all such other matters as provided for herein.

Unless otherwise expressly provided in this Plan, all designations, determinations, interpretations and other decisions under or with respect to this Plan or any Award shall be within the sole discretion of the CGCC, may be made at any time and shall be final, conclusive and binding upon any Eligible Person and any holder or beneficiary of any Award.

## 5. *SHARES AVAILABLE FOR AWARDS*

- 5.1 Common Shares Available.** Subject to adjustment as provided in Section 18 and the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange, the aggregate number of Common Shares issuable pursuant to Awards granted under this Plan, plus the aggregate number of Common Shares issuable pursuant to outstanding stock options granted under the 2014 Plan, shall not exceed 14,372,419. Common Shares available under this Plan may be used for any Option, Bonus Share or Stock Appreciation Right.
- 5.2 Accounting for Awards.** For purposes of Subsection 5.1 and subject to Subsection 5.4, if an Award entitles the holder thereof to receive or purchase Common Shares, the number of Common Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Common Shares available for granting Awards under this Plan as follows:
- (a) every Common Share subject to an Option shall be counted as one Common Share for every Common Share subject to such Option;
  - (b) every Common Share that may be issued on account of a Bonus Share shall be counted as one Common Share for every Common Share that may be issued on account of such Bonus Share; and
  - (c) every Common Share that may be issued on account of a Stock Appreciation Right shall be counted as one Common Share for every Common Share that may be issued on account of such Stock Appreciation Right.
- 5.3 Other Accounting for Awards.** If an outstanding Award for any reason expires or is terminated or cancelled without having been exercised or settled in full, or if Common Shares acquired pursuant to an Award are forfeited, the Common Shares shall again be available for issuance under this Plan. Common Shares shall not be deemed to have been issued pursuant to this Plan with respect to any portion of an Award that is settled in cash.
- 5.4 No Fractional Shares.** No fractional Common Shares may be purchased or issued under this Plan.

## 6. *GRANT OF AWARDS*

Subject to the rules set out below, the CGCC (or in the case of any proposed Participant who is a member of the CGCC, the Board of Directors) may from time to time grant to any Eligible Person one or more Awards as the CGCC deems appropriate. A Participant, who holds any Award at the time of granting an Award, may hold more than one type of Award.

- 6.1 Date Award Granted.** The date on which an Award will be deemed to have been granted under this Plan will be the date on which the CGCC authorizes the grant of such Award.
- 6.2 Number of Common Shares under Award Grant.** Subject to complying with all requirements of the Stock Exchange and the provisions of this Plan, the number of Common Shares that may be issued or purchased under any Award will be determined and fixed by the CGCC at the date of grant.

**6.3 Maximum Award Grant.** There are no maximum Award grant limits under this Plan for individuals or Insiders in the aggregate, other than as follows:

(a) the CGCC may make Awards to Non-Employee Directors under the Plan provided that,

(i) the annual grant of Awards under this Plan to any one Non-Employee Director shall not exceed \$150,000 in value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board), of which no more than \$100,000 may comprise Options; and

(ii) the maximum number of Common Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors within any one-year period shall not exceed 1% of the number of Common Shares that are outstanding as at a specified time, on a non-diluted basis (as of the commencement of such one-year period).

**6.4 Award Agreements.** Each Award will be evidenced by an Award Agreement which incorporates such terms and conditions as the CGCC in its discretion deems appropriate and consistent with the provisions of this Plan (and the execution and delivery by the Company of an Award Agreement with a Participant shall be conclusive evidence that such Award Agreement incorporates terms and conditions determined by the CGCC and is consistent with the provisions of this Plan). Each Award Agreement will be executed by the Participant to whom the Award is granted and on behalf of the Company by any member of the CGCC or any officer of the Company or such other Person as the CGCC may designate for such purpose.

## **7. ELIGIBILITY**

Any Eligible Person shall be eligible to be designated a Participant. In determining which Eligible Person shall receive an Award and the terms of any Award, the CGCC may take into account the nature of the services rendered or to be rendered by the respective Eligible Person, their present and potential contributions to the success of the Company or such other factors as the CGCC, in its discretion, deems relevant. In the case of Awards granted to Employees or Consultants, the CGCC and the recipient of the Award(s) shall ensure and confirm that the recipient is a *bona fide* Employee or Consultant, as the case may be.

## **8. OPTIONS**

**8.1 Exercise Price.** The Exercise Price per Common Share under each Option shall be the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that the Exercise Price of an Option shall not be less than the Current Market Price calculated on the Award date.

**8.2 Term of Options.** Subject to Subsection 8.3 and to the requirements of the Stock Exchange, each Option will expire (the "**Expiry Date**") on the earlier of:

(a) the date determined by the CGCC and specified in the Option Agreement pursuant to which such Option is granted, provided that such date may not be later than the earlier of: (i) the date which is

the tenth anniversary of the date on which such Option is granted, and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;

- (b) in the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for Cause, such period of time after the date on which the Participant ceases to be an Eligible Person as may be specified by the CGCC, which date shall not exceed 90 days following the termination of the Participant's employment with the Company, or in the case of Options granted to a director, officer or a Consultant, 90 days following the Participant ceasing to be a director, officer or a Consultant, unless the CGCC otherwise determines, and which period will be specified in the Option Agreement with the Participant with respect to such Option;
- (c) in the event of the termination of the Participant as an officer, Employee or Consultant of the Company or a Subsidiary for Cause, the date of such termination;
- (d) in the event that a director is subject to any order, penalty or sanction by an applicable securities regulatory authority which relates to such director's activities in relation to the Company, and the CGCC determines that such director's Options should be cancelled, the date of such determination;
- (e) in the event of the death of a Participant prior to: (i) the Participant ceasing to be an Eligible Person; or (ii) the date which is the number of days specified by the CGCC pursuant to subparagraph (b) above from the date on which the Participant ceased to be an Eligible Person, the date which is one year after the date of death of such Participant or such earlier date as may be specified by the CGCC and which period will be specified in the Option Agreement with the Participant with respect to such Option; and
- (f) notwithstanding the foregoing provisions of subparagraphs (b), (c), (d) and (e) of this Subsection 8.2, the CGCC may, subject to Section 17 and to regulatory approval, at any time prior to the expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original expiry date of the Option as provided for in subparagraph (a) above.

**8.3 Blackout Extension.** Where the Expiry Date for an Option occurs during a Blackout Period, the Expiry Date for such Option shall be extended to the date which is ten Business Days following the end of such Blackout Period, provided that, the Expiry Date for an Option will not be extended if the Eligible Person or the Company is subject to a cease trade order (or similar order under securities laws) in respect of the Company's securities.

**8.4 Vesting and Exercise of Options and Other Restrictions.** Options will vest according to the terms of the Option Agreement under which they are granted. Subject to the provisions of this Plan, the CGCC may impose such limitations or conditions on the exercise or vesting of any Option as the CGCC in its discretion deems appropriate, including limiting the number of Common Shares for which any Option may be exercised during any period as may be specified by the CGCC so long as the requirements of the Stock Exchange in regards to exercise or vesting are met. The number of Common Shares for which such Option may be exercised in any period will be specified in the Option Agreement with respect to such



Option.

- 8.5 Ceasing to Vest.** Except as determined from time to time by the CGCC, all Options will cease to vest as at the date upon which the Participant ceases to be an Eligible Person (which, in the case of an Employee or Consultant of the Company or its Subsidiaries, shall be the date on which active employment or engagement, as applicable, with the Company or its Subsidiaries terminates, specifically without regard to any period of reasonable notice or any salary continuance).
- 8.6 Accelerated Vesting of Options Upon Death.** Notwithstanding Subsection 8.5 above, in the event of the death of a Participant prior to the Participant ceasing to be an Eligible Person, all Options of such Participant shall become immediately vested.
- 8.7 Exercise of Options.** Each Option Agreement will provide that the Option granted thereunder may be exercised only by a Notice of Exercise delivered to the Company and signed by the Participant, or the legal representative or committee or attorney, as the case may be (the “**Legal Representative**”), of the Participant, and accompanied by full payment for the Common Shares being purchased. Such consideration may be paid in any combination of the following: bank draft, certified cheque or wire transfer.

As soon as practicable after any exercise of an Option, a certificate or certificates will be delivered by the Company to the Participant or the Legal Representative of the Participant representing the Common Shares in respect of which such Option is exercised.

- 8.8 Hold Periods.** Options and any Common Shares issued on the exercise of the Options may be subject to resale restrictions under securities laws and, where appropriate, will be legended with applicable resale restrictions.

## **9. SHARE BONUS PLAN**

The CGCC shall have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of Common Shares (“**Bonus Shares**”) as the CGCC may determine. The price at which such Bonus Shares are issued shall be equal to the Current Market Price.

## **10. STOCK APPRECIATION RIGHTS PLAN**

- 10.1 Stock Appreciation Rights.** The CGCC shall have the right to grant to any Eligible Person stock appreciation rights (“**Stock Appreciation Rights**”), with the specific terms and conditions thereof to be as provided in this Plan and in the Award Agreement entered into in respect of such grant.
- 10.2 Exercise.** A Stock Appreciation Right shall entitle the Participant to receive from the Company the number of Common Shares, disregarding fractions, as determined on the following basis:

$$\text{Number of Common Shares} = \text{Number of Stock Appreciation Rights} \times (\text{Current Market Price} - \text{SAR Exercise Price}) / \text{Current Market Price}, \text{ less any amount withheld on account of income taxes}$$

- 10.3 SAR Exercise Price.** The exercise price per Common Share under each Stock Appreciation Right (“**SAR**”

**Exercise Price**") shall be the fair market value of the Common Shares, expressed in terms of money, as determined by the CGCC, in its sole discretion, provided that such price may not be less than the SAR Fair Market Value or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange.

**10.4 Necessary Approvals.** The obligation of the Company to issue and deliver any Stock Appreciation Rights pursuant to an Award made under this Section 10, or to deliver any Common Shares pursuant to the exercise thereof, will be subject to all necessary approvals of any applicable securities regulatory authority and the Stock Exchange.

## **11. GENERAL TERMS OF AWARDS**

**11.1 Consideration for Awards.** Awards may be granted for no cash consideration or for any cash or other consideration as determined by the CGCC and required by applicable law.

**11.2 Awards May Be Granted Separately or Together.** Awards may, in the discretion of the CGCC, be granted either alone or in addition to, in tandem with any other Award or any award granted under any plan of the Company or any Subsidiary. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Subsidiary may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

**11.3 Restrictions, Securities Exchange Listing.** All Common Shares or other securities delivered under this Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the CGCC may deem advisable under this Plan, applicable Canadian provincial, or foreign securities laws and regulatory requirements, and applicable corporate law, and the CGCC may direct appropriate stop transfer orders and cause other legends to be placed on the certificates for such Common Shares or other securities to reflect such restrictions. If the Common Shares or other securities are traded on the Stock Exchange, the Company shall not be required to deliver any Common Shares or other securities covered by an Award unless and until such Common Shares or other securities have been admitted for trading on the Stock Exchange.

**11.4 Income Tax.** With respect to any other Award granted to a Participant employed in Canada, the CGCC shall have the right, but not the obligation, to take account of Canadian income tax considerations in determining the terms and conditions of the Award or any other amendment thereto.

## **12. CHANGE IN STATUS**

A change in the status, office, position or duties of a Participant from the status, office, position or duties held by such Participant on the date on which the Award was granted to such Participant will not result in the termination of the Award granted to such Participant provided that such Participant remains an Eligible Person.

### **13. NON-TRANSFERABILITY OF AWARDS**

Each Award Agreement will provide that the Award granted thereunder is not transferable or assignable to anyone other than by will or by the laws governing the devolution of property, to the Participant's executor, administrator or other personal representative in the event of death of the Participant.

### **14. REPRESENTATIONS AND COVENANTS OF PARTICIPANTS**

**14.1 Representations and Covenants.** Each Award Agreement will be deemed to contain representations and covenants of the Participant that:

- (a) the Participant is a *bona fide* Employee, director, officer or Consultant of the Company or its Subsidiaries or a Person otherwise determined as an Eligible Person under this Plan by the CGCC;
- (b) the Participant has not been induced to enter into such Award Agreement by the expectation of employment or continued employment with the Company or its Subsidiaries;
- (c) the Participant is aware that the grant of the Award and the issuance by the Company of Common Shares thereunder are exempt from the obligation under applicable securities laws to file a prospectus or other registration document qualifying the distribution of the Awards or the Common Shares to be distributed thereunder under any applicable securities laws;
- (d) upon each exercise of an Award, the Participant, or the Legal Representative of the Participant, as the case may be, will, if requested by the Company, represent and agree in writing that the Person is, or the Participant was, an Employee, director, officer or Consultant of the Company or its Subsidiaries or a Person otherwise determined as an Eligible Person under this Plan by the CGCC and has not been induced to purchase the Common Shares by expectation of employment or continued employment with the Company or its Subsidiaries, and that such Person is not aware of any commission or other remuneration having been paid or given to others in respect of the granting of the Award; and
- (e) if the Participant or the Legal Representative of the Participant exercises an Award, the Participant or the Legal Representative, as the case may be, will, prior to and upon any sale or disposition of any Common Shares purchased pursuant to the exercise of an Award, comply with all applicable securities laws and all applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange, and will not offer, sell or deliver any of such Common Shares, directly or indirectly, in the United States or to any citizen or resident of, or any company, partnership or other entity created or organized in or under the laws of, the United States, or any estate or trust the income of which is subject to United States federal income taxation regardless of its source, except in compliance with the securities laws of the United States.

**14.2 Provisions Relating to Common Share Issuances under an Award Agreement.** Each Award Agreement will contain such provisions as in the opinion of the CGCC are required to ensure that no Common Shares are issued on the exercise of an Award unless the CGCC is satisfied that the issuance of such Common Shares will be exempt from all registration or qualification requirements of applicable securities laws and will be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange. In particular, if required by any regulatory

authority to which the Company is subject, including the Stock Exchange, an Award Agreement may provide that shareholder approval to the grant of an Award must be obtained prior to the exercise of the Award or to the amendment of the Award Agreement.

#### **15. WITHHOLDING TAX**

The Participant will be solely responsible for paying any applicable taxes (for greater certainty includes any tax under the *Income Tax Act* (Canada), and any other applicable tax statute or regulation) arising from the grant, vesting or exercise of any Award and payment is to be made in a manner satisfactory to the Company. Notwithstanding the foregoing, the Company will have the right to withhold from any Award or any Common Shares issuable pursuant to an Award or from any cash amounts otherwise due or to become due from the Company to the Participant, an amount equal to any such taxes.

#### **16. CONDITIONS**

Notwithstanding any of the provisions of this Plan or in any Award Agreement, the Company's obligation to issue Common Shares to a Participant pursuant to the exercise of an Award or the granting of any Award will be subject to, if applicable:

- (a) completion of such registration or other qualification of such Common Shares or to the approval of such governmental authority as the Company may determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; and
- (b) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Common Shares, as the Company or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

#### **17. SUSPENSION, AMENDMENT OR TERMINATION OF PLAN**

**17.1 Suspension, Amendment or Termination of Plan.** Subject to the provisions of this Plan (including, but not limited to, Subsection 17.2) and the requirements of the Stock Exchange, the CGCC will have the right at any time to suspend, amend or terminate this Plan, including, but not limited to, the right:

- (a) with approval of shareholders of the Company, by ordinary resolution, to make any amendment to any Award Agreement or this Plan; and
- (b) without approval of shareholders of the Company to make the following amendments to any Award Agreement or this Plan:
  - (i) amendments of a clerical nature, including, but not limited to, the correction of grammatical or typographical errors or clarification of terms;
  - (ii) amendments to reflect any requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange;
  - (iii) amendments to vesting provisions of Awards;

- (iv) extend the term of any Award held by non-Insiders of the Company, as long as the extended term remains within the original expiry of the Award; and
- (v) prior to the expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original Expiry Date of the Option.

Notwithstanding the foregoing, all procedures and necessary approvals required under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange, shall be complied with and obtained in connection with any such suspension, termination or amendment to this Plan or amendments to any Award Agreement.

**17.2 Limitations.** In exercising its rights pursuant to Subsection 17.1, the CGCC will not have the right to:

- (a) without obtaining prior approval of shareholders (which must be disinterested shareholder approval) and except as permitted pursuant to Section 18, (i) extend the term of an Award held by an Insider of the Company; or (ii) reduce the exercise price per Common Share under any Award held by an Insider of the Company; or (iii) cancel any Award held by an Insider and replace such Award within three months of the cancellation;
- (b) affect in a manner that is adverse or prejudicial to, or that impairs, the benefits and rights of any Participant under any Award previously granted under this Plan (except as permitted pursuant to Section 18 and except for the purpose of complying with applicable securities laws or the bylaws, rules and regulations of any regulatory authority to which the Company is subject, including the Stock Exchange);
- (c) decrease the number of Common Shares which may be purchased pursuant to any Award (except as permitted pursuant to Section 18) without the consent of such Participant;
- (d) set the Exercise Price of any Options below the Current Market Price of such Options on the date of grant;
- (e) set the SAR Exercise Price of any Stock Appreciation Rights below the SAR Fair Market Value of such Stock Appreciation Rights on the date of grant;
- (f) set the exercise price of any Award below the Current Market Price (or below such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange) of such Award on the date of grant;
- (g) increase the exercise price at which Common Shares may be purchased pursuant to any Award (except as permitted pursuant to Section 18) without the consent of such Participant;
- (h) extend the term of any Option beyond a period of ten years or the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange; or

- (i) grant any Award if this Plan is suspended or has been terminated.

**17.3 Powers of CGCC Survive Termination.** The full powers of the CGCC as provided for in this Plan will survive the termination of this Plan until all Awards have been exercised or settled in full or have otherwise expired.

## **18. ADJUSTMENTS**

**18.1 Adjustments.** Subject to the provisions of this Plan, appropriate adjustments to this Plan and to Awards shall be made, and shall be conclusively determined, by the CGCC to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Common Shares, the payment of share dividends by the Company (other than dividends in the ordinary course) or other changes in the capital of the Company or from a Merger and Acquisition Transaction. Any dispute that arises at any time with respect to any such adjustment will be conclusively determined by the CGCC, and any such determination will be binding on the Company, the Participant and all other affected parties.

**18.2 Merger and Acquisition Transaction.** Subject to the provisions of this Plan, in the event of a Merger and Acquisition Transaction or proposed Merger and Acquisition Transaction:

- (a) the CGCC shall, in an appropriate and equitable manner, determine any adjustment to the number and type of Common Shares (or other securities or other property) that thereafter shall be made the subject of Awards;
- (b) the CGCC shall, in an appropriate and equitable manner, determine the number and type of Common Shares (or other securities or other property) subject to outstanding Awards;
- (c) the CGCC shall, in an appropriate and equitable manner, determine the exercise price with respect to any Award; *provided, however,* that the number of securities covered by any Award or to which such Award relates shall always be a whole number;
- (d) the CGCC shall, in an appropriate and equitable manner, determine the manner in which all unexercised rights granted under this Plan will be treated including, without limitation, requiring the acceleration of the time for the exercise of such rights by the Participants, the time for the fulfillment of any conditions or restrictions on such exercise, and the time for the expiry of such rights;
- (e) the CGCC, or any company which is or would be the successor to the Company, or which may issue securities in exchange for Common Shares upon the Merger and Acquisition Transaction becoming effective, may offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Common Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Common Shares under the Award and the exercise price (and otherwise substantially upon the terms of the Award being replaced, or upon terms no less favourable to the Participant) including, without limitation, the periods during which the Award may be exercised and the expiry date; and in such event, the Participant shall, if he or she accepts such offer, be deemed to have released his or her Award over the Common Shares and such Award shall be deemed to have lapsed and be cancelled; and

- (f) the CGCC may commute for or into any other security or any other property or cash, any Award that is still capable of being exercised, upon giving to the Participant to whom such Award has been granted at least 30 days' written notice of its intention to commute such Award, and during such period of notice, the Award, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of the Award shall lapse and be cancelled.

Subsections (a) through (f) of this Subsection 18.2 may be utilized independently of, successively with, or in combination with each other and Subsection 18.1, and nothing therein contained shall be construed as limiting or affecting the ability of the CGCC to deal with Awards in any other manner. All determinations by the CGCC under this Section 18 will be final, binding and conclusive for all purposes.

**18.3 Cancellation.** The CGCC may, in its sole discretion:

- (a) Cancel without consideration, any or all outstanding Awards that are out of the money; or
- (b) (i) pay to the holders of any or all outstanding Awards that are in the money and otherwise vested, in cash, the value of such Awards based upon their intrinsic value; or  
  
(ii) exchange the Award with the holders of any or all outstanding Awards that are in the money and otherwise vested, for the same consideration to be received by shareholders of the Company in such events contemplated in Subsection 18.1, based upon the intrinsic value of the Award.

**18.4 No Limitation.** For greater certainty, the grant of any Awards will in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, amalgamate, reorganize, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets or engage in any like transaction.

**18.5 No Fractional Shares.** No adjustment or substitution provided for in this Section 18 will require the Company to issue a fractional share in respect of any or other Awards and the total substitution or adjustment with respect to each Award will be limited accordingly.

## **19. GENERAL**

**19.1 No Rights as Shareholder.** For greater certainty, nothing herein or otherwise shall be construed so as to confer on any Participant any rights as a shareholder of the Company with respect to any Common Shares reserved for the purpose of any Award.

**19.2 No Effect on Employment.** For greater certainty, nothing in this Plan or any Award Agreement will confer upon any Participant any right to continue in the employ of or under contract with the Company or its Subsidiary or affect in any way the right of the Company or any such Subsidiary to terminate his or her employment at any time or terminate his or her consulting contract, nor will anything in this Plan or any Award Agreement be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any such Subsidiaries to extend the employment of any Participant beyond the time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or its Subsidiaries or any present or future retirement

policy of the Company or its Subsidiaries, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Company or its Subsidiaries. Neither any period of notice nor any payment in lieu thereof upon termination of employment shall be considered as extending the period of employment for the purposes of this Plan.

- 19.3 No Fettering of Directors' Discretion.** For greater certainty, nothing contained in this Plan will restrict or limit or be deemed to restrict or limit the right or power of the Board of Directors in connection with any allotment and issuance of Common Shares which are not allotted and issued under this Plan including, without limitation, with respect to other compensation arrangements.
- 19.4 No Representation or Warranty.** The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of this Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the Awards or the Common Shares issuable thereunder or the tax consequences to a Participant. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of each Participant and not the Company.
- 19.5 Applicable Law.** Other than for the limited purpose of defining certain terms as specified and contained in Section 2.1 of this Plan, this Plan and any Award Agreement granted hereunder will be governed, construed and administered in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.