

**SILVER MOUNTAIN MINES INC.**

**NOTICE OF ANNUAL GENERAL MEETING  
OF  
VOTING SECURITY HOLDERS**

**TO BE HELD ON  
SEPTEMBER 17<sup>th</sup>, 2018**

**MANAGEMENT INFORMATION CIRCULAR  
AND  
PROXY STATEMENT**



**SILVER MOUNTAIN MINES INC.**  
**NOTICE OF ANNUAL GENERAL MEETING**  
**September 17, 2018**

**TO THE VOTING SECURITY HOLDERS:**

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Voting Securityholders (being the holders of Class "A" common voting shares (the "**Common Shares**" each a "**Voting Securityholder**") (the "**Meeting**") of SILVER MOUNTAIN MINES INC. (the "**Corporation**") will be held Suite 2200, 250 – 6<sup>th</sup> Avenue SW, Calgary, AB T2P 3H7 on September 17<sup>th</sup>, 2018 at the hour of 9:00 a.m. (Calgary time) for the following purposes, namely:

1. to receive and consider the audited financial statements of the Corporation as at and for the year ended December 31<sup>st</sup>, 2017;
2. to fix the size of the board of directors (the "**Board**") at four (4) members;
3. to elect the directors of the Corporation for the ensuing year
4. to appoint the auditor for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditor;
5. Particulars of the matters referred to above are set forth in the accompanying Management Information Circular and Proxy Statement (the "**Circular**").

Only Voting Securityholders of record at the close of business on August 1<sup>st</sup>, 2018 and Voting Securityholders after such date and prior to the Meeting will be entitled to receive notice of, and to vote at, the Meeting or any adjournments thereof, provided that, to the extent that: (i) a Voting Securityholder has transferred the ownership of any Voting Securities subsequent to such record date; and (ii) the transferee of those Voting Securities produces properly endorsed share certificates, or otherwise establishes that he or she owns the Voting Securities and demands, not later than ten days before the Meeting, that his or her name be included on the Voting Securityholder list before the Meeting, in which case the transferee shall be entitled to vote his or her Voting Securities at the Meeting.

Voting Securityholders may attend the Meeting in person or may be represented at the Meeting by proxy. Voting Securityholders who are unable to attend the Meeting in person and wish to be represented by proxy are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with the Secretary of the Corporation, **c/o TSX Trust Company, 301 - 100 Adelaide Street West, Toronto, Ontario M5H 4H1, or by internet [www.voteproxyonline.com](http://www.voteproxyonline.com), fax (416) 595-9593 or email [tmxproxysupport@tmx.com](mailto:tmxproxysupport@tmx.com) prior to 9:00 a.m., Calgary time**, on September 13<sup>th</sup>, 2018, being at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment thereof. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof. A person appointed as proxy holder need not be a shareholder of the Corporation.

Only Voting Securityholders of record as at the close of business on August 1<sup>st</sup>, 2018 (the "**Record Date**") are entitled to receive notice of the Meeting.

**YOU ARE CAUTIONED THAT THE USE OF THE MAIL TO TRANSMIT PROXIES IS AT EACH YOUR RISK.**

**DATED** at Calgary, Alberta, this August 1, 2018

**By Order of the Board of Directors**

*"Steve Konopelky"*  
President, CEO and Director

## SILVER MOUNTAIN MINES INC.

Annual General Meeting of Voting Securityholders to be held on September 17<sup>th</sup>, 2018

### MANAGEMENT PROXY CIRCULAR

Unless otherwise stated, information contained herein is given as of August 1<sup>st</sup>, 2018

### INFORMATION REGARDING PROXIES AND VOTING AT THE MEETING

#### *Solicitation of Proxies*

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of SILVER MOUNTAIN MINES INC. (the "**Corporation**") for use at the Annual General Meeting of the holders (the "**Voting Securityholders**" or "**Securityholder**" as the case maybe) of Class "A" common voting shares ("**Common Shares**") of the Corporation to be held at Suite 2200, 250 – 6<sup>th</sup> Avenue SW, Calgary, AB T2P 3H7 on September 17<sup>th</sup>, 2018 commencing at 9:00 a.m. (Calgary time) (the "**Meeting**"), for the purposes set forth in the Notice of Annual and Special Meeting (the "**Notice**") accompanying this Management Proxy Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile or oral communication by any member of the board of directors (the "**Board of Directors**" or the "**Board**", as the case may be), officers and regular employees of the Corporation, at no additional compensation. Costs associated with the solicitation of proxies will be borne by the Corporation.

#### *Appointment of Proxy holders*

**The persons named (the "Management Designees") in the enclosed instrument of proxy ("Instrument of Proxy") have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the Securityholder who appoints them. A Security holder has the right to designate a person (whom need not be a Securityholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such Securityholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the Securityholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the Securityholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a Securityholder personally attending at the Meeting and voting his shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation's transfer agent, **c/o TSX Trust Company, 301 - 100 Adelaide Street West, Toronto, Ontario M5H 4H1, or by internet [www.voteproxyonline.com](http://www.voteproxyonline.com), fax (416) 595-9593 or email [tmxproxysupport@tmx.com](mailto:tmxproxysupport@tmx.com) prior to 9:00 a.m.**, Calgary time, on August 17<sup>th</sup>, 2018, being at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

#### *Revocability of Proxy*

A Securityholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Securityholder or by his authorized attorney in writing, or, if the Securityholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with **c/o TSX Trust Company, 2301 - 100 Adelaide Street West, Toronto, Ontario M5H 4H1, or by internet [www.voteproxyonline.com](http://www.voteproxyonline.com), fax (416) 595-9593 or email [tmxproxysupport@tmx.com](mailto:tmxproxysupport@tmx.com) prior to 9:00 a.m.**, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the Securityholder personally attending the Meeting and voting his Common Shares.

#### *Advise to Beneficial Securityholder*

**The information set forth in this section is of significant importance to many Securityholder, as a substantial number of Securityholder do not hold Common Shares in their own name.** Securityholder who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in the Management Information Circular as "**Beneficial Securityholder**") should note that only proxies deposited by Securityholder who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder.

Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Securityholder in advance of Securityholder' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Securityholder in order to ensure that their Common Shares are voted at the meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered Securityholder by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Securityholder and asks Beneficial Securityholder to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxy holder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Securityholder who wish to attend the Meeting and indirectly vote their Common Shares as proxy holder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All reference to Securityholder in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered Securityholder unless specifically stated otherwise.

#### *Voting of Proxies and Exercise of Discretion by Proxy holders*

All Common Shares represented at the Meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the instrument of proxy will be voted in accordance with such instructions. The management designees named in the accompanying instrument of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Voting Security holder appointing him or her on any ballot that may be called for at the Meeting. **In the absence of such direction, such Common Shares will be voted "FOR" the proposed resolutions at the Meetings. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments of or variations to the matters identified in the accompanying Notice and with respect to other matters that may properly be brought before the Meeting.** In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the management designees to vote in accordance with their best judgment on such matters or business. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the accompanying Notice.

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

Except as disclosed in this Management Proxy Circular, none of the directors or senior officers of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted on, other than the election of directors.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

##### *Voting of Voting Securities – General*

The record date for the determination of Voting Securityholders entitled to receive notice of and to vote at the Meeting is August 1, 2018 (the "**Record Date**"). Only Voting Securityholders whose names are entered in the Corporation's register of Voting Securityholders at the close of business on that date and holders of Voting Securities issued by the Corporation after such date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent that: (i) a registered Voting Securityholder has transferred the ownership of any Voting Securities subsequent to the Record Date; and (ii) the transferee of those Voting Securities produces properly endorsed share certificates, or otherwise establishes that he or she owns the Voting Securities and demands, not later than ten days before the Meeting, that his or her name be included on the Voting Securityholder list before the Meeting, in which case the transferee shall be entitled to vote his or her Voting Securities at the Meeting.

The Corporation is authorized to issue an unlimited number of Class "A" Common Shares without par value. On the Record Date, of the Corporation's authorized Common Shares, **48,251,503** Common Shares were issued and outstanding as fully paid and non-assessable.

### *Principal Holders of Voting Securities*

To the knowledge of the directors and senior officers of the Corporation, as at the date hereof, no single voting Securityholder beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the votes attached to the Voting Securities of the Corporation.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### *Named Executive Officers*

During the most recently completed financial year ended December 31<sup>st</sup>, 2017, the Corporation had two Named Executive Officers ("NEO") being: Steve Konopelky, President and Chief Executive Officer ("CEO") of the Corporation, and Stuart Crichton, Chief Financial Officer ("CFO") of the Corporation.

### *Compensation Discussion and Analysis*

The Corporation's executive compensation program is comprised of two primary elements: base salary or consulting fees; and long-term incentive, in the form of participation in the Corporation's stock option plan. Where NEOs receive other perquisites, they reflect competitive practices, business needs and objectives.

The terms of the compensation arrangements for each NEO (other than the CEO) are reviewed by the CEO with the Corporation's Board of Directors. The terms of the CEO's compensation arrangements are reviewed by the Board of Directors in the absence of the CEO. All changes to the compensation arrangements of the NEOs are approved by the Corporation's Board of Directors.

The Corporation has not retained any third party advisors to conduct compensation reviews of its competitors' pay levels and practices. The Corporation has not used a benchmark tool to assess its executive compensation levels.

### *Compensation Elements*

#### 1. Base Salary/ Consulting Fees

Compensation levels are typically negotiated with the candidate for the position prior to his or her selection as an executive officer. Salaries or consulting fees for the executive officers are reviewed annually to reflect external factors such as inflation as well as overall corporate performance. Compensations are reviewed and set by the Compensation Committee.

#### 2. Long-Term Incentive Plan

The Corporation has a Stock Option Plan for the granting of stock options to the directors, officers, employees and consultants of the Corporation. The purpose of granting such stock options is to assist the Corporation in compensating, attracting, retaining and motivating such persons. The allocation of options under the Corporation's Stock Option Plan is determined by the Corporation's Board of Directors which, in determining such allocations, considers such factors as previous grants to individuals, overall company performance, share price performance, the business environment and labour market, the role and performance of the individual in question and, in the case of grants to non-executive directors, the amount of time directed to the Corporation's affairs.

The Corporation believes that participation by the NEOs in the stock option plan aligns the interests of the NEOs with those of the Corporation's securityholders, as the NEOs are rewarded for the Corporation's performance as evidenced by share price appreciation.

1. Base Salary/ Consulting Fees  
Summary Compensation Table

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation, in Canadian dollars, to the Corporation's NEOs during the Corporation's most recently completed financial year.

Name and Principal Position	Year ended Dec. 31	Salary (\$)	Share- based awards <sup>(1)</sup> (\$)	Option- based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$) <sup>(3)</sup>			All other compensation <sup>(5)</sup> (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)	Pension Value <sup>(4)</sup> (\$)		
<b>Steve Konopelky</b> <sup>(5/6)</sup> President and CEO	2017	\$120,000	Nil	Nil	Nil	Nil	Nil	Nil	\$120,000
	2016	\$129,375	Nil	Nil	Nil	Nil	Nil	Nil	\$129,375
	2015	\$157,500	Nil	Nil	Nil	Nil	Nil	Nil	\$157,500
<b>Stuart Crichton</b> <sup>(5/7)</sup> CFO	2017	\$7,865	Nil	Nil	Nil	Nil	Nil	Nil	\$7,865
	2016	\$9,434	Nil	\$475	Nil	Nil	Nil	Nil	\$9,909
	2015	\$13,445	Nil	\$1,425	Nil	Nil	Nil	Nil	\$14,870
<b>Sandra Beaulieu</b> <sup>(5/8)</sup> CFO	2015	\$1,209	Nil	Nil	Nil	Nil	Nil	Nil	\$1,209

**Notes:**

- (1) The Corporation does not currently have any share-based award plans.
- (2) Option-based awards amounts are fair value estimates of options granted during the year, calculated using the Modified Black-Scholes pricing model, whereby the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. The Modified Black-Scholes model is an industry accepted valuation method.
- (3) The Corporation does not currently have any non-equity incentive plans
- (4) The Corporation does not currently have any defined benefit or defined contribution pension plans.
- (5) The value of perquisites and other personal benefits received by each NEO did not, in aggregate, exceed the lesser of \$50,000 or 10% of the total annual salary of the NEO for the financial year.
- (6) Mr. Konopelky is a member of the Corporation's Board; however he did not receive any additional compensation for acting as a director.
- (7) Represents compensation paid to 1888025 Alberta Ltd., a company which is wholly-owned by Mr. Crichton, for services provided to the Corporation following his appointment as CFO on April 22, 2015. The Corporation paid no salary directly to Mr. Crichton.
- (8) Represents compensation paid to Basenji Solutions, a company which is wholly-owned by Ms. Beaulieu, for services provided to the Corporation following her appointment as CFO on July 10, 2014. The Corporation paid no salary directly to Ms. Beaulieu who resigned as CFO in March 2015.

2. Long-Term Incentive Plan Awards for NEOs  
*Outstanding Share-based Awards and Option-based Awards*

The following table sets forth, for each NEO, all option-based and share-based awards outstanding as at December 31<sup>st</sup>, 2017.

Name	Option-based Awards			Share-based Awards <sup>(1)</sup>		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Steve Konopelky	250,000	\$0.05	November 28 <sup>th</sup> , 2018	Nil	Nil	Nil
Stuart Crichton	100,000	\$0.05	April 14 <sup>th</sup> , 2020	Nil	Nil	Nil

**Notes:**

- (1) The Corporation does not currently have any share-based award plans for its NEOs.  
(2) As at December 31<sup>st</sup>, 2017, the market value of the Corporation's Common Shares was \$0.03, based on the closing market price of the Corporation's Common Shares on the TSX Venture Exchange ("TSXV") on December 30<sup>th</sup>, 2017. Accordingly, none of the options granted to the NEOs were "in-the-money" as at December 31<sup>st</sup>, 2017.

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

The following table sets forth, for each NEO, the value vested or earned on all option-based awards, share-based awards, and non-equity incentive plan compensation during the financial year ended December 31<sup>st</sup>, 2017.

Name	Option-based Awards – Value vested during the year (\$)	Share-based Awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – value earned during the year <sup>(2)</sup> (\$)
Steve Konopelky	Nil	Nil	Nil
Stuart Crichton	Nil	Nil	Nil

**Notes:**

- (1) The Corporation does not currently have any share-based award plans.  
(2) The Corporation does not have any non-equity incentive plans.

*Pension and Retirement Plans*

The Corporation does not have in place any pension or retirement plan. The Corporation has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as a NEO of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of a change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with NEO's resulting from the resignation, retirement or the termination of employment of such person.

*Employment Contracts*

The Corporation does have written agreements for the provision of services by Mr. Konopelky in his capacities as President & Chief Executive Officer.

Mr. Konopelky is paid \$120,000 per annum for services provided to the Corporation in his capacity as President and Chief Executive Officer and is set by the Compensation Committee. The amount disclosed in the Summary Compensation Table above reflects the total amount of compensation paid by the Corporation for services provided by Mr. Konopelky. There is compensatory plan or arrangement, with respect to Mr. Konopelky agreement resulting from his resignation, retirement or any other termination of his employment or from a change of his responsibilities following a change in control.

The Corporation does have a written agreement for the provision of services by Mr. Stuart Crichton in his capacity as Chief Financial Officer. For the fiscal year ended December 31<sup>st</sup>, 2017, Mr. Crichton was paid \$7,865 for management services provided to the Corporation. The amount disclosed in the Summary Compensation Table above reflects the total amount of compensation paid by the Corporation for services provided by Mr. Crichton. There is no compensatory plan or arrangement, with respect to Mr. Crichton resulting from his resignation, retirement or any other termination his employment or from a change of his responsibilities following a change in control.

The amounts in the Summary Compensation Table above include the total amount of compensation received from the Corporation, directly and indirectly, by Mr. Konopelky and Mr. Crichton.

*Director Compensation Table*

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation, in Canadian dollars, to the following individuals who were directors of the Corporation for the most recently completed financial year, excluding Mr. Konopelky, who is an NEO of the Corporation and whose respective compensation has been previously disclosed in this Information Circular.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-based awards<sup>(1)</sup> (\$)</b>	<b>Option-based awards<sup>(2)</sup> (\$)</b>	<b>Non-equity incentive plan compensation<sup>(3)</sup> (\$)</b>	<b>Pension value<sup>(4)</sup> (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
James Macintosh <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Daniel Belot <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Rino Vincent Goegan <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) The Corporation does not currently have any share-based award plans for its directors.
- (2) Option-based awards amounts are fair value estimates of options granted during the year, calculated using the Modified Black-Scholes pricing model, whereby the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. The Modified Black-Scholes model is an industry accepted valuation method.
- (3) The Corporation does not currently have non-equity incentive plan compensation for its directors.
- (4) The Corporation does not currently have any defined benefit or defined contribution pension plans for its directors.
- (5) Member of the Corporation's Audit Committee.

*Outstanding Share-based Awards and Option-based Awards to Directors*

The following table sets forth for each director, other than a director that is an NEO, all option-based and share-based awards outstanding at December 31<sup>st</sup>, 2017.

<b>Name</b>	<b>Option-based Awards</b>			<b>Share-based Awards<sup>(1)</sup></b>		
	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options<sup>(2)</sup> (\$)</b>	<b>Number of shares or units of shares that have not vested (#)</b>	<b>Market or payout value of share-based awards that have not vested<sup>(3)</sup> (\$)</b>
James Macintosh	215,000	\$0.05	October 21, 2018	Nil	Nil	Nil
Daniel Belot	115,000	\$0.05	November,28,2018	Nil	Nil	Nil
Rino Vincent Goegan	165,000	\$0.05	November, 28,2018	Nil	Nil	Nil

**Notes:**

- (1) All options granted to the directors during fiscal 2016 have been granted pursuant to the Corporation's Stock Option Plan.
- (2) The Corporation does not currently have any share-based award plans for its Directors.
- (3) As at December 31<sup>st</sup>, 2017, the market value of the Corporation's Common Shares was \$0.03, based on the closing market price of the Corporation's Common Shares on the TSXV on December 31<sup>st</sup>, 2017. Accordingly, none of the options granted to the NEOs were "in-the-money" as at December 31<sup>st</sup>, 2017.



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

The following table sets forth for each director, other than a director that is an NEO, the value vested or earned on all option-based awards, share-based awards and non-equity incentive plan compensation during the financial year ending December 31<sup>st</sup>, 2017.

<b>Name</b>	<b>Option-based Awards – Value vested during the year (\$)</b>	<b>Share-based Awards – Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation – value earned during the year<sup>(2)</sup> (\$)</b>
James Macintosh	Nil	Nil	Nil
Daniel Belot	Nil	Nil	Nil
Rino Vincent Goegan	Nil	Nil	Nil

#### **Notes:**

- (1) The Corporation does not currently have any share-based award plans.
- (2) The Corporation does not have any non-equity incentive plans.

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

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at the end of the Corporation's most recently completed financial year.

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column (1))</b>
Equity compensation plans approved by security holders	945,000	\$0.05	6,079,120
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	945,000	\$0.05	6,079,120

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

None of the directors and officers of the Corporation is or has been indebted to the Corporation at any time during the last completed financial year.

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

Except as disclosed in this Management Proxy Circular, none of the informed persons of the Corporation (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of the Corporation, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the issued shares of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Corporation and none of such persons has any material interest in any transaction proposed to be undertaken by the Corporation that will materially affect the Corporation.

### **MANAGEMENT CONTRACTS**

The Corporation does have in place one (1) management contract between the Corporation and a director and officer and there are management functions of the Corporation that are to a substantial degree performed by this person on behalf of the company (or private companies controlled by them, either directly or indirectly) of the Corporation.

### **CORPORATE GOVERNANCE**

Please see the attached Schedule "A" for information on the Corporation's Corporate Governance (Form 58-101F2).

### **COMPENSATION COMMITTEE**

The Corporation has adopted an internal Compensation Committee. The general function of the Compensation Committee is to review the overall compensation and performance of management, and to review and assist will all major contracts with the Corporation

## AUDIT COMMITTEE

The Corporation is required to have an Audit Committee. The general function of the Audit Committee is to review the overall audit plan and the Corporation's system of internal controls, to review the results of the external audit, and to resolve any potential dispute with the Corporation's auditor.

The Audit Committee Charter is attached as Schedule "B".

The following are the members of the Committee, effective as of August 17, 2018

Steve Konopelky	Non-Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Daniel Belot (Chair)	Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>
Rino Vincent Goegan	Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>
James Macintosh	Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>

### Note:

- (1) Mr. Konopelky is the President and Chief Executive Officer of the Corporation.
- (2) As defined by National Instrument 52-110 ("**NI 52-110**").

### *Relevant Education and Experience*

**Steve Konopelky** has 23 years of business experience, including corporate structures, finance and marketing across various industries. Steve holds a Bachelor's degree from the University of Toronto and also accredited designations in financial, investment and risk management areas.

**Daniel G. Belot**, BA, Director, has over 30 years of extensive financial experience. Dan is currently the CFO of Bow River Energy Ltd, a private oil and natural gas company. Prior to this, he was the CFO of Skope Energy (a public natural gas production company), Petrodorado Energy and was the Vice President Finance, CFO and co-founder of Trafalgar Energy Ltd (a Canadian public oil and natural gas producer). Mr. Belot was also the Vice President Finance and CFO of Baytex Energy Trust. He has previous former relevant experience as an investment and corporate banker. Mr. Belot holds a Bachelor's degree in Economics from the University of Calgary.

**James Macintosh**, B.Sc. is a Director, who brings over 30 years' experience in the mining industry and as a mining analyst. For the past 24 years he has held various executive and directorial positions with numerous public and private companies in Canada and the United States. James is currently President and CEO of Continental Mining and Smelting Limited, an emerging North American gold and silver producer. He spent ten years as the President, COO and a Director of Innovium Media Properties Corp., and sits on the Board and chairs the Audit Committee of GTA Resources and Mining Inc. Mr. Macintosh is also a Director of Continental Mining and Smelting Limited, Atlas Precious Metals Inc. and CircuitMeter Inc. Mr. Macintosh graduated from Queen's University with a B.Sc.(Honours, Geological Sciences) and sits on the Queen's University Geology Council.

**Rino Vincent Goegan** is a retired corporate executive with Canadian Pacific Railways ("**CPR**") with over 35 years of business experience. He led various initiatives for CPR including, National Sales, Contracts Supply, Corporate Strategic Planning, North American Logistics, as well as leading a team to overhaul many of CPR's core operation systems. Vince brings a global business perspective to the Corporation and, since his retirement, has founded his own consulting company with engagements involving a number of major companies across North America.

### *Audit Committee Oversight*

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

### *Pre-Approval Policies and Procedures*

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services.

*External Auditor Service Fees*

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and other fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees</b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees</b>
2017	\$8,878	Nil	Incl.	Nil
2016	\$10,500	Nil	\$1,500	Nil

**Notes:**

- (1) Audit related fees include review of interim financial statements and other related documents.
- (2) Tax fees paid to the Corporation's auditor relate to filing T2 corporate returns.

*Exemption*

The Corporation is a "venture issuer" as defined in NI 52-110 and as such is relying on the exemption in section 6.1 of NI 52-110 from the requirement to comply with the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**PARTICULARS OF MATTERS TO BE ACTED UPON**

*Financial Statements*

The audited financial statements of the Corporation for the year ended December 31<sup>st</sup>, 2017 accompanying this Management Proxy Circular will be placed before the Voting Securityholders at the Meeting for their consideration.

*Election of Directors*

The term of office of each of the present directors expires at the Meeting. Management of the Corporation proposes to nominate the persons named below for election as directors of the Corporation at the Meeting to serve until the next annual meeting of the Voting Securityholders of the Corporation, unless his office is earlier vacated.

Approval of the election of directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Voting Securityholders present in person or by proxy at the Meeting. **Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the election, as directors, of the nominees whose names are set forth below.** In the event that prior to the Meeting, any vacancies occur on the slate of nominees submitted herewith, it is intended that discretionary authority will be granted to vote proxies solicited by or on behalf of management for the election of any other person or persons as directors. Management is not currently aware that any such nominees would not be willing to serve as director if elected.

The following information concerning the proposed nominees has been furnished by each of them:

<b>Name, Residence and Present Office Held</b>	<b>Principal Occupation or Employment</b>	<b>Director Since</b>	<b>Number of Voting Securities Beneficially Owned or Controlled</b>
Steve Konopelky Calgary, Alberta President, CEO and Director	Mr. Konopelky brings a dynamic leadership approach to the company through his 23 years of business experience, including corporate structures, finance and marketing across various industries. He is a founding Director and past President of IC2E International Inc. where he was primarily responsible for the initial acquisition and structuring of IC2E Inc. Prior to IC2E, he was Vice President of a power development company, responsible for business development and marketing and was the Vice President for a private subsidiary of a large insurance company's thermal power division. Steve holds a Bachelors degree from the University of Toronto and also accredited designations in financial, investment and risk management areas.	2008	2,313,175

<u>Name, Residence and Present Office Held</u>	<u>Principal Occupation or Employment</u>	<u>Director Since</u>	<u>Number of Voting Securities Beneficially Owned or Controlled</u>
Daniel Belot Calgary, Alberta Director	Daniel G. Belot, BA, Director, has over 30 years of extensive financial experience. Dan is currently the CFO of Bow River Energy Ltd, a private oil and natural gas company. Prior to this, he was the CFO of Skope Energy (a public natural gas production company), Petrodorado Energy (a public international oil exploration company) and was the Vice President Finance, CFO and co-founder of Trafalgar Energy Ltd (a Canadian public oil and natural gas producer). Mr. Belot was also the Vice President Finance and CFO of Baytex Energy Trust (a Canadian oil and gas energy trust). He has previous former relevant experience as an investment and corporate banker. Mr. Belot holds a Bachelor's degree in Economics from the University of Calgary.	2010	400,000
Rino Vincent Goegan Calgary, Alberta Director	Mr. Goegan is a retired corporate executive with CPR with over 35 years of business experience. He led various initiatives for CPR including, National Sales, Contracts Supply, Corporate Strategic Planning, North American Logistics, as well as leading a team to overhaul many of CPR's core operation systems. Vince brings a global business perspective to the Corporation and, since his retirement, has founded his own consulting company with engagements involving a number of major companies across North America.	2010	180,000
James Macintosh Toronto, Ontario Director	James Macintosh, B.Sc. is a Director, who brings over 30 years' experience in the mining industry and as a mining analyst. For the past 24 years he has held various executive and directorial positions with numerous public and private companies in Canada and the United States. James is currently President and CEO of Continental Mining and Smelting Limited, an emerging North American gold and silver producer. He spent ten years as the President, COO and a Director of Innovium Media Properties Corp., and sits on the Board and chairs the Audit Committee of GTA Resources and Mining Inc. Mr. Macintosh is also a Director of Continental Mining and Smelting Limited, Atlas Precious Metals Inc. and CircuitMeter Inc. Mr. Macintosh was Lead Director and chair of the Audit Committee of Carlisle Goldfields prior to its sale to Alamos Gold. Mr. Macintosh graduated from Queen's University with a B.Sc.(Honours, Geological Sciences) and is on the Queen's University Geology Council	2013	100,000

### *Appointment of Auditors*

Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the reappointment of Meyers Norris Penny LLP, Chartered Accountants, Calgary, Alberta, as auditors of the Corporation, to hold office until the close of the next annual meeting, and further intend to vote that the fixing of the remuneration be a matter left to the Directors of the Corporation. Meyers Norris Penny LLP has been the auditor of the Corporation since 2010.

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

No director or executive officer of the Corporation, any person who has held such a position since the beginning of the Corporation's last financial year or any proposed nominee of the Management for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Corporation's last financial year in matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

### **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

Other than disclosed herein, no director or proposed director of the Corporation is, or has been within the past ten years, a director or officer of any other company that, while such person was acting in that capacity:

- (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days;
- (ii) was subject to an event that resulted, after that individual ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days; or
- (iii) within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

James Macintosh is an officer and director of Innovium Media Properties Corp. ("**Innovium**"). Innovium did not file its financial statements for the year ended December 31, 2010 on time. On May 10, 2011, the British Columbia Securities Commission ("**BCSC**") issued a cease trade order against all officers, directors, insiders and control persons of Innovium as a result of the late filing of its 2010 annual financial statements. The Autorité des Marché Financiers ("**AMF**") issued a similar cease trade order against Innovium on May 20, 2011. As of the date of herein, the aforementioned cease trade orders remain in effect. Innovium's auditors have completed the corporation's 2010 year-end audit and Innovium intends to file its 2010 annual financial statements as soon as the AMF approves them. The matter remains outstanding.

Mr. Macintosh was a director of Acadian Energy Inc. ("**Acadian**"). Acadian was late filing annual financial statements for the year ended December 31, 2010 and interim financial statements for the first quarter ended March 31, 2011. On August 5, 2011, the BCSC issued a cease trade order against Acadian as a result of the late filing of the aforementioned annual and interim financial statements. The OSC issued a similar cease trade order on August 16, 2011. The delay in filing resulted from the qualifying transaction that Acadian undertook between the previous public company York Ridge Lifetech Inc. ("**York Ridge**") and Acadian Energy Holdings Inc. ("**Acadian Holdings**") on March 16, 2011. At that time, Acadian had filed documents intending to use York Ridge's year end of August 31, 2011, but the company was subsequently informed by the regulators that since the qualifying transaction was considered a reverse takeover, the December 31, 2010 year end of Acadian Holdings had to be used. Acadian subsequently filed the aforementioned annual and interim financial statements on November 8, 2011, and the cease trade orders noted above were subsequently revoked.

Mr. Macintosh served as a Director of the Board of Asia Now Resources Corp. ("**ANR**") from June 2012 to August 2015. Mr. Macintosh served on the ANR board's Special Committee whose mandate it was to evaluate options to maximize shareholder value. After much work and deliberation, the Special Committee determined to that it was in the company's best interests to facilitate a "going private" transaction whereby its majority shareholder and secured debtholder, China Gold Pte. Ltd., would purchase the ANR shares it did not already own. In July 2015, a sufficient number of ANR's minority shareholders voted against this proposal thereby blocking approval of the proposed transaction and ultimately resulting in a default on the secured debt. With the circumstances becoming "politicized" between various shareholder groups, Mr. Macintosh resigned from the ANR board of directors. Subsequently, a receiver was appointed in August 2015 with a view to liquidating ANR's remaining assets. This process is ongoing.

Mr. Belot is a former officer of Skope Energy Inc. and its wholly-owned subsidiary Skope Energy International Inc. (collectively, "**Skope**") which in February 2013 completed a reorganization under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). The purpose of the Plan of Compromise and Arrangement (the "**Plan**") filed under the CCAA by Pine Cliff Energy Inc., was to restructure Skope's debt and to effect a compromise of the claims of all unsecured creditors of Skope. Accordingly, pursuant to the Plan, Skope Energy became a wholly owned subsidiary of Pine Cliff Energy Inc.

### **INDIVIDUAL BANKRUPTCIES**

No director or proposed director of the Corporation 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 the assets of that individual.

## OTHER BUSINESS

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the Securityholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

## GENERAL

Unless otherwise directed, it is management's intention to vote proxies in favor of the resolutions set forth herein. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation's most recently completed financial year is provided in the Corporation's comparative financial statements and management's discussion and analysis available on SEDAR. A Securityholder may contact the Corporation at 223 Riverview Circle S.E. Calgary, Alberta T2C 4K6, Attention: President & Chief Executive Officer, telephone no. 403-229-9140 or fax no. 403-229-9150, to obtain a copy of the Corporation's most recent financial statements and management's discussion and analysis.

## BOARD APPROVAL

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Corporation.

**SCHEDULE "A"**  
**CORPORATE GOVERNANCE POLICY**  
**CORPORATE GOVERNANCE DISCLOSURE (FORM 58-101F2)**

- 1. Board of Directors** — Disclose how the board of directors (the "**Board**") facilitates its exercise of independent supervision over management, including:

(i) the identity of directors that are independent; and

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

*Daniel Belot, Vince Goegan and James Macintosh*

*Steve Konopelky is not independent as he is a, member of the management of the Corporation.*

- 2. Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction identify both the director and the other issuer.

- 3. Orientation and Continuing Education** — Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.

*The Board of the Corporation takes the following measures to ensure that all new directors receive a comprehensive orientation regarding the role of the Board, its committees and its directors, and the nature and operation of the Corporation:*

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

*b. the Corporation is currently drafting a Board policy manual, which will provide a comprehensive introduction to the Board and its committees.*

*The Board takes the following measures to provide continuing education for its directors in order that they maintain the skill and knowledge necessary for them to meet their obligation as directors:*

*a. the Board policy manual will be reviewed on an annual basis and a revised copy will be given to each director; and*

*b. in addition to regularly reporting, there is normally a technical presentation at Board meetings, focusing on either a particular property or a summary of various properties. The question and answer portions of these presentations are a valuable learning resource for the non-technical directors.*

- 4. Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

*The Board of the Corporation has adopted a written code of business conduct & ethics (the "**Code**") for its directors, officers, employees and consultants. As one measure to ensure compliance with the proposed Code, the Board has established a whistleblower policy which details complaint procedures for financial concerns.*

*The Board must comply with the conflict of interest provisions of the Business Corporations Act (Alberta) and Business Corporations Act (British Columbia), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transaction and agreements in respect of which a director or executive officer has a material interest.*

*In addition to the Code, the Board has adopted a communications and corporate disclosure policy, a policy on stock trading and use of material information, and a code of employee conduct to encourage and promote a culture of ethical business conduct.*

**5. Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for Board nomination, including:

- (i) who identifies new candidates, and
- (ii) the process of identifying new candidates.

*In order to identify new candidates for nomination to the Board, the Board of the Corporation considers the advice and input of the entire Board and outside advisors, regarding:*

- a. *the appropriate size of Board, the necessary competencies and skills of the Board as a whole and the competencies and skills of each director individually; and*
- b. *the identification and recommendation of new individuals qualified to become a new Board member. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required and a willingness to serve.*

**6. Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

- (i) who determines compensation; and
- (ii) the process of determining compensation.

*The Board of the Corporation as a whole currently determines the compensation for the Corporation's CEO on the bases of what as a whole the Board feels is suitable, primarily by comparison of the remuneration paid by other reporting issuers that the Board feels are similarly placed within the same business of the Corporation. The Board itself is not compensated.*

**7. Other Board Committees** — If the Board has standing committees other than the audit and compensation identify the committees and describe their function.

*At present, the Board has no other standing committees.*

**8. Assessments** — Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.

*The entire Board will evaluate the effectiveness of the Board, its committees and individual directors. To facilitate this evaluation, each committee will conduct an annual assessment of its performance, consisting of a review of its charter, the performance of the committee as a whole and the performance*



**SCHEDULE "B"**  
**AUDIT COMMITTEE CHARTER**

**1. Mandate**

The audit committee will assist the board of directors (the "**Board**") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the Corporation's business, operations and risks.

**2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Corporation. The audit committee will consist of a minimum of three directors. A majority of the members of the audit committee must not be officers, employees or control persons of the Corporation.

**3. Meetings**

The audit committee shall meet the number of times and at such intervals during each fiscal year as the audit committee considers necessary in order to carry out its duties. The audit committee shall meet at least annually with the Corporation's Chief Financial Officer and external auditors in separate executive sessions.

**4. Roles and Responsibilities**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

*4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report of performing other audit, review or attest services for the Corporation;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

*4.2 Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### 4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

##### *Release of Financial Information*

- (h) where reasonably possible, review and approve all public discourse, including news releases, containing financial information, prior to its release to the public.

#### 4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the audit committee.

##### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

##### *De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

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

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular services;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### *4.5 Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### *4.6 Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

### **5. Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

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