

**KARSTEN ENERGY CORP.**  
328 – 20<sup>th</sup> Avenue West  
Vancouver, British Columbia, V5Y 2C6

Phone: (604) 687-0888

## **INFORMATION CIRCULAR**

(As at August 14, 2017, except as indicated)

Karsten Energy Corp. (the "**Company**") is providing this Information Circular and a form of proxy in connection with management's solicitation of proxies for use at the annual general meeting (the "**Meeting**") of the Company to be held on Thursday, September 28, 2017 and at any adjournments. The Company will conduct its solicitation by mail and officers and employees of the Company may, without receiving special compensation, also telephone or make other personal contact. The Company will pay the cost of solicitation.

### **NOTICE AND ACCESS**

The Company has elected to use the notice and access provisions ("**Notice and Access Provisions**") for the Meeting pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") with respect to the mailing to its registered and non-registered (beneficial) shareholders. The Notice and Access Provisions allow the Company to post proxy-related materials both on SEDAR and a non-SEDAR website, rather than delivering the materials by mail. Shareholders will receive a Notice of Meeting and a form of proxy or voting instruction form and may choose to receive a printed paper copy of the Information Circular.

The Company is not using procedures known as "stratification" in relation to the Notice and Access Provisions. Stratification occurs when a reporting issuer using the Notice and Access Provisions provides a paper copy of the Information Circular to some, but not all, shareholders with the Notice of Meeting.

### **APPOINTMENT OF PROXYHOLDER**

The purpose of a proxy is to designate persons who will vote the proxy on a shareholder's behalf in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the Company (the "**Management Proxyholders**").

**A shareholder has the right to appoint a person other than a Management Proxyholder, to represent the shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.**

### **VOTING BY PROXY**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

**If a shareholder does not specify a choice and the shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

**The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting.** At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

#### **COMPLETION AND RETURN OF PROXY**

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, P.O. Box 4572, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

#### **NON-REGISTERED HOLDERS**

**Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting.** Most shareholders of the Company are "non-registered" shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's, TFSA's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your shares through a broker, you are likely an unregistered holder.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Shares are voted at the Meeting.

The Company is not sending proxy related materials for the Meeting directly to "non objecting beneficial owners" ("**NOBOs**"), as defined in NI 54-101.

In accordance with securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice of Meeting, this Information Circular and the Proxy, to the Nominees for distribution to NOBOs and to "objecting beneficial owners" ("**OBOs**"), as defined in NI 54-101. Management of the Company does not intend to pay for Nominees to forward proxy-related materials and voting instruction forms to OBOs. As a result, OBOs will not receive the Meeting materials unless their nominees assume the cost of delivery.

## REVOCABILITY OF PROXY

Any registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered shareholder, his attorney authorized in writing or, if the registered shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of common shares without par value (the "shares"), of which 11,200,000 shares are issued and outstanding as of August 14, 2017. Persons who are registered shareholders at the close of business on August 14, 2017 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each share held.

To the knowledge of the directors and executive officers of the Company, no person beneficially owns, controls or directs, directly or indirectly, shares carrying 10% or more of the voting rights attached to all shares of the Company, except the following:

<i>Name</i>	<i>No. of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</i>	<i>Percentage of Outstanding Shares</i>
Kay Jessel	2,635,000	23.53%
William McCartney	1,985,000 <sup>(1)</sup>	17.72%

<sup>(1)</sup> Mr. McCartney owns 700,000 of these shares through his corporation, WMC Equities Inc.

## ELECTION OF DIRECTORS

The directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.

The Company is required to have an audit committee. Members of the audit committee are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows:

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</i> <sup>(2)</sup>
<b>Murray Oliver</b> <sup>(1)</sup> Vancouver, BC Canada Director, President and CEO	Self-employed business consultant with MJO Equities Inc., a private company providing corporate finance and administrative management services to private and public companies.	Since November 28, 2012	780,000

<i>Name, Jurisdiction of Residence and Position</i>	<i>Principal Occupation or employment and, if not a previously elected Director, occupation during the past 5 years</i>	<i>Previous Service as a Director</i>	<i>Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</i> <sup>(2)</sup>
<b>William McCartney</b> <sup>(1)</sup> Vancouver, BC Canada Director	President of Pemcorp Management Inc., a private company providing corporate finance and administrative management services to private and public companies.	Since November 28, 2012	1,985,000 <sup>(3)</sup>
<b>Kay Jessel</b> <sup>(1)</sup> Vancouver, BC Canada Director	President of Eurxchange Consulting Ltd., a private company that provides finance and management services.	Since November 28, 2012	2,635,000

<sup>(1)</sup> Member of the audit committee.

<sup>(2)</sup> Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at August 14, 2017 based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.

<sup>(3)</sup> Mr. McCartney owns 700,000 of these shares through his corporation, WMC Equities Inc.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity.

To the knowledge of the Company, no proposed director as described below:

- (a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director, chief executive officer ("**CEO**") or chief financial officer ("**CFO**") of any company (including the Company) that:
  - (i) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, 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 the proposed director; or

- (d) has been subject to 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
- (e) has been subject to any 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 following directors of the Company hold directorships in other reporting issuers as set out below:

<i>Name of Director</i>	<i>Name of Other Reporting Issuer</i>
Murray Oliver	Terrace Energy Corp. Prospero Silver Corp.
William McCartney	Mercer International Inc. Terrace Energy Corp. Golden Valley Mines Ltd.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

William McCartney, Kay Jessel and Dave Dupre are currently the independent directors of the Company as defined by National Instrument 52-110 – *Audit Committees* (“NI 52-110”). Dave Dupre will not be standing for re-election at the Meeting. Independent directors have the responsibility for determining compensation for the directors and senior management. Independent directors determine management compensation, without reference to formal objectives, criteria or analysis. The general objectives of the Company's compensation strategy are to:

- (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value;
- (b) align management's interests with the long-term interest of shareholders;
- (c) provide a compensation package that is commensurate with other junior mineral exploration companies to enable the Company to attract and retain talent; and
- (d) to ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under by virtue of the fact that it is a junior natural resource company without a history of earnings.

Independent directors ensure that total compensation paid to all Named Executive Officers, as hereinafter defined, is fair and reasonable. Independent directors rely on the experience of its members as officers and directors with other junior mining companies in assessing compensation levels.

The Board of Directors has not adopted any formal policies for determining the compensation of the Company's directors and officers. The Board of Directors has not retained any compensation consultants or advisors to assist it in determining compensation for any of the Company's directors or officers.

The Company's Board of Directors has not undertaken a formal analysis of the implications of the risks associated with the Company's compensation policies and practices.

The Company has not adopted a formal policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by directors or officers; however, the Company is not aware of any directors or officers having entered into this type of transaction.

The granting of incentive stock options is the primary component of the Company's executive compensation as it allows the Company to reward each Named Executive Officer's efforts to increase value for shareholders without requiring the Company to use cash from its treasury. Stock options are generally awarded to directors, officers, consultants and employees at the commencement of employment and periodically thereafter.

### **CEO Compensation**

Compensation of the CEO is the same as that which apply to the other senior executive officers of the Company, namely incentive stock option grants. The independent directors present their recommendations to the Board with respect to the CEO's compensation. In setting the recommended compensation of the CEO, the independent directors take into consideration the compensation paid to other chief executive officers in the mining industry and evaluate the performance of the CEO in light of his impact on the achievement of the Company's goals and objectives.

### **Share-based and Option-based awards**

The Company does not grant share-based awards. The independent directors have the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards.

In determining the number of options to be granted to the executive officers, the independent directors take into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants closely align the interests of the executive officers with the interests of shareholders.

In monitoring or adjusting the option allotments, the independent directors take into account their own observations on individual performance (where possible) and their assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers and the Board. In addition to determining the number of options to be granted pursuant to the methodology outlined above, the independent directors also make the following determinations:

- the exercise price for each stock option granted;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board of Directors reviews and approves grants of options on an annual basis and periodically during a financial year.

## Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Company for the three most recently completed financial years of the Company in respect of each of the individuals comprised of each CEO and the CFO who acted in such capacity for all or any portion of the most recently completed financial year, and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at December 31, 2016 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year (collectively the "Named Executive Officers" or "NEOs").

NEO Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Murray Oliver President, CEO	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jennie Choboter, CFO, Corporate Secretary	2016	Nil	Nil	Nil	Nil	Nil	Nil	2,500 <sup>(2)</sup>	2,500
	2015	Nil	Nil	Nil	Nil	Nil	Nil	1,000 <sup>(2)</sup>	1,000
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

<sup>(1)</sup> Paid in respect of accounting services.

## Incentive Plan Awards

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

The following table sets forth information concerning all awards outstanding under incentive plans of the Company (although that compensation does not depend on achieving certain performance goals or similar conditions within a specified period) at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the Named Executive Officers:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)	Number of Shares Or Units Of Shares That Have Not Vested (#)	Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)	Market or Payout Value Of Share-Based Awards Not Paid Out Or Distributed (\$)
Murray Oliver President and CEO	100,000	\$0.10	June 7, 2018	Nil	N/A	N/A	N/A
Jennie Choboter, CFO, Corporate Secretary	50,000	\$0.10	June 7, 2018	Nil	N/A	N/A	N/A

<sup>(1)</sup> Value of options calculated based on the difference between the market value of the Company's common shares at the end of the most recently completed fiscal year, which was \$0.065, and the exercise price of the options.





- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.
- (2) During the most recently completed fiscal year, William McCartney, through his privately controlled company Pemcorp Management Inc., and Kay Jessel, through his privately controlled company Jessel Consulting Inc., were engaged, on behalf of the directors of the Company, to negotiate the terms of an agreement to acquire a new business, complete due diligence on said business, assist the new business with securing its capital requirements, as agreed to by the parties, and to dispose of the Company's mineral property. The Company agreed to pay each of these directors indirectly \$5,000 per month up to September 30, 2016, around which time the Company terminated its agreement to acquire the targeted business.

### Narrative Discussion

Other than amounts already included in the above table, the Company has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Company or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as consultant or expert during the most recently completed financial year or subsequently, up to and including the date of this Information Circular.

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

The following table sets forth information concerning all awards outstanding under incentive plans of the Company (although that compensation does not depend on achieving certain performance goals or similar conditions within a specified period) at the end of the most recently completed financial year, including awards granted before the most recently completed financial year, to each of the Directors who are not Named Executive Officers:

<i>Director Name</i>	<i>Option-Based Awards</i>				<i>Share-Based Awards</i>		
	<i>Number of Securities Underlying Unexercised Options (#)</i>	<i>Option Exercise Price (\$)</i>	<i>Option Expiration Date</i>	<i>Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)</i>	<i>Number of Shares Or Units Of Shares That Have Not Vested (#)</i>	<i>Market or Payout Value Of Share-Based Awards That Have Not Vested (\$)</i>	<i>Market or Payout Value Of Share-Based Awards Not Paid Out Or Distributed (\$)</i>
William McCartney	200,000	\$0.10	June 7, 2018	Nil	N/A	N/A	N/A
Kay Jessel	300,000	\$0.10	June 7, 2018	Nil	N/A	N/A	N/A
Dave Dupre	50,000	\$0.12	Jan. 12, 2020	Nil	N/A	N/A	N/A

- (1) Value of options calculated based on the difference between the market value of the Company's common shares at the end of the most recently completed fiscal year, which was \$0.065, and the exercise price of the options.

### Incentive Plan Awards - Value Vested or Earned During The Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to Directors who are not Named Executive Officers are as follows:

<i>Director Name</i>	<i>Option-Based Awards - Value Vested During The Year <sup>(1)</sup> (\$)</i>	<i>Share-Based Awards - Value Vested During The Year (\$)</i>	<i>Non-Equity Incentive Plan Compensation - Value Earned During The Year (\$)</i>
William McCartney	Nil	N/A	N/A
Kay Jessel	Nil	N/A	N/A
Dave Dupre	Nil	N/A	N/A

- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

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

<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i> <b>(a)</b>	<i>Weighted-average exercise price of outstanding options, warrants and rights</i> <b>(b)</b>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</i> <b>(c)</b>
Equity compensation plans approved by securityholders	750,000	\$0.10	370,000
Equity compensation plans not approved by securityholders	Nil	N/A	N/A
<b>Total</b>	<b>750,000</b>		<b>370,000</b>

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at August 14, 2017, there was no indebtedness outstanding of any current or former director, executive officer or employee of the Company or its subsidiaries which is owing to the Company or its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, no proposed nominee for election as a director of the Company and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or its subsidiaries; or
- (ii) whose indebtedness to another entity 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 its subsidiaries,

in relation to a securities purchase program or other program.

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

Except as set out herein, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a director of the Company and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person or proposed director of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

## **APPOINTMENT OF AUDITORS**

Davidson & Company LLP, Chartered Accountants, of Vancouver, British Columbia, is the auditor of the Company. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Davidson & Company LLP, Chartered Accountants, as the auditor of the Company to hold office for the ensuing year.

## **MANAGEMENT CONTRACTS**

No management functions of the Company or its subsidiaries are performed to any substantial degree by a person other than the Directors or executive officers of the Company or its subsidiaries.

## **AUDIT COMMITTEE**

### **The Audit Committee's Charter**

#### *Mandate*

The primary function of the audit committee (the "Committee") is to assist the Board of Directors 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 system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

#### *Composition*

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company'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 of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### *Meetings*

The Committee shall meet at least twice 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:

#### Documents/Reports Review

- (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.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with 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 of Directors take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each 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.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) 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 revenues 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 of Directors 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.

#### **Composition of the Audit Committee**

The following are the members of the Committee:

Murray Oliver	Not-independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
William McCartney	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Kay Jessel	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

1) As defined by NI 52-110.

#### **Relevant Education and Experience**

The educational background or experience of the following Committee members has enabled each to perform his responsibilities as a Committee member and has 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 as well as 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:

Murray J. Oliver has a B.A. in economics and 25 years of experience as a consultant providing corporate finance and restructuring services, as well as shareholder and media communication, for public and private companies.

Bill McCartney is the President of Pemcorp Management Inc., a private company which provides corporate finance and other advisory services to public companies. He is a director and/or officer of several other publicly reporting companies. Mr. McCartney has been a member of the Institute of Chartered Accountants of British Columbia since 1980.

Kay Jessel is the President of Jessel Consulting Ltd., a private company which provides finance and management services. Mr. Jessel has extensive experience with mergers and acquisitions. Mr. Jessel holds a degree in Economics from Hamburg University.

#### **Audit Committee Oversight**

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

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

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

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

#### **External Auditors Service Fees (By Category)**

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

<i>Financial Year Ending</i>	<i>Audit Fees</i>	<i>Audit Related Fees</i>	<i>Tax Fees</i>	<i>All Other Fees</i>
December 31, 2016	\$5,000	Nil	\$1,000	Nil
December 31, 2015	\$5,000	Nil	\$1,000	Nil

### **Exemption in Section 6.1 of NI 52-110**

The Company is relying on the exemption in Section 6.1 of NI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

### **CORPORATE GOVERNANCE DISCLOSURE**

A summary of the responsibilities and activities and the membership of each of the Committees is set out below.

National Policy 58-201 establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

#### **Independence of Members of Board**

The Company's Board currently consists of four (4) Directors, three (3) of whom are independent based upon the tests for independence set forth in NI 52-110. William McCartney, Kay Jessel and Dave Dupre are independent. Dave Dupre will not be standing for re-election at the Meeting. Murray Oliver is not independent as he is the President and CEO of the Company.

#### **Management Supervision by Board**

The operations of the Company do not support a large Board of Directors and the Board has determined that the current constitution of the Board is appropriate for the Company's current stage of development. Independent supervision of management is accomplished through choosing management who demonstrate a high level of integrity and ability and having strong independent Board members.

#### **Participation of Directors in Other Reporting Issuers**

The participation of the directors in other reporting issuers is described in the table provided under "Election of Directors" in this Information Circular.

#### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. information respecting the functioning of the Board of Directors, committees and copies of the Company's corporate governance policies;
2. access to recent, publicly filed documents of the Company and the Company's internal financial information;
3. access to management and consultant; and
4. a summary of significant corporate and securities responsibilities.

Board members are encouraged to communicate with management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

### **Ethical Business Conduct**

The Board views good corporate governance and ethical business conduct as an integral component to the success of the Company and to meet responsibilities to shareholders. Due to the size of the Company and its present level of activity, the Company has not adopted a Code of Conduct or taken formal steps to encourage or promote a culture of ethical business conduct.

### **Nomination of Directors**

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors.

### **Compensation of Directors and the CEO**

The current independent directors are William McCartney, Kay Jessel and Dave Dupre. These directors have the responsibility for determining compensation for the directors and senior management.

To determine compensation payable, the independent directors review(s) compensation paid for directors and CEOs of companies of similar size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation the independent directors annually review(s) the performance of the CEO in light of the Company's objectives and consider(s) other factors that may have impacted the success of the Company in achieving its objectives.

### **Board Committees**

As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees (other than the audit committee) are not necessary at this stage of the Company's development.

### **Assessments**

The Board annually, and at such other times as it deems appropriate, reviews the performance and effectiveness of the Board, the directors and its committees to determine whether changes in size, personnel or responsibilities are warranted. To assist in its review, the Board conducts informal surveys of its directors, receives an annual report from the Nominating and Corporate Governance Committee on its assessment of the functioning of the Board and reports from each committee respecting its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.



## **Nomination and Assessment**

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and the President. The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions.

## **Expectations of Management**

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

## **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

### **Approval and Ratification of Stock Option Plan**

The Board of Directors of the Company implemented a Stock Option Plan (the "Plan") effective January 30, 2013, which was approved by the TSX Venture Exchange (the "Exchange") and the shareholders of the Company. The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to insiders as a group is 10%, to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Under Exchange policy, all such rolling Stock Option Plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis.

Therefore, at the Meeting, shareholders will be asked to pass a resolution in the following form:

"UPON MOTION IT WAS RESOLVED that the Company approve and ratify, subject to regulatory approval, the Stock Option Plan pursuant to which the Directors may, from time to time, authorize the issuance of options to Directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares being reserved to any one person on a yearly basis."

The purpose of the Plan is to allow the Company to grant options to Directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to ten years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less the applicable discounts, if any, permitted by the policies of the Exchange. Pursuant to the Plan, the Board of Directors may from time to time authorize the issue of options to Directors, officers employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion. The Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

If the optionee ceases to be an eligible person as a result of termination for cause of such optionee by the Company any outstanding option held by such optionee on the date of such termination, whether in respect of option shares that are vested or not, shall be cancelled as of that date. If the optionee ceases to be an eligible person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to his or her termination by the Company other than for cause, or due to his or her voluntary resignation, the option then held by the optionee shall be exercisable to acquire unissued option shares at any time up to but not after the earlier of (i) the expiry date; and (ii) the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the optionee ceases to be an eligible person.

The full text of the Plan is available for viewing up to the date of the Meeting at the Company's offices at 328 – 20<sup>th</sup> Avenue West, Vancouver, British Columbia, V5Y 2C6.

**Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote for the approval and ratification of the Plan.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at (604) 687-0888 to request copies of the Company's financial statements and MD&A.

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year which are filed on SEDAR.

#### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as 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 enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DATED this 14<sup>th</sup> day of August, 2017.

APPROVED BY THE BOARD OF DIRECTORS

"Murray Oliver"

Murray Oliver,

President and Chief Executive Officer