

**PALLADIUM ONE MINING INC.**

Suite 3704 - 88 Scott Street,  
Toronto, ON  
M5E 0A9

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

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the "**Meeting**") of the shareholders of Palladium One Mining Inc. (the "**Company**") will be held at 25th Floor Park Place, 666 Burrard Street, Vancouver, BC, at 10:00 a.m. (Vancouver time) on July 24, 2023 for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2022 together with the report of the auditor thereon;
2. to elect directors of the Company for the ensuing year;
3. to appoint the auditor of the Company for the ensuing year and to authorize the directors of the Company to fix the remuneration of the auditor;
4. to consider and, if deemed advisable, to pass, with or without variation, a resolution of shareholders of the Company, in accordance with the requirements of the TSX Venture Exchange, confirming and approving the share incentive plan of the Company; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Particulars of the foregoing matters are set forth in the accompanying management information circular (the "**Circular**"). Please review the Circular carefully and in full prior to voting in relation to the matters set out above as the Circular has been prepared to help you make an informed decision on such matters.

The directors of the Company have fixed the close of business on June 2, 2023 as the record date (the "**Record Date**") for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting. Only shareholders whose names have been entered in the register of shareholders as of the close of business on the Record Date will be entitled to receive notice of, and to vote at, the Meeting.

**Shareholders are entitled to vote at the Meeting either in person or by proxy, as described in the Circular under the heading "*General Proxy Information*". Only registered shareholders of the Company, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. For information with respect to shareholders who own their Common Shares through an intermediary, see "*General Proxy Information – Non-Registered Shareholders*" in the Circular.**

**Whether or not you are able to attend the Meeting in person, you are encouraged to provide voting instructions on the enclosed form of proxy as soon as possible. To be included at the Meeting, your completed and executed form of proxy must be received by TSX Trust Company, Suite 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, no later than 10:00 a.m. (Vancouver time) on July 20, 2023 (or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to any reconvened Meeting in the event of an adjournment of the Meeting) or deposited with the Chair of the Meeting prior to the commencement of the Meeting or any**

**adjournment thereof. Voting instructions may also be provided by telephone or the internet by following the instructions on the form of proxy.**

DATED at Vancouver, British Columbia this June 19, 2023.

**BY ORDER OF THE BOARD**

(signed) "Derrick Weyrauch"

President and Chief Executive Officer

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**PALLADIUM ONE MINING INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**June 19, 2023**

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

This management information circular (the "**Circular**") is furnished in connection with the solicitation of proxies by the management of Palladium One Mining Inc. (the "**Company**") for use at the annual and special meeting (the "**Meeting**") of the shareholders of the Company ("**Shareholders**") to be held at 25th Floor Park Place, 666 Burrard Street, Vancouver, British Columbia, at 10:00 a.m. (Vancouver Time) on July 24, 2023 and at all adjournments thereof for the purposes set forth in the accompanying notice of meeting (the "**Notice of Meeting**"). The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Company. Directors, officers and employees of the Company will not receive any extra compensation for such activities. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the Shareholders of the Company in favour of the matters set forth in the Notice of Meeting. The Company may pay brokers or other persons holding common shares of the Company ("**Common Shares**") in their own names, or in the names of nominees, for their reasonable expenses for sending forms of proxy and this Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of any such solicitation will be borne by the Company.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

**Appointment of Proxies**

**A registered shareholder of the Company may vote in person at the Meeting or may appoint another person to represent such shareholder as proxy and to vote the Common Shares of such shareholder at the Meeting.** In order to appoint another person as proxy, such shareholder must complete, execute and deliver the form of proxy accompanying this Circular, or another proper form of proxy, in the manner specified in the Notice of Meeting.

**The persons named in the form of proxy accompanying this Circular are officers and/or directors of the Company. A shareholder of the Company has the right to appoint a person or company (who need not be a shareholder of the Company), other than the persons designated in the form of proxy, to represent such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons designated in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Company's Registrar and Transfer Agent, TSX Trust Company, Suite 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, no later than 10:00am (Vancouver Time) on July 20, 2023 (or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to any reconvened Meeting in the event of an adjournment of the Meeting) or depositing the completed and executed form of proxy with the Chair of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Voting instructions may also be provided by telephone or the internet by following the instructions on the form of proxy.**

**Revocation of Proxies**

A registered shareholder of the Company who has given a proxy may revoke the proxy at any time prior to use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney who is authorized by a document that is executed in writing or by electronic

signature or, if the registered shareholder is a corporation, by an authorized officer or attorney thereof, or transmitting, by telephonic or electronic means, a revocation signed, subject to the *Business Corporations Act* (British Columbia), by electronic signature, (i) with the Chair of the Meeting, or with a person designated by the Chair of the Meeting, prior to the commencement of the Meeting or any adjournment thereof; or (ii) in any other manner permitted by law.

### **Exercise of Discretion by Proxies**

The Common Shares represented by an appropriate form of proxy will be voted or withheld from voting on any ballot that may be called for at the Meeting, or at any adjournment thereof, in accordance with the instructions of the shareholder of the Company contained on the form of proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **In the absence of instructions, such Common Shares will be voted in favour of each of the matters described in the Notice of Meeting.**

**The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters described in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof.** At the date hereof, management of the Company knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matter which is not now known to management of the Company should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matter in accordance with the judgment of the person named as proxy thereon.

### **Execution of Proxy**

The form of proxy must be signed by the shareholder of the Company or the duly appointed attorney thereof authorized in writing or, if the shareholder of the Company is a corporation, by an authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Company or in some other representative capacity, including an officer of a corporation which is a shareholder of the Company, should indicate the capacity in which such person is signing. A shareholder of the Company or their attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of their attorney, as the case may be.

### **Non-Registered Shareholders**

Only registered Shareholders of the Company, or the persons they appoint as their proxy, are entitled to attend and vote at the Meeting. The Common Shares of a non-registered shareholder (a "**Non-Registered Shareholder**") who beneficially owns Common Shares will generally be registered in the name of either:

- (a) an intermediary (an "**Intermediary**") with whom the Non-Registered Shareholder deals in respect of the Common Shares (including, among others, banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or
- (b) a clearing agency (such as CDS Clearing and Depository Services Inc. or The Depository Trust Company) of which the Intermediary is a participant.

There are two kinds of beneficial owners: objecting beneficial owners who object to their name being made known to issuers of securities which they own ("**OBOs**") and non-objecting beneficial owners who do not object to their name being made known to the issuers of securities which they own ("**NOBOs**"). Issuers can request and obtain a list of their NOBOs from Intermediaries via their transfer agents pursuant to National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators ("**NI 54-101**") and issuers can use this list to distribute proxy-related materials directly to its NOBOs.

With respect to Non-Registered Shareholders, in accordance with the requirements of NI 54-101, the Company has distributed copies of the Notice of Meeting, this Circular and the accompanying form of proxy (collectively, the

"**Meeting Materials**") to the Intermediaries for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will be given either:

- (a) **a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.** Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the voting instruction form to validly constitute a form of proxy, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) **a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary.** Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with TSX Trust Company, Suite 301, 100 Adelaide Street West, Toronto, Ontario, M5H 4H1.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies, including those instructions regarding when and where the voting instruction form or the form of proxy is to be delivered.**

A Non-Registered Shareholder who has submitted a voting instruction form or form of proxy may revoke it by contacting the Intermediary through which the Common Shares of such Non-Registered Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The directors of the Company have fixed June 2, 2023 as the record date ("Record Date") for the determination of the Shareholders of the Company entitled to receive notice of the Meeting. Shareholders of the Company of record at the close of business on the Record Date will be entitled to vote at the Meeting and at all adjournments thereof.

As at the Record Date, there were 358,218,928 Common Shares outstanding. Each Common Share entitles the holder of record thereof to one vote at the Meeting.

Only Shareholders of record on the close of business on the Record Date who either personally attend the Meeting or who complete and deliver a Proxy in the manner and subject to the provisions set out under the heading "Appointment and Revocation of Proxies" will be entitled to have their Common Shares voted at the Meeting or any adjournment(s) or postponement(s) thereof.

To the knowledge of the directors and executive officers of the Company, as of the Record Date, no person beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company except as set out below:

Name of Shareholder	Number of Common Shares Beneficially Owned or Controlled	Percentage of Outstanding Common Shares
Eric Sprott <sup>(1)</sup>	37,600,000	10.5%

**Notes:**

(1) The Common Shares are held by 2176423 Ontario Ltd. a Company owned and controlled by Eric Sprott.

### VOTES NECESSARY TO PASS RESOLUTIONS

Under the Company's Articles, the quorum for the transaction of business at a meeting of Shareholders is one person who is, or who represents by proxy, one or more Shareholders who, in the aggregate, hold at least 5% of the issued Common Shares entitled to be voted at the Meeting. A simple majority of the votes of those Shareholders who are present and vote either in person or by proxy at the Meeting is required in order to pass an ordinary resolution. A majority of at least two-thirds of the votes of those Shareholders who are present and vote either in person or by proxy at the Meeting is required to pass a special resolution.

### PARTICULARS OF MATTERS TO BE ACTED UPON

#### Receiving the Financial Statements

The audited consolidated financial statements of the Company for the financial year ended December 31, 2022 have been mailed to the Company's registered and beneficial Shareholders who requested to receive them. The financial statements are also available on SEDAR at [www.sedar.com](http://www.sedar.com). At the Meeting, Shareholders and proxy holders will be given an opportunity to discuss the financial results with management.

#### Election of Directors

The board of directors of the Company (the "**Board**") currently consists of five directors and, accordingly, it is intended that the Shareholders of the Company elect five directors at the Meeting to serve for the ensuing year. Management is nominating the five individuals named in the table below to stand for election. Each director of the Company is elected annually and holds office until the next annual meeting of the Shareholders unless that person ceases to be a director before then in accordance with the Articles of the Company or the *Business Corporations Act* (British Columbia). In the absence of instructions to the contrary, the Common Shares represented by Proxy will, on a poll, be voted for the nominees herein listed. Management does not contemplate that any of the nominees will be unable to serve as a director.

Pursuant to the Advance Notice Policy adopted by the Board on October 26, 2016, which was approved by Shareholders at the annual and special meeting of Shareholders of the Company held on December 15, 2016 and is filed on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com), any additional director nominations for the Meeting must have been received by the Company in compliance with the Advance Notice Policy on or before the close of business on June 24, 2023. No additional director nominations were received by the Company.

The following table sets out the names of the persons to be nominated for election as directors, the positions and offices which they presently hold with the Company, their respective principal occupations or employment during the past five years if such nominee is not presently an elected director and the number of Common Shares of the Company



which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Circular:

Name and Residence of Proposed Directors and Present Offices Held	Principal Occupation, Business or Employment		Common Shares Owned or Controlled or Directed <sup>(1)</sup>
<b>Derrick Weyrauch</b> <sup>(5)(6)</sup> Ontario, Canada <i>President, Chief Executive Officer and Director</i>	President and CEO of the Company since March 2019, CFO Cardinal Resources Ltd (July 2017 to November 2018), and CFO of Magna Mining Inc. (July 2018 to April 2023) Mr. Weyrauch is a director of Nortec Minerals Corp.	March 28, 2019	1,838,868 <sup>(2)</sup>
<b>Lawrence Roulston</b> <sup>(4)(5)(6)</sup> British Columbia, Canada <i>Director</i>	President and CEO of MTB Metals Corp. since 2019; Managing Director of WestBay Capital Advisors since 2016; President of Quintana Resources Capital, from 2014-2016.	March 28, 2019	379,000
<b>Neil Pettigrew</b> Ontario, Canada <i>VP Exploration &amp; Director</i>	Neil Pettigrew M.Sc., P.Geo is the Vice President of Exploration for the Company since September, 2019. He is a founding partner of Fladgate Exploration Consulting Corporation and currently a non-executive director at Element79 Gold Corp.	July 3, 2019	262,167
<b>Peter Lightfoot</b> <sup>(4)(5)</sup> Ontario, Canada <i>Director</i>	Dr. Peter C. Lightfoot, P.Geo. has been a consultant to the global mining industry since 2016. He retired in 2016, after a 20-year career with Inco/Vale, where he was the Principal Geologist – Nickel Sulphide Global Project Generation, Chief Geologist – Nickel Global Technical Services and Chief Geologist – Base Metals. In 2017, Dr. Lightfoot was appointed as the Hutchinson Visiting Industry Professor at the University of Western Ontario.	September 9, 2019	112,500 <sup>(3)</sup>
<b>Giovanna Bee Moscoso</b> <sup>(4)(6)</sup> Utah, USA <i>Director</i>	Chief Legal Officer for Boart Longyear Group since February 2022; Director of Calipuy Resources Inc. from August 2021 until June 2022; Mining consultant from 2019 - 2022; Progressive in-house counsel responsibilities over 25 years for Barrick Gold Corporation, including Vice President and Assistant General Counsel previous to April 2019.	April 2, 2021	Nil.

**Notes:**

- (1) Information as to voting Common Shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- (2) 1,838,868 Common Shares are registered to Weyrauch and Associates Inc., of which Derrick Weyrauch has joint control and direction.
- (3) 112,500 shares are held by Lightfoot Geoscience Inc. a private company which is controlled by Peter Lightfoot.
- (4) Member of the Audit Committee.
- (5) Member of Compensation Committee
- (6) Member of the Environmental, Social and Governance ("ESG") Committee.

**Bankruptcies**

Other than as set out below, none of the nominees for election as a director of the Company is, or was within the ten years prior to the date hereof, a director or executive officer of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets:

- Lawrence Roulston became a director of KBL Mining Ltd. ("**KBL**") in March 2015, a company listed on the Australian Stock Exchange at the time, as a result of being the director nominee of Quintana Resources Capital ULC (an investor in KBL by way of a streaming transaction which was secured by KBL's Mineral Hill mine). On September 7, 2016, Mr. Roulston resigned his position as director and on September 8, 2016, KBL was placed into voluntary administration and on September 19, 2016, receivers were appointed.

None of the nominees for election as a director of the Company is, or has within the ten years prior to the date hereof become, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

### ***Corporate Cease Trade Orders***

Other than as set out below, none of the nominees for election as a director of the Company is, or was within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to cease trade order or an order that denied such company access to any exemption under securities legislation that was, in each case, in effect for a period of more than 30 consecutive days and that was issued while that person was acting in such capacity or that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity:

- Mr. Weyrauch was a director of Banro Corporation ("**Banro**"). On November 20, 2017, Banro became subject to a general cease trade order issued by the Ontario Securities Commission (the "**CTO**") for failure to file its interim financial statements and management's discussion and analysis for the period ended September 30, 2017, and the certifications of such filings as required by National Instrument 52-109. The filings were not made due to significant uncertainty concerning Banro's ability to continue as a going concern. As part of a corporate turnaround and restructuring process, Banro declared insolvency and commenced a voluntary proceeding under the Companies' Creditors Arrangement Act (Canada) (the "**CCAA**") on December 22, 2017 in the Ontario Superior Court of Justice. This proceeding was commenced to implement a debt restructuring and sale and investment solicitation process. On May 3, 2018 Banro implemented the CCAA Plan and emerged from court protection under the CCAA.

### ***Penalties or Sanctions***

None of the nominees for election as a director of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

**The persons named in the form of proxy accompanying this Circular intend to vote FOR the election of each of the nominees whose names are set forth above, unless the shareholder of the Company who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the election of each such nominee.**

Management of the Company does not contemplate that any of the nominees will be unable to serve as a director of the Company for the ensuing year, however, if that should occur for any reason at or prior to the Meeting or any adjournment thereof, the persons named in the form of proxy accompanying this Circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee in their discretion.

### ***Appointment of Auditor***

It is proposed that Davidson & Company LLP, Chartered Accountants, be appointed as the auditor of the Company to hold office until the close of the next annual meeting of the shareholders of the Company and that the Board be authorized to set the auditor's remuneration. Davidson & Company LLP is currently the auditor of the Company and was first appointed as the auditor of the Company effective April 25, 2016.

**The persons named in the form of proxy accompanying this Circular intend to vote FOR the appointment of Davidson & Company LLP as the auditor of the Company until the close of the next annual meeting of the Shareholders of the Company or until its successor is appointed and the authorization of the directors of the Company to fix the remuneration of Davidson & Company LLP, unless the Shareholder of the Company who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the appointment of the auditor of the Company.**

### **Approval of the Equity Incentive Plan**

Pursuant to the policies of the TSX Venture Exchange ("TSXV"), the Company is required to obtain shareholder approval of the Company's equity incentive plan (the "**Equity Incentive Plan**") upon implementation and each year because the Equity Incentive Plan is a "rolling" up to 10% security-based compensation plan, whereby the maximum number of Common Shares that may be reserved for issuance upon the exercise of all awards granted under the Equity Incentive Plan is fixed at 10% of the outstanding Common Shares from time to time, less the number of Common Shares reserved for issuance under all other equity compensation plans of the Company. The Equity Incentive Plan has not been approved by the shareholders of the Company, but was accepted by the TSXV on June 8, 2023.

The following is a summary of the key provisions of the Share Incentive Plan. The following summary is qualified in all respects by the full text of the Equity Incentive Plan, a copy of which is attached hereto as Schedule "A".

### ***Summary of the Stock Option Plan***

#### **Purpose**

The purpose of the Equity Incentive Plan is to attract, retain and motivate directors, officers, employees and consultants (collectively, the "**Participants**") by providing them with the opportunity, through equity awards, to participate in the growth of the Company.

#### **Administration**

The Equity Incentive Plan provides that the Equity Incentive Plan shall be administered by the Board or, if the Board so determines, a committee of the Board authorized to administer the Equity Incentive Plan, including any compensation committee of the Board.

#### **Granting of Awards**

The stock options, restricted share units, and deferred share units (collectively, the "**Awards**") are non-assignable and non-transferrable. Awards may be granted under the Equity Incentive Plan only to eligible persons subject to the rules and regulations of applicable securities regulatory authorities and the rules and policies of the TSXV (or any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time).

The Equity Incentive Plan is a "rolling" up to 10% share-based compensation plan and any increase in the number of outstanding Common Shares will result in an increase in the number of Common Shares that are available to be issued under the Equity Incentive Plan, and any exercise of an Award previously issued under the Equity Incentive Plan prior to any such increase in the number of Common Shares will result in an additional grant being available under the Equity Incentive Plan. The aggregate number of Common Shares reserved for issue pursuant to the Equity Incentive Plan cannot exceed 10% of the aggregate number of Common Shares outstanding at the time of the grant of the applicable Award.

The total number of Common Shares which may be reserved for issuance to any one individual under the Equity Incentive Plan and any other share-based incentive plan of the Company within any 12-month period shall not exceed 5% of the aggregate number of Common Shares outstanding at the time of the grant of the applicable Award. The maximum number of Awards which may be granted to insiders (as a group) under the Equity Incentive Plan, together with any other previously established or proposed share compensation arrangements, within any one-year period shall be 10% of the outstanding issue.

The maximum number of Awards which may be granted to any one consultant under the Equity Incentive Plan or any other share-based incentive plan of the Company within any 12-month period must not exceed 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

Persons performing investor relations services may only be issued stock options under the Equity Incentive Plan, and are limited to an aggregate, 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis) within any 12-month period.

#### Vesting

Stock option issued under the Equity Incentive Plan may vest at the discretion of the Board (or a committee of the Board, as applicable), as applicable, provided that if required by any stock exchange on which the securities of the Company trade, but stock options issued to investor relations consultants must vest in stages over not less than 12 months.

All other Awards must not vest until at least 12 months from the date of grant of such Award.

#### *Shareholder Approval of the Equity Incentive Plan*

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, a resolution (the "**Equity Incentive Plan Resolution**") confirming and approving the Equity Incentive Plan. The full text of the Equity Incentive Plan Resolution is set out below:

#### **"BE IT RESOLVED THAT:**

1. the equity incentive plan of the Company attached as Schedule "A" to the management information circular dated June 19, 2023 of the Company be, and the same hereby is, confirmed and approved as the equity incentive plan of the Company; and
2. any one or more of the directors or officers of the Company is authorized and directed, upon the board of directors of the Company resolving to give effect to this resolution, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things that may be necessary or desirable to give effect to the resolution."

In order to be passed, the Equity Incentive Plan Resolution requires the approval of a majority of the votes cast thereon by shareholders of the Company present in person or represented by proxy at the Meeting. **The Board unanimously recommends that shareholders vote in favour of the Equity Incentive Plan Resolution. The persons named in the form of proxy accompanying this Circular intend to vote FOR the Equity Incentive Plan Resolution, unless the shareholder of the Company who has given such proxy has directed that the Common Shares represented by such proxy be voted against the Equity Incentive Plan Resolution.**

#### **Other Matters**

Management is not aware of any matter to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

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

Other than as set forth herein, management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or an executive officer of the Company at any time since the beginning of the Company's last financial year, any person who is a proposed nominee for election as a director of the Company, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

## STATEMENT OF EXECUTIVE COMPENSATION

The purpose of this section is to describe the compensation of the "Named Executive Officers" of the Company and the directors of the Company in accordance with Form 51-102F6V – Statement of Executive Compensation – Venture Issuers of the Canadian Securities Administrators. "Named Executive Officer" refers to each individual who, during any part of the most recently completed financial year, served as chief executive officer, each individual who, during any part of the most recently completed financial year, served as chief financial officer, and the most highly compensated executive officer, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year. The Named Executive Officers of the Company for the financial year ended December 31, 2022 were Derrick Weyrauch, the President, Chief Executive Officer and a director of the Company, Sara Hills, the Chief Financial Officer, and Neil Pettigrew, Vice President of Exploration.

### Oversight and Description of Director and Named Executive Officer Compensation

The Company has a Compensation Committee that is currently comprised of two independent directors and one non-independent director. The compensation paid by the Company to its NEOs is determined by the Board based on recommendations from the Compensation Committee at the time of engagement of the NEO. Compensation payable to an NEO is subsequently reviewed at the discretion of the Board from time to time. The Compensation Committee evaluates the performance of the NEOs, reviews the Company's cash position and general public market conditions, establishes executive and senior officer compensation and determines the general compensation structure, policies and programs of the Company. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility. In general, a NEO's compensation is comprised of (i) base salary; (ii) share-based awards; and (iii) bonuses.

### Compensation Discussion and Analysis

The Company's compensation philosophy for executive officers follows three underlying principles:

- (a) to provide compensation packages that encourage and motivate performance
- (b) to be competitive with other companies of similar size and scope of operations so as to attract and retain talented executives; and
- (c) to align the interests of its executive officers with the long-term interests of the Company and its shareholders through stock related programs.

When determining compensation policies and individual compensation levels for the Company's executive officers, the Company takes into consideration a variety of factors, including the overall financial and operating performance of the Company, and the Board's overall assessment of:

- (a) each executive officer's individual performance and contribution towards meeting corporate objectives;
- (b) each executive officer's level of responsibility,
- (c) each executive officer's length of service; and
- (d) industry comparable.

In keeping with the Company's philosophy to link senior executive compensation to corporate performance and to motivate senior executives to achieve exceptional levels of performance, the Company has adopted a model that includes both base salary or consulting fees and "at-risk" compensation, comprised of participation in the Company's Stock Option Plan and Restricted Share Unit Plan, as described below and above. In addition, the Company may award performance bonuses based on executives meeting short-term performance milestones.

When determining compensation for the Company's executive officers the Company references the Bedford Consulting Group's annual study on compensation practices in the mining industry which provides a detailed analysis on remuneration of C-Suite executives, Board and Committee members.

### ***Base Salary – Fees***

Base salary and consulting fee levels reflect the fixed component of pay that compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives. Base salaries are reviewed annually to ensure they reflect each respective executive's performance and experience in fulfilling his or her role and to ensure executive retention. Compensation is made up with the provision of stock options (see below for description) and restricted share units. Salary and consulting fee levels will be reviewed and revised as the Company grows.

### ***Share-Based Compensation***

Performance-based incentives are granted by way of security-based compensation awards. The Awards are intended to align executive interests with those of shareholders by tying compensation to share performance and to assist in retention through vesting provisions. Grants of Awards are based on:

- (a) the executive's performance;
- (b) the executive's level of responsibility within the Company;
- (c) the number and exercise price of options previously issued to the executive;
- (d) the difference between the executive's salary and that paid by comparable companies; and
- (e) the overall aggregate total compensation package provided to the executive.

Share-based awards are typically granted on an annual basis in connection with the review of executives' compensation packages. Awards may also be granted to executives upon hire or promotion and as special recognition for extraordinary performance.

### ***Chief Executive Officer Compensation***

The components of the CEO's compensation are the same as those which apply to the other senior executive officers of the Company, namely base salary or consulting fees, stock options and restricted share unit incentives and discretionary performance bonuses (which are subject to targets being achieved). In setting the recommended salary or consulting fees of the CEO, the Company takes into consideration the salaries or fees paid to other chief executive officers in similar industries and in the public company sector, as described above under the heading "Compensation Discussion and Analysis". In setting the salary or fees, performance bonus and long-term incentives for the CEO, the Company evaluates the performance of the CEO in light of his impact on the achievement of the Company's goals and objectives.

### **Director and Named Executive Officer Compensation, Excluding Compensation Securities**

The following table sets forth information concerning all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company, or a subsidiary of the Company, to each Named Executive Officer and director, other than stock options and other compensation securities, for each of the two most recently completed financial years.

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer, commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
<b>Derrick Weyrauch</b> <i>President, CEO &amp; Director</i> <sup>(1)</sup>	2022	275,000	nil	nil	nil	nil	275,000
	2021	275,000	100,000	nil	nil	nil	375,000
<b>Neil Pettigrew</b> <i>VP, Exploration &amp; Director</i> <sup>(2)</sup>	2022	200,000	nil	nil	nil	nil	200,000
	2021	200,000	50,000	nil	nil	nil	250,000
<b>Lawrence Roulston</b> <i>Director</i>	2022	20,000	nil	nil	nil	nil	20,000
	2021	nil	nil	nil	nil	nil	nil
<b>Giovanna Bee Moscoso</b> <i>Director</i>	2022	20,000	nil	nil	nil	nil	20,000
	2021	nil	nil	nil	nil	nil	nil
<b>Peter Lightfoot</b> <i>Director</i>	2022	20,000	nil	nil	nil	nil	20,000
	2021	nil	nil	nil	nil	nil	nil
<b>Sara Hills</b> <i>CFO</i>	2022	68,725	nil	nil	nil	nil	68,725
	2021	19,000	nil	nil	nil	nil	19,000

**Notes:**

- (1) Of this amount, Mr. Weyrauch received \$275,000 during the year in his capacity as President and CEO of the Company and \$Nil in his capacity as director.
- (2) Of this amount, Mr. Pettigrew received \$200,000 during the year in his capacity as VP, Exploration of the Company and \$Nil in his capacity as director.

**Stock Options and Other Compensation Securities**

The following table sets forth certain information in respect of all compensation securities granted or issued to each Named Executive Officer and director by the Company or one of its subsidiaries in the financial year of the Company ended December 31, 2022 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant <sup>(1)</sup>	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
<b>Derrick Weyrauch</b> <sup>(2)</sup> , <i>President, CEO &amp; Director</i>	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant <sup>(1)</sup>	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Neil Pettigrew <sup>(3)</sup> , VP Exploration & Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A
Lawrence Roulston <sup>(4)</sup> , Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A
Peter Lightfoot <sup>(5)</sup> , Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A
Giovanna Bee Moscoso <sup>(6)</sup> , Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A
Sara Hills <sup>(7)</sup> , CFO	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
	RSU	Nil	N/A	N/A	N/A	N/A	N/A

**Notes:**

- (1) Each outstanding stock option of the Company entitles the holder thereof to acquire, upon exercise, one Common Share in the capital of the Company.
- (2) As at December 31, 2022, Mr. Weyrauch held 3,500,000 stock options of the Company entitling him to acquire, upon exercise, the same number of Common Shares of the Company. Of these stock options, all were vested except 333,333 which will vest on Nov. 15, 2023. Mr. Weyrauch held 255,172 RSUs which vest March 15, 2024.
- (3) As at December 31, 2022, Mr. Pettigrew held 2,450,000 stock options of the Company entitling him to acquire, upon exercise, the same number of Common Shares in the capital of the Company. Of these stock options, all were vested except 250,000 which will vest on Nov. 15, 2023. Mr. Pettigrew held 168,965 RSUs which vest March 15, 2024.
- (4) As at December 31, 2022, Mr. Roulston held 1,150,000 stock options of the Company entitling him to acquire, upon exercise, the same number of Common Shares of the Company. Of these stock options, all were vested except 100,000 which will vest on Nov. 15, 2023. Mr. Roulston held 82,759 RSUs which vest March 15, 2024.
- (5) As at December 31, 2022, Mr. Lightfoot held 1,250,000 stock options of the Company entitling him to acquire, upon exercise, the same number of Common Shares of the Company. Of these stock options, all were vested except 100,000 which will vest on Nov. 15, 2023. Mr. Lightfoot held 82,759 RSUs which vest March 15, 2024.
- (6) As at December 31, 2022, Mrs. Bee Moscoso held 800,00 stock options of the Company entitling her to acquire, upon exercise, the same number of Common Shares of the Company. Of these stock options, all were vested except 100,000 which will vest on November 15, 2023. Mrs. Bee Moscoso held 82,759 RSUs which vest March 15, 2024.
- (7) As at December 31, 2022, Ms. Hills held 175,000 stock options of the Company entitling her to acquire, upon exercise, the same number of Common Shares of the Company. Of these stock options, all were vested except 58,333 which will vest on Nov. 15, 2023. Ms. Hills held 136,400 RSUs which vest November 15, 2024.

No compensation securities were exercised by any director or NEO during the financial year ended December 31, 2022, except as disclosed in the following table:



Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date <sup>(1)</sup> (\$)
<b>Derrick Weyrauch</b> <i>President, CEO &amp; Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
<b>Neil Pettigrew</b> <i>VP Exploration &amp; Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
<b>Lawrence Roulston</b> <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
<b>Giovanna Bee Moscoso</b> <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
<b>Peter Lightfoot</b> <i>Director</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A
<b>Sara Hills</b> <i>CFO</i>	N/A	Nil	N/A	N/A	N/A	N/A	N/A

**Notes:**

- (1) Total value on exercise date is calculated by multiplying the number in the column entitled "Number of underlying securities exercised" by the number in the column entitled "Difference between exercise price and closing price on date of exercise".

**Stock Option Plans and Other Incentive Plans**

The Company currently has in place is a "fixed" stock option plan (the "**Stock Option Plan**") and Restricted Share Unit Plan (the "**RSU Plan**"), in which the plans combined reserve 23,300,000 Common Shares, which meets the requirements of the TSX-V and which was adopted by the directors of the Company. The underlying purpose of the Stock Option Plan and RSU Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the plans.

As of the date of the Circular there are 17,185,000 options issued and outstanding under the Stock Option Plan and 2,191,290 RSUs issued and outstanding under the RSU Plan.

**Stock Option Plan**

The following is a summary of the material terms of the Stock Option Plan:

1. The term of any options granted under the Stock Option Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of ten years.

2. The exercise price of any options granted under the Stock Option Plan will be determined by the board of directors, in its sole discretion, but shall not be less than the Market Value of such Shares on the date of the grant.
3. Vesting of options shall be at the discretion of the Board.
4. All options will be non-assignable and non-transferable.
5. No more than (i) 5% of the issued shares may be granted to any one individual in any 12-month period; and (ii) 2% of the issued shares may be granted to a consultant, or an individual performing investor relations activities, in any 12-month period.
6. If the option holder ceases to be a director, employee or consultant of the Company (other than by reason of death or termination for just cause), then the option granted shall expire on no later than the 90th day following the date that the option holder ceases to be a director, employee or consultant of the Company, subject to the terms and conditions set out in the Stock Option Plan. If the option holder is terminated for just cause, the option expires the date of termination. Upon death, the option will expire for a period determined by the administrator which is not earlier than three months and no later than six months after the date of death.
7. The number of shares subject to the Stock Option Plan, in the event of any consolidation, subdivision, conversion or exchange of the Common Shares will be appropriately adjusted by the Board.
8. The Stock Option Plan contains a black-out provision in which the term of the option shall be automatically extended if the expiry date falls within a blackout period given provisions stated in the plan.
9. The Board reserves the right in its absolute discretion to terminate or suspend the Stock Option Plan with respect to all shares in respect of options which have not yet been granted under the Stock Option Plan.

### ***RSU Plan***

The following is a summary of the material terms of the RSU Plan:

1. The Company may from time-to-time grant RSUs to a Participant at such times, in such numbers and on such terms and conditions, consistent with the RSU Plan, as the Board may in its sole discretion determine. Vesting of RSUs shall be at the discretion of the Board.
2. All RSUs will be non-assignable and non-transferable.
3. The aggregate number of Common Shares reserved for issuance from treasury under the RSU Plan alone or when combined with all other security-based compensation arrangements (or grants) of the Company at any point in time must not exceed 10% of the issued Shares, unless shareholder approval is obtained.
4. The aggregate number of Share-based awards granted to any one person (and companies wholly-owned by that person) in any 12-month period under the RSU Plan alone or when combined with all other security-based compensation arrangements (or grants) of the Company must not exceed 5% of the issued Common Shares, unless disinterested shareholder approval is obtained.
5. The aggregate number of Share-based awards granted to any one Eligible Consultant in any 12-month period under the RSU Plan alone or when combined with all other security-based compensation arrangements (or grants) of the Company must not exceed 2% of the issued Common Shares.
6. The aggregate number of Share-based awards granted to Insiders (as a group) in any 12-month period under RSU Plan alone or when combined with all other security-based compensation arrangements (or grants) of

the Company must not exceed 10% of the issued Common Shares, calculated on the date a Share-based award is granted to any Insider, unless disinterested shareholder approval is obtained.

7. In the event of death of the Participant, the Common Shares underlying the unvested RSUs credited to the Participants' account shall vest on the date of death and be issued to the Participants' estate as soon as practicable.
8. In the event of total disability of the Participant, the Common Shares underlying the unvested RSUs credited to the Participants' account shall vest on the earlier of (i) the 60<sup>th</sup> day following the date on which the Participant is determined to be totally disabled and (ii) the vesting date otherwise applicable, and the shares represented by the RSUs held by the Participant shall be issued or cash will be paid, as determined by the Committee, to or for the benefit of the Participant as soon as practicable.
9. As a result of termination without cause, all unvested RSUs credited to the Participant will vest on the date of termination, and the Common Shares represented by RSUs held by the Participant shall be issued or cash will be paid, as determined by the Committee, as soon as practicable. If the unit holder ceases to provide services for any other reason other than death, total disability or termination without cause, all units held by such participant shall be forfeited and cancelled as of the date of termination.
10. The number of Common Shares subject to the RSU Plan, in the event of any consolidation, subdivision, conversion or exchange of the Common Shares will be appropriately adjusted by the Board.
11. The Board reserves the right in its absolute discretion to terminate or suspend the RSU Plan with respect to all Common Shares in respect of RSUs which have not yet been granted under the RSU Plan.

No remuneration payments were made, directly or indirectly, by the Company to its directors or Named Executive Officers during the fiscal year ended December 31, 2022.

### **Employment, Consulting and Management Agreements**

Other than as disclosed and below, no services were provided to the Company during the most recently completed financial year by a director or Named Executive Officer, or any other party who provided services typically provided by a director or Named Executive Officer, pursuant to any employment, consulting or management agreement between the Company and any other party, and the Company has no agreement or arrangement with any director, Named Executive Officer or any other party with respect to any change of control of the Company or any severance, termination or constructive dismissal of any director, Named Executive Officer or any other party, or any incremental payments triggered by any such change of control, severance, termination or constructive dismissal.

#### ***Derrick Weyrauch***

Effective January 2021, the Company entered into an employment agreement with Derrick Weyrauch as President and CEO of the Company. Pursuant to the employment agreement, the Company currently pays Mr. Weyrauch \$275,000 per annum, to be paid monthly in arrears in accordance with the usual compensation practices of the Company.

#### **Termination**

The Company may terminate the employment agreement for Just Cause (as defined in the agreement), without advance notice or further obligation by the Company other than any (a) unpaid Base Salary earned prior to the date of termination, (b) earned but unpaid Incentive for the most recently completed fiscal year, excluding any unvested share portion of such Incentive, (c) any expenses or Benefits-related costs properly incurred and not reimbursed prior to termination, and (d) any vacation pay and time earned, but not taken or paid.

The Company shall be entitled to terminate this agreement without Just Cause or if the Executive resigns for Good Reason (as defined in the agreement) by making a one-time payment to the employee equal to twenty-four (24) times the employee's monthly base salary then in effect plus any earned but unpaid incentive, or expenses or Benefits plus an amount equal to two (2) times of the incentive granted to the employee. Such amount shall be payable in full within ten (10) business days following termination of the agreement. In addition, any options granted to the employee will continue to vest for two (2) years after the Employment End Date if permitted by the TSX-V or, if not so permitted, for one (1) year after the Employment End Date. In addition, the employee will be permitted to participate in the Company's group health plan for two (2) years following termination, In the event extension of benefits is prohibited by the Company health plan, the Company will make an equivalent payment, in cash, to the employee.

#### Change of Control

In the event if there is a change in control and the Company terminates the Employee's services without Just Cause, or the employee resigns with thirty (30) days written notice within twelve (12) months, the Company shall provide the employee with the following:

- (i) the Company, or the successor entity resulting from such Change of Control shall provide the Employee with 100% of the entitlements under the termination for without Just Cause; and
- (ii) notwithstanding any other provision of the Option Plan, all of the Employee's unvested options, (and any other form of equity participation granted, such as Deferred Stock Units or Restricted Share Units) shall vest and be exercisable immediately.

#### ***Neil Pettigrew***

The Company has entered into an employment agreement with Neil Pettigrew as Vice President of Exploration of the Company. Pursuant to the employment agreement, the Company currently pays Mr. Pettigrew \$200,000 per annum, to be paid monthly in arrears in accordance with the usual compensation practices of the Company.

#### Termination

The Company may terminate the employment agreement for Just Cause (as defined in the agreement), without advance notice or further obligation by the Company other than any (a) unpaid Base Salary earned prior to the date of termination, (b) earned but unpaid Incentive for the most recently completed fiscal year, excluding any unvested share portion of such Incentive, (c) any expenses or Benefits-related costs properly incurred and not reimbursed prior to termination, and (d) any vacation pay and time earned, but not taken or paid.

The Company shall be entitled to terminate this agreement without Just Cause or if the Executive resigns for Good Reason (as defined in the agreement) by making a one-time payment to the employee equal to twenty-four (24) times the employee's monthly base salary then in effect plus any earned but unpaid incentive, or expenses or Benefits plus an amount equal to two (2) times of the incentive granted to the employee. Such amount shall be payable in full within ten (10) business days following termination of this agreement. In addition, any options granted to the employee will continue to vest for two (2) years after the Employment End Date if permitted by the TSX-V or, if not so permitted, for one (1) year after the Employment End Date. In addition, the employee will be permitted to participate in the Company's group health plan for two (2) years following termination, In the event extension of benefits is prohibited by the Company health plan, the Company will make an equivalent payment, in cash, to the employee.

#### Change of Control

In the event if there is a change in control and the Company terminates the Employee's services without Just Cause, or the employee resigns with thirty (30) days written notice within twelve (12) months, the Company shall provide the employee with the following:

- (i) the Company, or the successor entity resulting from such Change of Control shall provide the Employee with 100% of his entitlements under the termination for without Just Cause; and
- (ii) notwithstanding any other provision of the Option Plan, all of the Employee's unvested options, (and any other form of equity participation granted, such as Deferred Stock Units or Restricted Share Units) shall vest and be exercisable immediately.

***Sara Hills***

Effective September 1, 2021, the Company entered into an employment agreement with Sara Hills as CFO of the Company. Pursuant to the employment agreement, the Company currently pays Ms. Hills \$3,500 per month plus hourly billings for time spent on additional duties of the Company.

**Recent Significant Events that Affect Compensation**

There have been no significant events that have occurred during the financial year ended December 31, 2022 that have significantly affected compensation to a director or Named Executive Officer.

**Recent Significant Changes to the Company's Compensation Policies**

There have been no significant changes to the Company's compensation policies during the financial year ended December 31, 2022 that could or will have an effect on director or Named Executive Officer compensation.

**Pension Disclosure**

The Company does not provide any form of pension to any of its directors or Named Executive Officers.

Other than as disclosed herein, the Company does not have any pension or retirement plan which is applicable to the NEOs. The Company has not provided compensation, monetary or otherwise, to any person who now or previously has acted as an NEO of the Company, in connection with or related to the retirement, termination or resignation of such person, and the Company has provided no compensation to any such person as a result of a change of control of the Company.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

As of the financial year ended December 31, 2022, the Stock Option Plan and RSU Plan were the only equity compensation plans under which securities were authorized for issuance. The following table sets forth information with respect to the Stock Option Plan and RSU Plan as at the year ended December 31, 2022:

Plan category	Number of securities to be issued upon exercise of outstanding share-based awards	Weighted-average exercise price of outstanding awards	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	
Equity compensation plans approved by securityholders:			
<input type="checkbox"/> Stock Options	17,185,000	\$0.16	3,923,710 <sup>(1)</sup>
<input type="checkbox"/> RSUs	2,191,290	N/A	3,923,710 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	19,376,290	\$0.16	3,923,710

### Notes

- (1) Represents the maximum number of aggregate stock options and RSUs remaining available for future issuance under the current Stock Option Plan and RSU Plan .
- (2) For a description of the material features of the equity compensation plans see "*Particulars Of Matters To Be Acted Upon – Approval of the Equity Incentive Plan*" and "*Statement of Executive Compensation – Stock Option Plans and Other Incentive Plans – Summary of the Stock Option Plan and RSU Plan*".

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, no person proposed to be nominated for election as a director of the Company, nor any associate of any such director, executive officer or proposed nominee, is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries, or indebted to another entity, where such indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, pursuant to a security purchase program of the Company or otherwise.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The term "informed person" as defined in National Instrument 51-102 – *Continuous Disclosure Obligations* means a director or executive officer of the Company, or any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by the person or company as underwriter in the course of a distribution.

To the knowledge of management of the Company, no informed person or nominee for election as a director of the Company, or any associate or affiliate of an informed person or proposed director, has or had any material interest, direct or indirect, in any transaction since the commencement of the Company's financial year ended December 31, 2022, or in any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

## AUDIT COMMITTEE DISCLOSURE

### **Audit Committee**

The audit committee of the Board consists of Lawrence Roulston (Chair), Giovanna Bee Moscoso, and Peter Lightfoot, ("**Audit Committee**") and is responsible for the Company's financial reporting process and the quality of its financial reporting. Each member of the Audit Committee is independent of the Company for the purposes of National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators ("**NI 52-110**"). All of the members of the Audit Committee are considered financially literate for the purposes of NI 52-110.

The Audit Committee is charged with the mandate of providing independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the board of directors, management, and the external auditors and monitor the independence of those auditors. The Audit Committee is also responsible for reviewing the Company's financial strategies, its financing plans and its use of the equity and debt markets.

### **Audit Committee Charter**

The text of the Audit Committee Charter is attached as Schedule "B" to this Circular.

### **Composition, Education and Experience**

Each member of the Audit Committee has adequate education and experience in dealing with financial statements, accounting issues, internal control and other related matters relating to public resource-based companies through the significant experience they have had as directors of other companies, including junior mining companies, and, in particular, the requisite education and experience that have provided the member with:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing 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, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

The following is a description of the relevant education and experience of each member of the Audit Committee.

#### ***Lawrence Roulston***

Lawrence Roulston is a mining professional with over 35 years of diverse hands-on experience. He heads WestBay Capital Advisors, providing business advisory and capital markets expertise to the junior and mid-tier sectors of the mining industry. From 2014 to 2016, he was President of Quintana Resources Capital, which provided resource advisory services for US private investors. Before Quintana, he was a mining analyst and consultant, as well as the editor of "Resource Opportunities", an independent investment publication focused on the mining industry. Prior to this, Lawrence was an analyst or executive with various companies in the resources industry, both majors and juniors. He has graduate-level training in business and holds a B.Sc. in geology and is presently a director of Metalla Royalty and Streaming Ltd., MTB Metals Corp., Thunderstruck Resources Ltd., Silver Hammer Mining Corp. and Enduro Metals Corp.

### ***Giovanna Bee Moscoso***

Mrs. Bee Moscoso is an experienced mining executive with over 28 years of experience, including progressive responsibilities over 25 years at Barrick Gold Corporation, where previously she was a partner, Vice President and Assistant General Counsel. She is currently the Chief Legal Officer for Boart Longyear Group. Mrs. Bee Moscoso has managed legal, regulatory, permitting and contractual matters for various mines in the Americas during exploration, development, operations and mine closures, and held responsibilities for coordinating government and public relations, and developing social outreach programs to foster positive relations with stakeholders, including long-term agreements with indigenous communities and private landowners. and her background also includes providing legal and governance oversight to major mining operations. Mrs. Bee Moscoso graduated *summa cum laude* with the highest GPA of the Law School at the University of Lima, Peru (1992) and obtained her Masters in Law degree at Duke University, U.S.A. (2007). She has been a speaker at various international conferences, sharing her experiences in the resource sector.

### ***Peter Lightfoot***

Dr. Peter C. Lightfoot, P.Geol. has over 30 years of experience in the nickel industry, including 20 years with Inco/Vale, and is an expert on magmatic nickel-cobalt-copper and precious metal ore deposits. Currently, Dr. Lightfoot is a consultant to the global mining industry. In 2016, Peter published the first comprehensive textbook on the Ni-Cu-precious metal ore deposits of the Sudbury Igneous Complex. Also in 2016, he compiled and edited a special volume on gold deposits of China, published in *Ore Geology Reviews*. In 2017, Dr. Lightfoot was appointed as the Hutchinson Visiting Industry Professor at the University of Western Ontario. Peter received his B.A. in Earth Sciences from Oxford in 1980, his M.Sc. degree from the University of Toronto in 1982 and his Ph.D from the Open University (U.K.) in 1985. He completed post-doctoral studies at the University of Toronto and undertook extensive research on the geology and geochemistry of the Noril'sk ore deposits during his tenure as an Adjunct Professor.

### **Audit Committee Oversight**

At no time since the commencement of the year ended December 31, 2022 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

In addition to each member's general business experience, each of the Audit Committee members has the ability to read and understand financial statements and held director and/or officer positions with other reporting issuers in the mineral exploration and mining sector where she/he has been actively involved in financing and fundraising activities.

Each of the Company's Audit Committee members has been a director or officer of one or more public companies in the natural resource sector and as a director has been responsible for approving financial statements. See "*Directorships*" below.

### **Reliance on Certain Exemptions**

At no time since the commencement of the year ended December 31, 2022 has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), subsection 6.1.1(4) (*Circumstances Affecting the Business or Operations of the Venture Issuer*), subsection 6.1.1(5) (*Events Outside Control of Member*), 6.1.1(6) (*Death, Incapacity or Resignation*), or an exemption from the application of NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions).

The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Part 3 (*Composition of Audit Committee*) and Part 5 (*Reporting Obligations*).

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

The Company has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee reviews the engagement of non-audit services as required.



### External Auditor Service Fees

The aggregate fees billed by the Company's external auditor for the fiscal periods ending December 31, 2022 are as follows:

Year Ending	Audit Fees	Audit Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>	Total
December 31, 2021	\$42,500	\$nil	\$ nil	\$ 15,183	\$57,683
December 31, 2022	\$45,000	\$nil	\$ nil	\$ 7,500	\$52,500

#### Notes

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

## CORPORATE GOVERNANCE

### Board of Directors

The Company currently has five directors, three of whom are considered independent. Lawrence Roulston, Peter Lightfoot and Giovanna Bee Moscoso are considered to be independent of the Company for the purposes of NI 58-101. Derrick Weyrauch is an executive officer of the Company, and, accordingly, he is not considered to be independent of the Company for the purposes of NI 58-101, and Neil Pettigrew acts as the Vice President of Exploration for the Company, and is also not considered to be independent of the Company for the purposes of NI 58-101.

The Board believes that it functions independently of management and reviews its procedures on an ongoing basis to ensure that it is functioning independently of management. The independent directors exercise their responsibilities for independent oversight of management and meet independently of management if and when deemed necessary. When conflicts arise, interested parties are precluded from voting on matters in which they may have an interest. In light of the suggestions contained in NP 58-201, the Board convenes meetings, as deemed necessary, of the independent directors, at which non-independent directors and members of management are not in attendance. The Board discharges its responsibilities directly and through the committees of the Board. Each committee of the Board operates under a formal charter or mandate which is reviewed, and updated as necessary. In fulfilling its responsibilities, the Board delegates day-to-day authority to management of the Company, while reserving the ability to review management decisions and exercise final judgement on any matter. In accordance with applicable legal requirements and historical practice, all matters of a material nature are presented by management to the Board for approval.

## Directorships

The following directors of the Company are presently directors of the following other reporting issuers (or the equivalent in a foreign jurisdiction):

Director	Other Reporting Issuer(s)
Derrick Weyrauch	Nortec Minerals Corp.
Lawrence Roulston	Thunderstruck Resources Ltd. MTB Metals Corp. Metalla Royalty & Streaming Ltd. Silver Hammer Mining Corp. Enduro Metals Corp.
Neil Pettigrew	New Klondike Exploration Ltd. Element79 Gold Corp.
Peter Lightfoot	N/A
Giovanna Bee Moscoso	N/A

## Orientation and Continuing Education

Each new director is given an outline of the nature of the Company's business, its corporate strategy, and current issues within the Company. New directors are also required to meet with management of the Company to discuss and better understand the Company's business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company takes steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies that may affect the directors, officers and committee members of the Company as a whole. The Company continually reviews the latest securities rules and policies and is on the mailing list of the TSX-V to receive updates to any of those policies. Any such changes or new requirements are then brought to the attention of the Company's directors either by way of director or committee meetings or by direct communications from management to the directors.

## Ethical Business Conduct

The Board has implemented a written code of ethics (the "Code"), and views good corporate governance as an integral component to the success of the Company. The Code has been filed on SEDAR and is available under the Company's profile at [www.sedar.com](http://www.sedar.com).

Some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities. As such, the Board must comply with the conflict-of-interest provisions of applicable corporate law as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

### **Nomination of Directors**

The Board determines new nominees to the Board, the nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members. The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions. The Company conducts the due diligence, reference and background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required and a willingness to serve. Nominees are interviewed by the Board and are asked to join the Board where consensus regarding the nominee is obtained.

### **Other Board Committees**

The Company has established three (3) committees, presently being the following:

- (a) Audit Committee which reviews quarterly and annual financial statements and management and discussion and analysis, and works with the Company's auditor. The members of this committee are Lawrence Roulston (Chairman), Giovanna Bee Moscoso, and Peter Lightfoot.
- (b) Compensation Committee, which approves management's salaries and expenses. The members of this committee are Derrick Weyrauch, Lawrence Roulston and Peter Lightfoot.
- (c) ESG Committee which provides advice and recommendations with respect to environment, social and governance matters to ensure the Company conducts its activities in an environmentally and socially responsible manner. The members of this committee are Giovanna Bee Moscoso (Chairwoman), Lawrence Roulston and Derrick Weyrauch.

All Board decisions are made by board of director meetings or consent resolutions.

### **Assessments**

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

### **Corporate Disclosure**

The Company has established a policy which sets out the criteria for permitting the disclosure of information about the Company to the public, ensuring that non-publicly disclosed information remains confidential, and ensuring that trading of the Company's securities by directors, officers and employees remains in compliance with applicable securities laws. The policy also provides a procedure to facilitate the receipt, retention, review and resolution of complaints, denunciations and warnings given in any form by any employee or former employee of the Company regarding a questionable event.

The Company feels its corporate disclosure practices are appropriate and effective for the Company and its stage of operations. The Company's method of corporate governance allows the Company to operate efficiently with simple checks and balances that control and monitor management and corporate functions without excessive administrative burden.

### **OTHER MATTERS**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting the shares represented by the Instrument of

Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting by proxy.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Further financial information is provided in the comparative financial statements and the management's discussion and analysis of the Company for its most recently completed financial year ended December 31, 2022 which have been filed on SEDAR. Shareholders may also obtain these documents, without charge, upon request to the Corporate Secretary of the Company or on the Company's website at [www.palladiumoneinc.com](http://www.palladiumoneinc.com).

#### **APPROVAL**

The contents of this Circular and the sending thereof to the shareholders of the Company have been approved by the directors of the Company.

**DATED** at Vancouver, British Columbia as of this 19th of June, 2023.

BY ORDER OF THE BOARD

(signed) "*Derrick Weyrauch*"

President and Chief Executive Officer

## SCHEDULE "A"

### EQUITY INCENTIVE PLAN

#### ARTICLE I

#### DEFINITIONS AND INTERPRETATION

##### 1.1 Definitions

For purposes of this Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) "**Act**" means the *Business Corporations Act* (British Columbia), or its successor, as may be amended from time to time;
- (b) "**Affiliate**" means a company that is an "Affiliate" of the Corporation within the meaning ascribed to such term in Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the Exchange, as may be amended from time to time;
- (c) "**Associate**" means any entity that is an "associate" for the purposes of National Instrument;
- (d) "**Award**" means Options, Restricted Share Units, and/or Deferred Share Units granted to a Participant pursuant to the terms of the Plan;
- (e) "**Award Agreement**" means, individually or collectively, the Option Agreement, Restricted Share Unit Grant Letter, DSU Agreement and/or the employment agreement or consulting agreement pursuant to which an Award is granted, as the context requires;
- (f) "**Black-Out Period**" means, with respect to any person, the period of time when, pursuant to any policies or determinations of the Corporation, securities of the Corporation may not be traded by such person, including any period when such person has material undisclosed information with respect to the Corporation, but excluding any period during which a regulator has halted trading in the Corporation's securities;
- (g) "**Board**" means the board of directors of the Corporation from time to time;
- (h) "**Business Day**" means a day other than a Saturday, Sunday or statutory holiday, when Canadian Chartered banks are generally open for business in Toronto, Ontario or Vancouver, British Columbia, for the transaction of banking business;
- (i) "**Cause**" in respect of a Participant means:
  - (i) the failure or wilful refusal of the Participant to substantially perform his or her material duties and responsibilities, except as such results from the disability of the Participant, that is not cured by the Participant within a reasonable period of written notification thereof to the Participant by the Corporation or, if applicable, an Affiliate of the Corporation;
  - (ii) the failure or wilful refusal of the Participant to substantially perform his or her material duties, obligations and covenants under any non-compete or non-solicit agreement between the Participant and the Corporation or, if applicable, an Affiliate of the Corporation;
  - (iii) the wilful usurping of any material business opportunity by the Participant;

- (iv) any fraudulent or dishonest activity or serious misconduct by the Participant materially affecting the Corporation or, if applicable, an Affiliate of the Corporation, or in circumstances which would make the Participant unsuitable to continue to discharge his or her duties of employment;
- (v) the conviction of the Participant for any crime involving fraud, dishonesty, misrepresentation or breach of trust;
- (vi) any wilful and intentional act on the part of the Participant having the effect of materially injuring the reputation, business or business relationships of the Corporation or, if applicable, an Affiliate of the Corporation; or
- (vii) anything or any things constituting "cause" under applicable laws at the relevant time;

except that if, at the time of such Participant's termination, the Participant is party to an employment, severance, retention or similar contract or agreement with the Corporation or an Affiliate of the Corporation that contains a definition of the term "cause" or a similar term, the term "Cause" shall have the meaning, if any, assigned thereto (or to such similar term) in such contract or agreement;

- (j) **"Change of Control"** means the occurrence of any one or more of the following events:
  - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation and/or any of its Affiliates and another corporation or other entity, as a result of which the holders of Voting Securities prior to the completion of the transaction hold less than 50% of the outstanding Voting Securities of the successor corporation after completion of the transaction;
  - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its Affiliates which have an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Corporation and its Affiliates on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned Affiliate of the Corporation in the course of a reorganization of the assets of the Corporation and its Affiliates;
  - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;
  - (iv) any person, entity or group of persons or entities acting jointly or in concert (an **"Acquiror"**) acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates of the Acquiror and/or Affiliates of the Acquiror to cast or to direct the casting of 50% or more of the votes attached to all of the Corporation's outstanding Voting Securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors);
  - (v) as a result of or in connection with: (A) a contested election of directors, or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation and/or any of its Affiliates and another corporation or other entity (a **"Transaction"**), fewer than 50% of the directors of the Corporation are persons

who were directors of the Corporation immediately prior to such election or Transaction;  
or

- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing, "**Voting Securities**" means Shares and any other shares entitled to vote for the election of directors and shall include any securities, whether or not issued by the Corporation, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- (k) "**Code**" means the United States Internal Revenue Code of 1986, as amended;
- (l) "**Committee**" means the Board or, if the Board so determines in accordance with Section 2.4 of the Plan, the committee of the Board authorized to administer the Plan which includes any compensation committee of the Board;
- (m) "**Corporation**" means Palladium One Mining Inc., a corporation incorporated under the Act, and includes any successor corporation thereof;
- (n) "**Deferred Share Unit**" or "**DSU**" means a notional unit credited by means of a bookkeeping entry on the books of the Corporation pursuant to the Plan, and administered pursuant to the Plan, representing the conditional right of the holder to receive the cash equivalent of one Share, one Share, or a combination thereof, in each case in accordance with the terms and conditions of the Plan;
- (o) "**DSU Agreement**" means a written letter agreement between the Corporation and a Participant evidencing the grant of DSUs and the terms and conditions thereof;
- (p) "**DSU Redemption Notice**" has the meaning ascribed to such term in Section 5.3(a);
- (q) "**Dividend Payment Date**" has the meaning ascribed to such term in Section 4.2;
- (r) "**Eligible Consultant**" means an individual or company, other than an Eligible Employee, Eligible Director, or any Investor Relations Service Provider, that: (i) is engaged to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a distribution of securities or that directly or indirectly promote or maintain a market for the issuer's securities; (ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the company, as the case may be; (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation, provided that the individual does not perform Investor Relations Activities on behalf of the Corporation;
- (s) "**Eligible Director**" means any individual who is a director of the Corporation or an Affiliate of the Corporation from time to time;
- (t) "**Eligible Employee**" means any individual who is a full-time or part-time employee of the Corporation or an Affiliate of the Corporation, including an officer of the Corporation or an Affiliate of the Corporation;

- (u) "**Employer**" in respect of a Participant means the entity which employs or receives services from, as applicable, such Participant, which may be the Corporation or an Affiliate of the Corporation;
- (v) "**Event of Termination**" has the meaning ascribed to such term in Section 4.9(a);
- (w) "**Exchange**" means the TSX Venture Exchange and at any time the Shares are not listed and posted for trading on the TSX Venture Exchange, shall be deemed to mean such other stock exchange or trading platform upon which the Shares trade and which has been designated by the Committee;
- (x) "**Exercise Notice**" means a notice in writing signed by a Participant and stating the Participant's intention to exercise or settle a particular Award, if applicable;
- (y) "**Exercise Price**" means the price per Share to be payable upon the exercise of each such Option issued under this Plan;
- (z) "**Expiry Date**" means, with respect to any Award, the date specified in the applicable Award Agreement as the date on which the Award will be terminated and cancelled or, if later or no such date is specified in the Award, December 31<sup>st</sup> of the calendar year following the end of the Service Year;
- (aa) "**Grant Date**" means the date that the particular Award is granted to a Participant under the Plan, as evidenced by an Award Agreement, and refers also to the date that any additional Award is credited to the Participant;
- (bb) "**Insider**" has the meaning ascribed to such term in Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the Exchange, as may be amended from time to time;
- (cc) "**Investor Relations Activities**" has the meaning ascribed to such term in Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the Exchange, as may be amended from time to time;
- (dd) "**Investor Relations Service Providers**" includes any Eligible Consultant that performs Investor Relations Activities and any Eligible Director or Eligible Employee whose role and duties primarily consist of Investor Relations Activities;;
- (ee) "**Market Value**" means, unless otherwise required by any applicable provision of the Tax Act or any regulations thereunder or by any applicable accounting standard for the Corporation's desired accounting for Awards or by the rules of the Exchange, a price that is determined by the Committee, provided that such price cannot be less than the greater of (i) the volume weighted average trading price of the Shares on the Exchange for the five trading days immediately prior to the Grant Date or (ii) the closing price of the Shares on the Exchange on the trading day immediately prior to the Grant Date
- (ff) "**Option**" means an option granted by the Corporation to a Participant entitling such Participant to acquire a designated number of Shares from treasury at the Exercise Price, but subject to the provisions hereof;
- (gg) "**Option Agreement**" means a written notice from the Corporation to a Participant evidencing the grant of Options and the terms and conditions thereof, substantially in the form as the Committee may approve from time to time;



- (hh) "**Participant**" means each Eligible Employee, Eligible Director and Eligible Consultant to whom Awards are granted and are outstanding hereunder, and excludes Investor Relations Service Providers;
- (ii) "**Plan**" means this equity incentive plan, as may be amended from time to time;
- (jj) "**Restricted Share Unit**" or "**RSU**" means a notional unit credited by means of an entry on the books of the Corporation to a Participant, representing the right to receive on the Vesting Date (a) a fully paid Share, or (b) at the option of the Corporation, a cash payment equal to the Market Value of a Share, in accordance with Sections 4.4 and 4.5;
- (kk) "**Restricted Share Unit Grant Letter**" has the meaning ascribed to such term in Section 4.7;
- (ll) "**Security-Based Compensation Arrangements**" means this Plan and the Corporation's share option plan and restricted share unit plan, as same may be in effect, and amended, from time to time;
- (mm) "**Separation from Service**" has the meaning ascribed to such term in Section 5.3(f);
- (nn) "**Service Year**" has the meaning ascribed to such term in Section 2.7(i);
- (oo) "**Shares**" means the common shares in the capital of the Corporation, as adjusted in accordance with the provisions of Section 7.6 from time to time;
- (pp) "**Tax Act**" means the *Income Tax Act* (Canada) and its regulations thereunder, as amended from time to time;
- (qq) "**Termination Date**" means (i) in the event of a Participant's resignation, the date on which such Participant ceases to be an Eligible Director, an Eligible Employee, or an Eligible Consultant of the Corporation or an Affiliate, (ii) in the event of the termination of the Participant's employment, or position as director, executive or officer of the Corporation or an Affiliate, or Consultant, the effective date of the termination as specified in the notice of termination provided to the Participant by the Corporation or the Affiliate, as the case may be, and (iii) in the event of a Participant's death, on the date of death; provided that, in applying the provisions of the Plan to DSUs, the "Termination Date" shall be the date on which the Participant is neither a director, employee, executive or officer of the Corporation or of any affiliate of the Corporation (as determined for the purposes of paragraph 6801(d) of the Tax Act Regulations), subject to the Participant's minimum statutory entitlements, if any, prescribed by applicable employment or labour standards legislation. For the avoidance of doubt, and except as required by applicable employment standards legislation, no period of notice or pay in lieu of notice that is given or that ought to have been given under applicable law in respect of the termination of a Participant's employment, or position as director, executive or officer of the Corporation or an Affiliate, or Consultant, that follows or is in respect of a period after the Participant's last day of actual and active service or retention shall be considered as extending the Participant's period of service or retention for the purposes of determining their entitlement under the Plan;
- (rr) "**U.S. Participant**" means a Participant who is a citizen of the United States or a resident of the United States, in each case as defined in section 7701(a)(30)(A) and section 7701(b)(1) of the Code and any other Participant whose Restricted Share Units are subject to tax under the Code; and
- (ss) "**Vesting Date**" has the meaning ascribed to such term in Section 2.8.

## **1.2 Headings**

The headings of all articles, sections and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.

## **1.3 Context, Construction**

Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.

## **1.4 References to this Plan**

The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to the Plan as a whole and not to any particular article, section, paragraph or other part hereof.

## **1.5 Canadian Funds**

Unless otherwise specifically provided, all references to dollar amounts in the Plan are references to lawful money of Canada.

# **ARTICLE II**

## **ESTABLISHMENT, PURPOSE, AND ADMINISTRATION OF THE PLAN**

### **2.1 Establishment**

The Corporation hereby establishes the Plan, which shall be adopted and become effective on the date approved by the Board.

### **2.2 Purpose of the Plan**

The Plan provides for the payment of bonus compensation in the form of Shares or, at the option of the Corporation, cash to Participants for the purpose of advancing the interests of the Corporation and its Affiliates through the attraction, retention and motivation of Eligible Employees, Eligible Directors and Eligible Consultants and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Shares by Eligible Employees, Eligible Directors and Eligible Consultants, it being generally recognized that restricted share unit plans aid in attracting, retaining and motivating employees, directors and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation. All Awards granted hereunder shall be in addition to, and not in substitution for or in lieu of, ordinary salary and wages received or receivable by any Participant who is an Eligible Employee or Eligible Director in respect of their services to the Corporation or an Affiliate of the Corporation, as applicable.

### **2.3 Administration of the Plan**

The Plan shall be administered by the Committee and the Committee shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary or desirable in order to comply with the requirements of the Plan, subject in all cases to compliance with regulatory requirements. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants, the Corporation and its Affiliates. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan and all members of the Committee shall, in addition to their rights as directors of the Corporation, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The

appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings, applications and writings as they, in their absolute discretion, consider necessary or desirable for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Corporation and its Affiliates.

#### **2.4 Delegation to Committee**

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board comprised of not less than three (3) directors of the Corporation, including any compensation committee of the Board.

#### **2.5 Record Keeping**

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant; and
- (b) the number and type of Awards granted to each Participant.

#### **2.6 Determination of Participants and Participation**

The Committee shall from time to time determine the Eligible Employees, Eligible Directors and/or Eligible Consultants who may participate in the Plan. The Committee shall from time to time determine the Eligible Employees, Eligible Directors and/or Eligible Consultants to whom Awards shall be granted and the provisions and restrictions with respect to such grant, all such determinations to be made in accordance with the provisions of the Plan, and the Committee may take into consideration the present and potential contributions of, and the services rendered by, the particular Participant to the success of the Corporation and its Affiliates and any other factors which the Committee deems appropriate and relevant. All Eligible Employees, Eligible Directors and Eligible Consultants shall be bona fide Eligible Employees, Eligible Directors and Eligible Consultants, as the case may be. Investor Relations Service Providers cannot receive any security-based compensation other than Options.

#### **2.7 Plan Limit and Limits on Grants**

- (a) This Plan is a "rolling up to 10%" Security-Based Compensation Arrangement under Policy 4.4 – *Security Based Compensation* of the Exchange. The aggregate maximum number of Shares in respect of which Awards may be outstanding at any time under this Plan, when combined with all Shares reserved for issuance under all other Security-Based Compensation Arrangements of the Corporation, shall not exceed 10% of the total number of Shares then outstanding. Any Shares subject to an Award which has been granted under the Plan and which has been cancelled or terminated in accordance with the terms of the Plan prior to such Awards being fully vested will again be available under the Plan.
- (b) The aggregate number of Shares reserved for issuance from treasury under the Plan alone or when combined with all other Share-based awards granted to Insiders (as a group) under the Plan and all other Security-Based Compensation Arrangements of the Corporation at any point in time must not exceed 10% of the issued Shares, unless disinterested shareholder approval is obtained.
- (c) The maximum aggregate number of Shares issuable pursuant to this Plan and all other Security-Based Compensation Arrangements of the Corporation granted or issued in any 12-month period to Insiders, as a group, must not exceed 10% of the total number of Shares then outstanding, unless disinterested shareholder approval is obtained.

- (d) The maximum aggregate number of Shares issuable from treasury pursuant to this Plan and all other Security-Based Compensation Arrangements of the Corporation granted or issued in any 12-month period to any one person (and companies wholly-owned by that person) must not exceed 5% of the total number of Shares then outstanding, unless disinterested shareholder approval is obtained.
- (e) The aggregate number of Share-based awards granted to any one Eligible Consultant in any 12-month period under the Plan alone or when combined with all other Security-Based Compensation Arrangements (or grants) of the Corporation must not exceed 2% of the issued Shares, calculated on the date an Award is granted to the Eligible Consultant.
- (f) The maximum aggregate number of Shares reserved for issuance pursuant to all Options granted in any 12-month period, under this Plan, to all Investor Relations Service Providers and to all other Participants conducting Investor Relations Activities, upon the exercise of Options, shall not exceed, in the aggregate, 2% of the number of Shares then outstanding, calculated on the date any Option is granted. Options granted to Investor Relations Service Providers and to all other Participants performing Investor Relations Activities shall vest in stages over a 12-month period, with no more than  $\frac{1}{4}$  of the Options vesting in any three month period. The Committee shall, through the establishment of appropriate procedures, monitor the trading in the securities of the Corporation by all Option holders performing Investor Relations Activities.
- (g) For purposes of this Section 2.7, the number of issued Shares shall mean the number of Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Award.
- (h) For purposes of this Section 2.7, the aggregate number of securities granted will be calculated with reference to the initial securities granted under such arrangements to a person (who was not previously an Insider of the Corporation or an Affiliate) upon such person becoming an Eligible Director of the Corporation or an Affiliate
- (i) For greater certainty, unless otherwise specified in the applicable Award Agreement, the granting of Awards to any Participant under the Plan in May to December of a calendar year will be awarded solely in respect of performance of such Participant in the same calendar year. Where Awards are granted in January to April of a particular calendar year, such bonus will be awarded solely in respect of performance of such Participant in the calendar year immediately preceding such grant. The calendar year in respect of which the Restricted Share Units are granted is referred to herein as the "**Service Year**".

## 2.8 Vesting

- (a) An Award granted to a Participant for services rendered will entitle the Participant, subject to the Participant's satisfaction of any conditions, restrictions or limitations imposed under the Plan or the applicable Grant Letter, to receive a payment in fully paid Shares or, at the option of the Corporation (in the case of RSUs and DSUs), in cash on the date when the Award is fully vested (the "**Vesting Date**"), which date shall be no later than December 31<sup>st</sup> of the tenth calendar year following the Service Year applicable to the particular Award.
- (b) Subject to the foregoing, the Committee shall, in its sole and absolute discretion, determine any and all conditions to the vesting of any Awards granted to a Participant, which vesting conditions may be based on either or both of time and performance criteria as the Committee may determine in its sole and absolute discretion.
- (c) Restricted Share Units held by a U.S. Participant will become vested on the date on which the applicable vesting conditions have been satisfied or waived, as provided herein, and thus such

Restricted Share Units are not, or are no longer, subject to a "substantial risk of forfeiture" within the meaning of U.S. Treasury Regulation Section 1.409A-1(d). Settlement/payout with respect to Restricted Share Units held by a U.S. Participant will occur no later than March 15<sup>th</sup> of the calendar year following the year in which such Restricted Share Units are no longer subject to a substantial risk of forfeiture, and a U.S. Participant shall not have the ability to influence the calendar year in which settlement/payment occurs.

- (d) Subject to Section 4.9, Awards that are RSUs or DSUs will not fully vest before one year following the applicable Grant Date.
- (e) For greater certainty, Awards granted to a Participant who is an Eligible Employee, Eligible Director or Eligible Consultant must expire within a reasonable period, not exceeding 12 months, following the date that Participant ceases to be an eligible Participant under the Plan. In the event of the death of a Participant, the period during which the Participant heirs or administrators are entitled to make a claim must not exceed one year from the Participant's death.

### **ARTICLE III** **OPTIONS**

#### **3.1 Nature of Options**

An Option is an option granted by the Corporation to a Participant entitling such Participant to acquire a designated number of Shares from treasury at the Exercise Price, subject to the provisions hereof. Participants may be eligible to receive Options as outlined in this Article III.

#### **3.2 Option Awards**

- (a) The Committee shall, from time to time, in its sole discretion, (i) designate the Participants who may receive Options under the Plan, (ii) determine the number of Options, if any, to be granted to each Participant and the Grant Date of each such Option, (iii) determine the Exercise Price of each such Option, (iv) determine the relevant vesting provisions (including performance criteria, if applicable), and (v) determine the Expiry Date, provided that the Award shall be subject to the terms and conditions prescribed in the Plan, in any Award Agreement and any applicable rules of the Exchange.
- (b) All Options granted herein shall vest in accordance with the terms of the Award Agreement entered into in respect of such Options.

#### **3.3 Exercise Price**

The Exercise Price for Shares that are the subject of any Option shall be fixed by the Committee when such Option is granted, but shall not be less than the Market Value of such Shares at the time of the grant. Disinterested shareholder approval will be obtained for any reduction in the Exercise Price if the person granted the Option is an Insider of the Corporation at the time of the proposed amendment.

#### **3.4 Expiry Date; Blackout Period**

Subject to Section 7.2, each Option must be exercised no later than ten years after the Grant Date or such shorter period as set out in the Participant's Option Agreement, at which time such Option will expire. Notwithstanding any other provision of the Plan, each Option that would expire during a Black-Out Period shall expire on the date that is ten business days immediately following the expiration of the Black-Out Period. Disinterested shareholder approval will be obtained for any extension to the Expiry Date if the person granted the Option is an Insider of the Corporation at the time of the proposed amendment.

### **3.5 Option Agreement.**

Each Option must be confirmed by an Option Agreement. The Option Agreement shall contain such terms that the Corporation deems necessary and appropriate and to comply with applicable law. By execution of an Option Agreement by each of the Participant and the Corporation, the Participant and the Corporation shall each represent that the Participant is a bona fide Eligible Employee, Eligible Director, or Eligible Consultant, as the case may be. It will be the joint responsibility of the Participant and the Corporation that the Participant is and will remain a bona fide Eligible Employee, Eligible Director, or Eligible Consultant.

### **3.6 Exercise of Options.**

- (a) Subject to the provisions of the Plan, a Participant shall be entitled to exercise an Option granted to such Participant, subject to vesting limitations which may be imposed by the Committee at the time such Option is granted and set out in the Option Agreement.
- (b) Prior to its expiration or earlier termination in accordance with the Plan, each Option shall be exercisable as to all or such part or parts of the optioned Shares and at such time or times and/or pursuant to the achievement of such performance criteria and/or other vesting conditions as the Committee may determine in its sole discretion.
- (c) No fractional Shares will be issued upon the exercise of Options granted under the Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, or from an adjustment pursuant to Section 7.6, such Participant will only have the right to acquire the next lowest whole number of Shares and will receive a cash payment equal to the in-the-money value, if any, of such fractional Shares.

### **3.7 Method of Exercise and Payment of Exercise Price.**

- (a) Subject to the provisions of the Plan and the alternative exercise procedures set out herein, an Option granted under the Plan may be exercisable (from time to time as provided in Section 3.6 hereof) by the Participant (or by the liquidator, executor or administrator, as the case may be, of the estate of the Participant) by delivering an Exercise Notice substantially in the form to be attached as a schedule to the Award Agreement to the Corporation in the form and manner determined by the Committee from time to time, together with a bank draft, certified cheque or other form of payment acceptable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Options and any applicable tax withholdings.
- (b) No share certificates shall be issued and no person shall be registered in the share register of the Corporation as the holder of Shares until actual receipt by the Corporation of an Exercise Notice, payment for the Shares to be purchased and satisfaction of any tax withholding requirements.
- (c) Subject to Section 3.7(b), upon the exercise of an Option pursuant to Section 3.6 and Section 3.7(a), the Corporation shall, as soon as practicable after such exercise but no later than ten (10) business days following such exercise, forthwith cause the transfer agent and registrar of the Shares to deliver to the Participant (or as the Participant may otherwise direct) such number of Shares as the Participant shall have then paid for and as are specified in such Exercise Notice.
- (d) Subject to the provisions of this Plan, the Committee may, in its sole and absolute discretion and at any time, determine to grant a Participant the alternative right, when entitled to exercise an Option, to elect to deal with such Option on a "cashless exercise" basis, in whole or in part by notice in writing to the Corporation, where the Corporation has an arrangement with a brokerage firm pursuant to which the following events shall occur in the order specified below:
  - (i) the brokerage firm agrees to loan money to the Participant equal to the amount of the Exercise Price of the Options to be exercised;

- (ii) the Participant exercises the Option using the proceeds of the loan referred to in (a) above;
  - (iii) the brokerage firm receives such number of Shares underlying the Options to sell, at the direction of and on behalf of the Participant, the aggregate proceeds of which are sufficient to cover the Exercise Price in order to permit the Participant to repay the loan made to the Participant; and
  - (iv) the Participant receives the balance of the Shares underlying the Options pursuant to such exercise, or cash proceeds from the sale of the balance of the Shares underlying the Options.
- (e) Subject to the provisions of this Plan, the Board may, in its sole and absolute discretion and at any time, determine to permit a Participant (other than an Investor Relations Service Provider) to, when entitled to exercise an Option, elect to exercise such Option through a net exercise mechanism, in whole or in part by notice in writing to the Corporation, such that the Corporation does not receive any cash from the exercise of such Option and the Participant receives, disregarding fractions, only the number of Shares from the exercise of the Option that is equal to the quotient obtained by dividing: (A) the product of the number of Options being exercised and the difference between the Market Value of the underlying Shares and the Exercise Price of the subject Options; by (B) the Market Value of the underlying Shares.

### **3.8 Termination of Employment or Service**

Except as provided for in the Option Agreement or as otherwise determined by the Committee:

- (a) in the event of the death of a Participant or, in the case of a Participant that is an Eligible Consultant which is not an individual, the primary individual providing services to the Corporation or an Affiliate of the Corporation on behalf of the Eligible Consultant, all unvested Options credited to the Participant will vest on the date of death. The Option may be exercised by the Participant's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by the person designated to exercise the Option upon the Participant's death, but only within the time period ending on the earlier of: (i) the date 12 months following the date of death; or (ii) the Expiry Date;
- (b) in the event of the total disability of a Participant, all unvested Options credited to the Participant will vest on the earlier of (i) the 60th day following the date on which the Participant is determined to be totally disabled; and (ii) the date of vesting otherwise provided in the applicable Option Agreement. The Option may be exercised by the Participant only within such period of time ending on the earlier of: (i) the date 12 months following the date on which the Participant is determined to be totally disabled; or (ii) the Expiry Date;
- (c) if a Participant shall cease to be employed by, or provide services to, the Corporation or an Affiliate of the Corporation (and is not or does not continue to be a director or employee thereof) as a result of termination without Cause, all unvested Options credited to the Participant will vest on the Termination Date, and may be exercised by the Participant, but only within such period of time ending on the earlier of: (i) the date 90 days following the date the Participant ceases to be employed by, or provide services to, the Corporation; or (ii) the Expiry Date;
- (d) if the Participant is terminated for Cause, the Option (whether vested or unvested) shall immediately terminate and cease to be exercisable;
- (e) for the avoidance of doubt, subject to applicable laws, no period of notice, if any, or payment instead of notice that is given or that ought to have been given under applicable law, whether by statute, imposed by a court or otherwise, in respect of such termination of employment that follows or is in respect of a period after the date the Participant ceases to be employed by, or provide services to,

the Corporation will be considered as extending the Participant's period of employment for the purposes of determining his or her entitlement under the Plan; and

- (f) the Participant shall have no entitlement to damages or other compensation arising from or related to not receiving any awards that would have settled or vested or accrued to the Participant after the date the Participant ceases to be employed by, or provide services to, the Corporation.

#### **ARTICLE IV** **RESTRICTED SHARE UNITS**

##### **4.1 Grant of Restricted Share Units**

- (a) The Corporation may from time to time grant Restricted Share Units to a Participant at such times, in such numbers and on such terms and conditions, consistent with the Plan, as the Committee may in its sole discretion determine.
- (b) The number of Restricted Share Units awarded will be credited to the Participant's account, effective as of the Grant Date.
- (c) Investor Relations Service Providers are ineligible to receive RSUs.

##### **4.2 Payment of Dividend Equivalents**

Subject to the absolute discretion of the Committee and in accordance with this Section 4.2, the Committee may elect to credit, as a bonus for services rendered in the calendar year containing the payment date for cash dividends paid on Shares (the "**Dividend Payment Date**"), a Participant with additional Restricted Share Units. In such case, the number of additional Restricted Share Units so credited under this Section 4.2 will be equal to (computed to two (2) decimal places) the aggregate amount of dividends that would have been paid to the Participant if the Restricted Share Units in the Participant's account as of the record date for payment of such dividends had been Shares divided by the Market Value of a Share on the Dividend Payment Date.

The additional Restricted Share Units will vest on the Vesting Date of the particular Award to which the additional Restricted Share Units relate and such additional Restricted Share Units will be settled through the delivery of Shares or paid out in cash, at the absolute discretion of the Committee, at the time of settlement/payment of the Restricted Share Units to which they relate. If settled through the delivery of Shares, the additional Restricted Share Units will reduce the numbers of Shares available for issuance from treasury under this Plan.

##### **4.3 Termination of Employment or Service**

Except as provided for in the Restricted Share Unit Grant Letter or as otherwise determined by the Committee:

- (a) in the event of the death of a Participant or, in the case of a Participant that is an Eligible Consultant which is not an individual, the primary individual providing services to the Corporation or an Affiliate of the Corporation on behalf of the Eligible Consultant, all unvested Restricted Share Units credited to the Participant will vest on the date of death. The Shares represented by the Restricted Share Units held by the Participant shall be issued or cash will be paid, as determined by the Committee, to or for the benefit of the Participant's estate as soon as practicable, in accordance with Sections 2.8, 4.4 and 4.5;
- (b) in the event of the total disability of a Participant, all Restricted Share Units credited to the Participant which have not vested prior to the date on which the Participant is determined to be totally disabled will vest on the earlier of (i) the 60th day following the date on which the Participant



is determined to be totally disabled and (ii) the Vesting Date otherwise applicable, and the Shares represented by Restricted Share Units held by the Participant shall be issued or cash will be paid, as determined by the Committee, to or for the benefit of the Participant as soon as practicable, in accordance with Sections 2.8, 4.4 and 4.5;

- (c) if a Participant shall cease to be employed by, or provide services to, the Corporation or an Affiliate of the Corporation (and is not or does not continue to be a director or employee thereof) as a result of termination without Cause, all unvested Restricted Share Units credited to the Participant shall continue to vest in accordance with its terms and may be exercised at any time during the period that terminates on the 30<sup>th</sup> day after the Participant's Termination Date, and the Shares represented by Restricted Share Units held by the Participant shall be issued or cash will be paid, as determined by the Committee, to or for the benefit of the Participant as soon as practicable, in accordance with Sections 2.8, 4.4 and 4.5; and
- (d) if a Participant shall:
  - (i) cease to be a director of the Corporation or an Affiliate of the Corporation (and is not or does not continue to be an employee thereof) for any reason other than death or total disability, or
  - (ii) cease to be employed by, or provide services to, the Corporation or an Affiliate of the Corporation (and is not or does not continue to be a director or employee thereof) for any reason other than death, total disability or termination without Cause,

all Restricted Share Units held by such Participant shall be forfeited and cancelled as of the Termination Date, and the Participant shall have no entitlement to receive any payment in respect of such forfeited Restricted Share Units, or any other amount in respect of such forfeited Restricted Share Units, by way of damages, payment in lieu or otherwise.

#### **4.4 Redemption – Fully Paid Shares to the Participant**

Subject to Sections 4.5 and 6.1, the payment obligation in respect of any vested Restricted Share Units, net of any applicable taxes and other source deductions required to be withheld, will be settled, on the redemption of the Restricted Share Units, with the issue of fully paid Shares from treasury. If, after the issuance of Shares in accordance with this Section 4.4, an amount remains payable in respect of the vested Restricted Share Units being redeemed, the applicable Affiliate of the Corporation shall pay such remaining amount in cash (net of any applicable taxes or other source deductions required to be withheld) to the Participant.

#### **4.5 Redemption – Cash Payment to the Participant**

In the event that the Employer elects to satisfy its payment obligation in cash, on the Vesting Date, the Restricted Share Units shall be redeemed and cash paid to the Participant by the Corporation or the Affiliate of the Corporation that is the Employer of the Participant subject to Section 6.1. The Market Value of the vested Restricted Share Units so redeemed shall, after deduction of any applicable taxes and other source deductions required to be withheld, be paid in cash.

#### **4.6 Adjustment**

For greater certainty, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Restricted Share Units will be granted to a Participant to compensate the Participant for any downward fluctuations in the price of a Share nor will any other form of benefit be conferred upon, or in respect of, a Participant for such a purpose.

Neither the Corporation nor any Affiliate of the Corporation will contribute any amounts to a third party or otherwise set aside any amounts to fund the benefits that will be provided under the Plan. Vested Restricted Share Units represent unfunded and unsecured obligations of the Corporation and a Participant's rights therein are no greater than the rights of general creditors of the Corporation.

#### **4.7 Restricted Share Unit Grant Letter**

Each grant of a Restricted Share Unit under the Plan shall be evidenced by a Restricted Share Unit grant letter to the Participant from the Corporation (a "**Restricted Share Unit Grant Letter**"). Such Restricted Share Unit Grant Letter shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Restricted Share Unit Grant Letter. The provisions of the various Restricted Share Unit Grant Letters issued under the Plan need not be identical.

#### **4.8 Participant Criteria**

The Committee shall establish criteria for the grant of Restricted Share Units to Eligible Employees, Eligible Directors and Eligible Consultants.

#### **4.9 Change of Control**

Notwithstanding anything in this Article IV to the contrary, if there is a Change of Control, and if, at the time of the Change of Control:

- (a) the Participant is an Eligible Employee, and if, within 12 months of the Change of Control, the Corporation terminates the employment or services of such Participant without Cause or if such Participant resigns in circumstances constituting constructive dismissal (each, an "**Event of Termination**"), then all Restricted Share Units outstanding that are held by such Participant shall immediately vest on the date of such Event of Termination notwithstanding the Vesting Date; or
- (b) the Participant is not an Eligible Employee, then all Restricted Share Units outstanding that are held by such Participant shall immediately vest on the date of such Change of Control notwithstanding the Vesting Date.

In any event, upon a Change of Control, Participants shall not be treated any more favourably than shareholders of the Corporation with respect to the consideration that the Participants would be entitled to receive for their Shares.

#### **4.10 Election - Sale of Shares by Broker**

In the event that the payment obligation in respect of vested Restricted Share Units is settled in Shares, a Participant may direct to have the Broker sell such Shares on behalf of the Participant, subject to the Exchange disclosure requirements under Exchange Policy 5.6 – *Normal Course Issuer Bids*.

#### **4.11 Expiry Date**

Notwithstanding any other provision of this Plan, all terms and conditions attaching to any Restricted Share Units shall be such that the Restricted Share Units comply with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act. No payment (in Shares, cash or otherwise) in respect of any Restricted Share Unit shall be made after the Expiry Date.

#### **4.12 Compliance with Code Section 409A**

Restricted Share Units awarded to U.S. Participants under the Plan are intended to be exempt from Code Section 409A by virtue of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if any Restricted Share Unit Grant Letter awarding Restricted Share Units to a U.S. Participant contains provisions that would cause such Restricted Share Units to be subject to Code Section 409A, or if it is otherwise determined that an award of Restricted Share Units to a U.S. Participant fails to satisfy the requirements of the short term deferral rule and is thus deferred compensation subject to Section 409A, then the following rules will apply. To the extent that any amount or benefit that constitutes "deferred compensation" under Section 409A is otherwise payable or distributable to a U.S. Participant solely by reason of the occurrence of a change in control or due to the Participant's disability or "separation from service" (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (a) the circumstances giving rise to such change in control event, disability or separation from service meet the definition of a change in control event, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable proposed or final regulations, or (b) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise. If a U.S. Participant's Restricted Share Unit that is not exempt from Code Section 409A becomes payable or distributable as a result of the U.S. Participant's separation from service, and such U.S. Participant is a "specified employee" within the meaning of Code Section 409A(2)(B) (as determined by the Committee in good faith), such payment or distribution will not occur until the date that is six months after the date of the specified employee's separation from service (or if earlier, upon the specified employee's death).

### **ARTICLE V DEFERRED SHARE UNITS**

#### **5.1 Grant of Deferred Share Units**

- (a) The Corporation may from time to time grant Deferred Share Units to a Participant at such times, in such numbers and on such terms and conditions, consistent with the Plan, as the Committee may in its sole discretion determine.
- (b) The number of Deferred Share Units awarded will be credited to the Participant's account, effective as of the Grant Date.
- (c) For greater certainty, the aggregate of all amounts, each of which may be received by or in respect of a Participant in respect of a DSU, shall depend, at all times, on the Market Value of the Shares at a time within the period that commences one year before such Participant's Termination Date and ends at the time the amount is received.
- (d) For greater certainty, no Participant or any Person with whom such Participant does not deal at arm's length, as determined for the purposes of the Tax Act, shall be entitled, either immediately or in the future, either absolutely or contingently, to receive or obtain any amount or benefit granted or to be granted for the purpose of reducing the impact, in whole or in part, of any reduction in the Market Value of Shares. No DSUs shall be granted hereunder for such purpose.
- (e) Investor Relations Service Providers are ineligible to receive DSUs.

#### **5.2 Award of Dividend Equivalents**

A credited amount may, as determined by the Committee, be awarded in respect of DSUs in a Participant's account on the same basis as cash dividends declared and paid on Shares as if the Participant was a shareholder of record of Shares on the relevant record date. Such amounts, if any, will be credited to the Participant's account in additional DSUs, the number of which shall be equal to a fraction where the numerator is the product of (i) the number of DSUs

in such Participant's account on the date that dividends are paid multiplied by (ii) the dividend paid per Share and the denominator of which is the Market Value of one Share calculated on the date that dividends are paid. Any additional DSUs credited to a Participant's account as a dividend equivalent pursuant to this Section 5.2 shall be subject to the same terms and conditions, including vesting conditions, and time of payment, as the underlying DSU, and such additional DSUs will be settled through the delivery of Shares or paid out in cash, at the absolute discretion of the Committee, at the time of settlement/payment of the DSU to which they relate. If settled through the delivery of Shares, the additional DSUs will reduce the numbers of Shares available for issuance from treasury under this Plan.

### 5.3 Redemption of Deferred Share Units

- (a) Each Participant that holds DSUs shall be entitled to redeem their DSUs on up to two specified dates during the period commencing on the Business Day immediately following his or her Termination Date and ending on December 15th of the first calendar year following such Termination Date, or any shorter redemption period set out in the relevant DSU Agreement, by delivering to the Corporation a written notice of election (the "**DSU Redemption Notice**"), in advance of the applicable Participant's Termination Date and on a date that is not during a Black-Out Period, indicating (a) the Participant's election to have their DSUs redeemed on one or more particular dates, (b) the desired date(s) of settlement, and (c) the number of DSUs desired to be settled on such date(s); provided that such desired date(s) of settlement shall not be permitted to be during a Black-Out Period unless the desired date that is during a Black-Out Period is no less than 30 days following the date of the DSU Redemption Notice delivered by the Participant in question.
- (b) Each DSU shall be settled in the manner set out in the applicable DSU Agreement.
- (c) Subject to Section 5.3(d), settlement of DSUs shall take place as soon as commercially and reasonably possible following the date(s) specified or deemed to be specified in the DSU Redemption Notice, and in all events prior to December 20th of the calendar year following the particular Participant's Termination Date.
- (d) If in the opinion of the Board, a Participant is in possession of material undisclosed information regarding either or both of the Corporation and the Shares on the date specified or deemed to be specified in the DSU Redemption Notice, the settlement of such Participant's DSUs shall be postponed until the earliest of the date on which (i) the Board is satisfied the Participant is no longer in possession of any such material undisclosed information, or (ii) December 20th of the year following the year of the Participant's Termination Date. Notwithstanding the foregoing, in the event that a Participant receives Shares in satisfaction of an Award during a Black-Out Period, the Corporation shall advise such Participant of the same in writing and such Participant shall not be entitled to sell or otherwise dispose of such Shares until such Black-Out Period has expired.
- (e) Notwithstanding any other provision of the Plan:
  - (i) no payment shall be made in respect of a DSU until after the Participant's Termination Date; and
  - (ii) all amounts payable to, or in respect of, a Participant hereunder shall be paid on or before December 31st of the calendar year commencing immediately after the Participant's Termination Date.
- (f) Notwithstanding any other provision of the Plan, the following provisions apply to U.S. Participants:
  - (i) if a U.S. Participant is to be given an ability to elect the time of settlement of his DSUs, such election must be made at the same time and in accordance with the requirements applicable to the DSU Redemption Notice and may only allow the U.S. Participant to choose a time of settlement

that complies with Section 409A of the Code, (ii) for purposes of any payments to be made on a U.S. Participant's Termination Date, such Termination Date must be the date of the U.S. Participant's "separation from service" within the meaning of Section 409A of the Code ("**Separation from Service**") and such payments must be made within 60 days of such U.S. Participant's Termination Date, and (iii) the provisions of Section 5.3(d) shall not apply.

- (g) Notwithstanding anything in the Plan to the contrary, if the DSUs of a U.S. Participant are subject to tax under both the income tax laws of Canada and the income tax laws of the United States, the following special rules regarding forfeiture will apply. For greater clarity, these forfeiture provisions are intended to avoid adverse tax consequences under Code Section 409A and/or under paragraph 6801(d) of the regulations under the Tax Act, that may result because of the different requirements as the time of redemption of DSUs (and thus the time of taxation) with respect to a U.S. Participant's Separation from Service and the U.S. Participant's Termination Date under Canadian tax law. The intended consequence of this Section 5.3(f) is that payments to such U.S. Participant in respect of DSUs will only occur if such U.S. Participant's cessation of services to the Corporation or an Affiliate constitutes both a Separation from Service and a Termination Date. If such a U.S. Participant does not experience both a Separation from Service and a Termination Date such DSUs shall be immediately and irrevocably forfeited.

#### **5.4 Deemed DSU Redemption**

- (a) If a DSU Redemption Notice is not received by the Corporation on or before a Participant's Termination Date or the DSU Redemption Notice does not specify a date or dates within the time period noted in Section 5.3(a), the Participant shall be deemed to have delivered a DSU Redemption Notice specifying the Business Day immediately following his or her Termination Date as the desired date of settlement for all DSUs held thereby.
- (b) Each DSU shall automatically, and without requiring any further action on the part of the holder thereof, be settled on the applicable date specified in the DSU Redemption Notice delivered, or deemed to have been delivered, by the holder thereof to the Corporation.
- (c) Where the settlement of a DSU is made by way of cash, the calculation of the amount to which the holder thereof is entitled shall be made as of the date specified or deemed to be specified in the DSU Redemption Notice. All amounts payable, whether in cash or Shares, shall be net of any applicable withholding taxes or other source deductions.

#### **5.5 DSU Agreements**

DSUs shall be evidenced by a DSU Agreement in such form not inconsistent with the Plan as the Board may from time to time determine. The DSU Agreement shall contain such terms that may be considered necessary in order that the DSU will comply with any provisions respecting deferred share units in the Tax Act (including such terms and conditions so as to ensure that the DSUs granted to Canadian Participants do not constitute a "salary deferral arrangement" as defined in subsection 248(1) of the Tax Act by reason of the exemption in paragraph 6801(d) of the regulations to the Tax Act) or other laws in force in any country or jurisdiction of which the Participant may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

**ARTICLE VI**  
**TAXES**

**6.1 Taxes and Other Source Deductions:**

- (a) The Corporation and its Affiliates shall not be liable for any tax imposed on any Participant as a result of the crediting, holding or redemption of Awards, amounts paid or credited to such Participant, or securities issued or transferred to such Participant under this Plan. It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the period prescribed by such laws. Notwithstanding this Section 6.1, the applicable tax withholdings may be waived where the Participant directs in writing that a payment be made directly to the Participant's registered retirement savings plan in circumstances to which regulation 100(3) of the regulations of the Tax Act apply.
- (b) Any Restricted Share Units that are awarded to a Participant who is a resident of Canada or employed in Canada (each for purposes of the Tax Act) shall be structured so as to be considered to be a plan described in section 7 of the Tax Act or in such other manner to ensure that such award is not a "salary deferral arrangement" as defined in the Tax Act (or any successor to such provisions).
- (c) Notwithstanding any other provision of the Plan, all distributions, delivery of Shares or payments to a Participant (or to the liquidator, executor or administrator, as the case may be, of the estate of the Participant) under the Plan shall be made net of applicable source deductions. The grant of each Award under this Plan is subject to the condition that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such exercise, such exercise is not effective unless such withholding has been effected to the satisfaction of the Corporation. If the event giving rise to the withholding obligation involves an issuance or delivery of Shares, then, with the Committee's approval, the withholding obligation may be satisfied by (i) having the Participant elect to have the appropriate number of such Shares sold by the Corporation, the Corporation's transfer agent and registrar or any trustee appointed by the Corporation, on behalf of and as agent for the Participant as soon as permissible and practicable, with the proceeds of such sale being delivered to the Corporation, which will in turn remit such amounts to the appropriate governmental authorities, or (ii) any other mechanism as may be required or appropriate to conform with local tax and other rules. Notwithstanding any other provision of the Plan, the Corporation shall not be required to issue any Shares or make payments under this Plan until arrangements satisfactory to the Corporation have been made for payment of all applicable tax.
- (d) The sale of Shares by the Corporation, or by a broker, under Section 6.1(c) or under any other provision of the Plan will be made on the Exchange. The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares on his behalf and acknowledges and agrees that (i) the number of Shares sold will be, at a minimum, sufficient to fund the withholding obligations net of all selling costs, which costs are the responsibility of the Participant and which the Participant hereby authorizes to be deducted from the proceeds of such sale; (ii) in effecting the sale of any such Shares, the Corporation or the broker will exercise its sole judgment as to the timing and the manner of sale and will not be obligated to seek or obtain a minimum price; and (iii) neither the Corporation nor the broker will be liable for any loss arising out of such sale of the Shares including any loss relating to the pricing, manner or timing of the sales or any delay in transferring any Shares to a Participant or otherwise.
- (e) The Participant further acknowledges that the sale price of the Shares will fluctuate with the market price of the Shares and no assurance can be given that any particular price will be received upon any sale. The Corporation makes no representation or warranty as to the future market value of the

Shares or with respect to any income tax matters affecting the participant resulting from the grant or exercise of an Award and/or transactions in the Shares. Neither the Corporation, nor any of its directors, officers, employees, shareholders or agents will be liable for anything done or omitted to be done by such person or any other person with respect to the price, time, quantity or other conditions and circumstances of the issuance of Shares under the Plan, with respect to any fluctuations in the market price of Shares or in any other manner related to the Plan.

## **ARTICLE VII** **GENERAL**

### **7.1 Effective Time of the Plan**

The Plan shall become effective upon a date to be determined by the Board.

### **7.2 Suspension, Termination or Amendment of the Plan**

The Board or the Committee, as the case may be, may suspend or terminate the Plan, or any portion thereof, at any time without first obtaining shareholder approval and in its absolute discretion, provided that, without the consent of a Participant, such suspension or termination may not in any manner adversely affect the Participant's rights under any Restricted Share Unit granted under the Plan.

The Board or the Committee may, subject to receipt of requisite regulatory and shareholder approval, make the following amendments to the Plan:

- (a) amendments to increase the maximum number of Shares that may be reserved for issuance from treasury under the Plan;
- (b) amendments to the persons eligible to be granted Restricted Share Units under the Plan;
- (c) amendments to the limitations under the Plan on the number of Restricted Share Units or Share-based awards that may be granted to any one person or any category of persons;
- (d) amendments which would permit Restricted Share Units, or any other right or interest of a Participant under the Plan, to be transferable or assignable, other than for normal estate settlement purposes; and
- (e) amendments to this Section 7.2 of the Plan.

The Board or the Committee may, subject to receipt of requisite regulatory approval, where required, in its sole discretion make all other amendments to the Plan that are not of the type contemplated above, including, without limitation:

- (a) amendments of a "housekeeping" nature, including amendments to fix typographical errors and to clarify existing provisions of the Plan that do not have the effect of altering the scope, nature or intent of such provisions;
- (b) amendments to the vesting provisions of a Restricted Share Unit or the Plan;
- (c) amendments to comply with the rules, policies, instruments and notices of any regulatory authority to which the Corporation is subject, including the Exchange, or to otherwise comply with any applicable law or regulation; and

- (d) amendments to ensure that the Restricted Share Units granted under the Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction of which a Participant to whom a Restricted Share Unit has been granted may from time to time be resident or a citizen.

Any amendment of this Plan shall be such that this Plan and the RSUs or DSUs granted hereunder will not be considered a "salary deferral arrangement" as defined in subsection 248(1) of the Tax Act or any successor provision thereto, by reason of the Plan and the Restricted Share Units continuously meeting the requirements under the exception in paragraph (k) of that definition. Any amendment of this Plan or any Restricted Share Units granted hereunder, in each case with respect to U.S. Participants, will be undertaken in a manner that complies with the requirements for exemption from, or compliance with, Code Section 409A.

### **7.3 Non-Assignable**

No Restricted Share Unit and no other right or interest of a Participant under the Plan is assignable or transferable by any Participant other than pursuant to a will or by the laws of decent and distribution.

### **7.4 Rights as a Shareholder**

No holder of any Restricted Share Units shall have any rights as a shareholder of the Corporation in respect of such Restricted Share Units.

### **7.5 No Contract of Employment**

Nothing contained in the Plan, including the granting of an Award pursuant to the Plan, shall confer or be deemed to confer upon any Participant the right or guarantee to continue in the employment of, or to provide services to, the Corporation or its Affiliates nor interfere or be deemed to interfere in any way with any right of the Corporation or its Affiliates to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in the Plan by a Participant shall be voluntary.

### **7.6 Adjustment in Number of Shares Subject to the Plan**

In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, subject to the approval of the Exchange (other than in the case of consolidation or subdivision), an appropriate adjustment shall be made by the Committee in:

- (a) the number of Shares available under the Plan;
- (b) the exercise price of the Shares subject to Options; and
- (c) the number of Shares subject to any Award.

If the foregoing adjustment shall result in a fractional Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of the Plan.

### **7.7 Reorganization of the Corporation**

The existence of any Awards shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions



attaching thereto or to affect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

#### **7.8 No Representation or Warranty**

Neither the Corporation nor any Affiliate makes any representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

#### **7.9 Compliance with Applicable Law**

If any provision of the Plan or any Award contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction (including the policies of the Exchange), then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

#### **7.10 Compliance with United States Securities Laws**

All Awards and the issuance of Shares underlying such awards issued pursuant to this Plan will be issued pursuant to the registration requirements of the United States Securities Act of 1933, as amended, or an exemption from such registration requirements.

#### **7.11 Interpretation**

This Plan shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

## SCHEDULE "B" AUDIT COMMITTEE CHARTER

### *Mandate*

The primary function of the audit committee (the "**Committee**") is to assist the board of directors (the "**Board**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels.

The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control systems and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board.

### *Composition*

The Committee will be comprised of at least three directors as determined by the Board, the majority of whom will be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee. At least one member of the Committee should have accounting or related financial management expertise. All members of the Committee that are not financially literate must work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements. The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders' meeting.

### *Meetings*

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
- (c) Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

### *External Auditors*

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board take appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each yearly audit meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (h) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

### *Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Other*

Review any related-party transactions.