

# **AUDREY CAPITAL CORPORATION**

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Phone: (604) 638-2545**

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## **MANAGEMENT INFORMATION CIRCULAR**

**ANNUAL GENERAL & SPECIAL MEETING OF THE SHAREHOLDERS TO BE  
HELD ON TUESDAY, MAY 23, 2023**

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April 18, 2023

## MANAGEMENT SOLICITATION

This information circular (this “**Circular**”) is being furnished to you in connection with the solicitation of proxies by management of Audrey Capital Corporation (“**we**”, “**us**”, “**Audrey**” or the “**Company**”) for use at the annual general & special meeting of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Company to be held at 10:00 am (Vancouver time) on Tuesday, May 23<sup>rd</sup>, 2023 at the place and for the purposes set forth in the Notice of the Meeting accompanying this Circular (the “**Meeting**”), and at any adjournment of the Meeting. The ISIN of the Company is CA0508131046.

This Circular is being provided by management of the Company to Shareholders of record as of April 18, 2023 (the “**Record Date**”), which is the date that has been fixed by the board of directors of the Company (the “**Board**”) as the record date to determine the Shareholders who are entitled to receive notice of and to vote at the Meeting. We will conduct the solicitation by mail, and our officers, directors and employees may, without receiving special compensation, contact Shareholders by telephone, electronic means, or other personal contact. The cost of solicitation will be borne by the Company. No solicitation will be made by specifically engaged employees or soliciting agents.

The Meeting materials are being sent to both registered and non-registered owners of the Common Shares as of the Record Date in accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to deliver proxy solicitation materials to the beneficial owners of the Common Shares. The Company may pay the reasonable costs incurred by such persons in connection with such delivery.

Under the articles of the Company (the “**Articles**”), quorum is two or more persons present and holding, or representing by proxy, 5% or more of the Common Shares eligible to be voted as of the Record Date for the Meeting. This quorum of shareholders entitled to attend and vote at the Meeting must be present at the Meeting before any action may validly be taken at the Meeting. If such a quorum is not present in person or by proxy, the Company will adjourn and reschedule the Meeting.

Words importing the singular include the plural and *vice versa*. In this Circular, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to “dollars” or “\$” are to Canadian dollars and references to “USD” are to United States dollars.

### Cautionary Statement Regarding Forward-Looking Information

The information provided in this Circular, including exhibits, may contain “forward-looking statements” and/or “forward-looking information” within the meaning of applicable securities legislation (collectively, “forward-looking statements”). Forward-looking statements include statements concerning the Company's current expectations, estimates, projections, assumptions and beliefs, and, in certain cases, can be identified by the use of words such as “potential”, “propose”, “aim”, “depend”, “seeks”, “plans”, “expects”, “is expected”, “budget”, “estimates”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “can”, “could”, “should”, “shall”, “would”, “might” or “will”, “occur” or “be achieved”, or the negative forms of any of these words and other similar expressions.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments as more particularly described in items proposed for approval at the Meeting, as more particularly described in this Circular, including the Company's intentions and plans.

These statements speak only as at the date they are made and are based on information currently available and on the then-current expectations of the Company and/or assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the occurrence and outcome of the Meeting; and

- risks described in this Circular and elsewhere in the Company's public disclosure record

Forward-looking statements reflect the Company's current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Consequently, all forward-looking statements made in this Circular and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Certain historical information contained in this Circular herein has been provided by, or derived from information provided by, third parties. Although the Company does not have any knowledge that would indicate that any such information is untrue, incorrect or incomplete, the Company assumes no responsibility for the accuracy and completeness of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information but which is unknown to the Company.

## GENERAL VOTING INFORMATION

If you are a registered Shareholder and eligible to vote, you can vote your Common Shares in person at the Meeting or by signing and returning the enclosed form of proxy by internet, by phone, or by mail in the return envelope provided. Please see “*Registered Shareholders*” below.

If your Common Shares are not registered in your name but are held by a nominee (usually a bank, trust company, securities broker or other financial institution), please see “*Non-Registered Shareholders*” below.

### Registered Shareholders

#### *Appointment of Proxyholders*

The persons named as proxyholders in the enclosed form of proxy are the Company's directors or officers. **A Shareholder has the right to appoint a person or company (who need not be a Shareholder) in place of the persons named in the form of proxy to attend and act on your behalf at the Meeting. To exercise this right, you must either insert the name of your representative in the blank space provided in the form of proxy and strike out the other names or complete and deliver another appropriate proxy.**

A proxy will not be valid unless it is dated and signed by you or your attorney duly authorized in writing or, if you are a corporation, by an authorized director, officer, or attorney of the corporation and delivery is accompanied by proof of authority to sign on behalf of the corporation.

#### *Voting by Proxy*

The persons named in the enclosed form of proxy will vote or withhold from voting the Common Shares represented by a proxy in accordance with your instructions, provided your instructions are clear. If you have specified a choice on any matter to be acted on at the Meeting, your Common Shares will be voted or withheld from voting accordingly. If you do not specify a choice or where you specify both choices for any matter to be acted on, your Common Shares will be voted in favour of all matters.

**The enclosed form of proxy gives the persons named as proxyholders discretionary authority regarding amendments to or variations of matters identified in the Notice of Meeting and any other matter that may**

**properly come before the Meeting.** As of the date of this Circular, our management is not aware of any such amendment, variation or other matter proposed or likely to come before the Meeting. **However, if any amendment, variation, or other matter properly comes before the Meeting, the persons named in the form of proxy intend to vote on such other business in accordance with their judgment.**

You may indicate the manner in which the persons named in a proxy are to vote on any matter by marking an “X” in the appropriate space. If you wish to give the persons named in a proxy a discretionary authority on any matter described in the form of proxy, then you should leave the space blank. **In that case, the proxyholders nominated by management will vote the Common Shares represented by your proxy in accordance with their judgment.**

### ***Completion and Return of Proxy***

You must deliver a completed proxy to the office of the Company's registrar and transfer agent, **Olympia Trust** (contact information below), or to the Company's registered and records office at the address listed on the cover page of this Circular, by **May 19, 2023** at 10:00 am (Vancouver time), which is not less than 48 hours (Saturdays, Sundays, and holidays excepted) before the scheduled time of the Meeting (or any adjournment, as applicable).

**Mail:** Olympia Trust Company  
PO BOX 128 STN M,  
CALGARY, AB, T2P 2H6

**Email:** PROXY@OLYMPIATRUST.COM

### ***Revocability of Proxy***

If you are a registered Shareholder who has returned a proxy, you may revoke your proxy at any time before it is exercised. In addition to revocation in any other manner permitted by law, a registered Shareholder who has given a proxy may revoke it by either:

- (a) signing a proxy bearing a later date; or
- (b) signing a written notice of revocation in the same manner as the enclosed form of proxy is required to be signed as set out in the notes to the enclosed form of proxy.

The later proxy or the notice of revocation must be delivered to the office of the Company's registrar and transfer agent or to the Company's registered and records office at any time up to and including the last business day before the scheduled time of the Meeting or any adjournment or postponement thereof.

### **Non-Registered Holders**

Only Shareholders whose names appear on our records or validly appointed proxyholders are permitted to vote at the Meeting. However, most Shareholders are “non-registered Shareholders” because their Common Shares are registered in the name of a nominee, such as a brokerage firm, bank, trust company, trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan or a clearing agency such as CDS Clearing and Depository Services Inc. (a “**Nominee**”). If you purchased your shares through a broker, you are likely a non-registered Shareholder.

Non-registered Shareholders who have not objected to their Nominee disclosing certain ownership information about themselves to us are referred to as “**NOBOs**”. Those non-registered Shareholders who have objected to their Nominee disclosing ownership information about themselves to us are referred to as “**OBOs**”.

In accordance with securities regulatory requirements under NI 54-101, we have distributed copies of the materials related to the Meeting directly to NOBOs and to the Nominees for onward distribution to OBOs.

Nominees are required to forward the Meeting materials to each OBO unless the OBO has waived the right to receive them. Management intends to pay for intermediaries to forward to OBOs under NI 54-101 the proxy-related materials, and Form 54-101F7 - *Request for Voting Instructions Made by Intermediary*.

Shares held by Nominees can only be voted in accordance with the instructions of the non-registered Shareholder. Meeting materials sent to non-registered Shareholders who have not waived the right to receive Meeting materials may be accompanied by a voting instructions form (a “VIF”) instead of a form of proxy. By returning the VIF in accordance with the instructions noted on it, a non-registered Shareholder is able to instruct the registered shareholder (or Nominee) how to vote on behalf of the non-registered Shareholder. VIFs, whether provided by the Company or by a Nominee, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit non-registered Shareholders to direct the voting of the shares they beneficially own. Should a non-registered holder who receives a VIF wish to attend the Meeting or have someone else attend on his or her behalf, the non-registered holder may request a legal proxy as set forth in the VIF, which will grant the non-registered holder or his/her nominee the right to attend and vote at the Meeting. Non-registered Shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. **Each non-registered Shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting so that your Nominee has enough time to submit your instructions to us.**

If you are a non-registered Shareholder who wishes to revoke a proxy VIF or to revoke a waiver of your right to receive materials related to the Meeting and to give voting instructions, you must give written instructions to your Nominee in accordance with such Nominee’s instructions.

## **United States Shareholders**

This solicitation of proxies involves securities of a corporation incorporated in Canada and is being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation. Shareholders should be aware that disclosure and proxy solicitation requirements under the securities laws of the provinces of Canada differ from the disclosure and proxy solicitation requirements under United States securities laws. The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia) (the “BCBCA”). Shareholders may not have standing to bring a claim against a foreign corporation or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign corporation and its officers and directors to subject themselves to a judgment by a United States court.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **(1) Financial Statements**

The financial statements of the Company for the period ended December 31, 2022 will be placed before you at the Meeting. No vote is required for this item. A copy of these financial statements, together with the auditor's report thereon, and management's discussion and analysis, were mailed to Shareholders. These financial statements and management discussion and analysis (“MD&A”) are also available for review on SEDAR at [www.sedar.com](http://www.sedar.com) or are available free of charge by phoning 604-638-2545 X102 and providing your mailing address.

### **(2) Number of Directors**

Under the Articles, the number of directors may be fixed or changed from time to time by ordinary resolution but must not be fewer than three. It is proposed to set the number of directors at four. This requires the approval of the Shareholders by an ordinary resolution, which approval will be sought at the Meeting.

The Board and management recommend that you vote “FOR” fixing the number of directors at four. **Unless otherwise instructed, the proxies solicited by management will be voted “FOR” fixing the number of directors of the Company at four (4).**

### **(3) Election of Directors**

There are currently four directors of the Company and four nominees are proposed by management for election at the Meeting. The term of office of each of the nominees proposed for election as a director will expire at the Meeting, and each of them, if elected, will serve until the close of the next annual general meeting, unless he resigns or otherwise vacates office before that time.

**Unless otherwise instructed, the proxies solicited by management will be voted “FOR” the election of the four (4) management nominees as directors of the Company for the ensuing year.**

Management does not expect that any of the nominees will be unable to serve as a director, however, if before the Meeting any vacancies occur in the list of nominees listed below, the person named in a proxy will exercise his or her discretionary authority to vote the Common Shares represented by the proxy for the election of any other person or persons as directors.

#### Management Nominees

Management proposes to nominate the persons named in the table below, each of whom are presently members of the Board, for election as director. The information concerning the proposed nominees has been furnished by each of them as of the date of this Circular:

| <b>Name, Jurisdiction of Residence, and Present Office Held</b> | <b>Director Since</b> | <b>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Direction Is Exercised</b> | <b>Principal Occupation During the Past Five Years</b> |
|---|-----------------------|--|--|
| Ian Slater <sup>(1)</sup><br>Director, CEO & CFO<br>BC, Canada  | March 9, 2021         | 4,000,000 <sup>(2)</sup>   | Chairman, Slater Group                                 |
| Jay Sujir <sup>(1)</sup><br>Director<br>BC, Canada              | April 30, 2021        | 1,000,000 <sup>(3)</sup>   | Partner, Farris LLP                                    |
| Paul Beattie<br>Director<br>Québec, Canada                      | April 30, 2021        | 4,000,000 <sup>(4)</sup>   | President, BT Global Growth Inc.                       |
| Peter Roth <sup>(1)</sup><br>Director<br>BC, Canada             | August 4, 2021        | 400,000  | Partner, Farris LLP                                    |

<sup>(1)</sup> Denotes a member of the Audit Committee

<sup>(2)</sup> These shares are owned indirectly through Slater Capital Corporation

<sup>(3)</sup> These shares are owned indirectly through J Sujir Law Corporation

<sup>(4)</sup> These shares are owned indirectly through BT Global Capital Inc. and BT Advisory Inc.

#### Corporate Cease Trade Orders, Bankruptcy or Penalties and Sanctions

Other than as described below, no proposed nominee for election as a director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

Jay Sujir and Ian Slater were on the board of directors and Ian Slater was an officer of Red Eagle Mining Corporation (“**Red Eagle**”) which is subject to a cease-trade order issued by the British Columbia Securities Commission on November 20, 2018 for failure to file interim financial statements, management’s discussion and analysis, and certification of interim filings for the period ended September 30, 2018.

No proposed nominee for election as a director of the Company, other than as described below, is or has been, within the past 10 years, a director or executive officer of any 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. No proposed director of the Company has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been 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.

Jay Sujir and Ian Slater were on the board of directors and Ian Slater was an officer of Red Eagle which owned and operated the Santa Rosa mine in Colombia. Due to start up issues Red Eagle had difficulty servicing its project debt and the mine was only able to commence commercial production on the basis of forbearances from the secured lenders. In August 2018, Red Eagle obtained a firm commitment from a third party to refinance the debt with substantial concessions and co-operation from the secured lenders, but in October 2018, the third party defaulted on its commitment and as a result, the secured lenders withdrew their forbearances and appointed a receiver-manager over the assets of Red Eagle.

No proposed nominee for election as a director, has been subject to any penalties or sanction 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 has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

#### Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will consider, among other things, the degree of risk to which the Company may be exposed relative to the potential reward and its financial position at that time.

Except as disclosed elsewhere in this Circular, to the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters, and other members of management may from time to time serve as directors, officers, promoters and members of management of other private or public companies, and therefore it is possible that a conflict may arise in respect of their duties as a director, officer, promoter or member of management of such other companies. In addition, the directors of the Company also have other employment or other business or time restrictions placed on them and accordingly will only be able to devote part of their time to the business and affairs of the Company.

#### **(4) Appointment of Auditor**

Effective April 1, 2021, Davidson & Company LLP, Chartered Professional Accountants, located at 1200-609 Granville Street, PO Box 10372 Pacific Centre, Vancouver, BC, was appointed as the auditors to the Company.

The Audit Committee has reviewed the performance of Davidson & Company LLP and recommends the re-appointment of Davidson & Company LLP, as the Company's auditor to hold office until the Company's next annual general meeting.

**Unless otherwise instructed, the proxies solicited by management will be voted “FOR” the appointment of Davidson & Company LLP as the Company's auditor to hold office until the next annual general meeting and that the Board be authorized to fix the remuneration to be paid to the auditor.**

#### **(5) Approval of the amended 10% Rolling Stock Option Plan**

During the year ended December 31, 2022, the Company had in effect a 10% rolling stock option incentive plan (the “**Stock Option Plan**”) pursuant to which it could, from time to time in the Board’s discretion and in accordance with the requirements of the TSX Venture Exchange (the “**Exchange**), grant to Eligible Persons non-transferable options to purchase Common Shares (collectively, “**Stock Options**”) exercisable for periods of up to 10 years from the date of grant.

On November 24, 2021, the Exchange adopted a new policy, Policy 4.4 *Security Based Compensation* (the “**New Policy 4.4**”) governing security-based compensation. The changes to the policy relate to, among other things, the expansion of the policy to cover a number of types of security based compensation in addition to stock options. Subject to approval by shareholders, a number of amendments have been made to the Stock Option Plan in accordance with the New Policy 4.4. These changes include amendments allowing option holders to exercise options on a “cashless exercise” or “net exercise” basis, as now expressly permitted by the New Policy 4.4. For so long as the Company is a capital pool company, the Company is not permitted under the New Policy 4.4 to grant any security based compensation other than stock options.

**At the Meeting, Shareholders will be asked to consider, and if deemed advisable, approve an amended Stock Option Plan, revised to comply with the New Policy 4.4 (the “Amended Plan”). A copy of the Amended Plan is attached as Appendix B.**

An “**Eligible Person**” under the Amended Plan is defined as a director, officer, employee, Management Company Employee (as defined in the New Policy 4.4), or consultant of the Company or its subsidiaries, if any, at the time the option is granted, and includes companies that are wholly owned by Eligible Persons; provided that, until such time as the Company completes a Qualifying Transaction (as defined in Exchange Policy 2.4 *Capital Pool Companies*), an Eligible Person shall be limited to a director, officer or, where applicable securities laws allow, a consultant whose part is required to evaluate the proposed Qualifying Transaction (as defined in Exchange Policy 2.4 *Capital Pool Companies*).

The number of Common Shares subject to each Stock Option, the exercise price (subject to a minimum exercise price equal to the greater of \$0.10 and the Discounted Market Price (as defined by the Exchange)), the expiry time, the extent to which such Stock Option is exercisable, vesting requirements, and other terms and conditions relating to the Stock Option will continue to generally be determined by the Board; Stock Options may continue to have a term of up to ten years and will continue to be non-assignable and non-transferable. For so long as the Company is a capital pool company, the exercise price for any Stock Option granted will not be less than the greater of the share price on the date of the Company’s initial public offering, and the Discounted Market Price.

The term “Investor Relations Service Provider” has been defined in the Amended Plan, and as long as the Company remains a CPC, no options may be granted to Investor Relations Service Providers. After the completion of a Qualifying Transaction, the maximum aggregate number of Stock Options granted to all Investor Relations Service Providers in any 12-month period shall not exceed 2% of the outstanding Common Shares at the time of the grant.

Investor Relations Service Providers may not receive any compensation involving the issuance or potential issuance of Common Shares other than Stock Options. No more than 1/4 of the Stock Options granted to Investor Relations Service Providers may vest sooner than three months after the Stock Options were granted, and thereafter no more than an additional 1/4 of the Stock Options may vest sooner than six, nine and 12 months, respectively, after the Stock Options were granted.

The aggregate number of Common Shares reserved for issuance under the Amended Plan and Common Shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed in aggregate such number of Common Shares as is equal to 10% of the Common Shares issued and outstanding at the time of a grant; provided that, for so long as the Company is a capital pool company under the policies of the Exchange, such number cannot exceed 10% of the aggregate number of Common Shares issued and outstanding, which currently is equal to 2,000,000 Common Shares reserved for issuance under the Amended Plan.

The maximum aggregate number of Common Shares issuable pursuant to all security-based compensation granted to any one person will not exceed 5% of the issued and outstanding Common Shares at the time of grant. The maximum aggregate number of Common Shares issuable pursuant to all security-based compensation granted to all technical consultants will not exceed 2% of the issued and outstanding Common Shares at the time of grant. The maximum aggregate value of Stock Options granted to any one non-executive director in any 12-month period shall not exceed \$100,000 (at the time of the grant) and together with the aggregate value of awards to such non-executive under any other share compensation arrangement, shall not exceed \$150,000 (at the time of grant). The maximum aggregate number of Common Shares reserved for issuance to insiders shall not exceed 10% of the outstanding Common Shares at any point in time, and the maximum aggregate number of Common Shares issuable pursuant to all security-based compensation granted to insiders (as a group) in any 12-month period shall not exceed 10% of the outstanding Common Shares at the time of the grant.

Subject to the requirements of the Amended Plan and the policies of the Exchange, upon the occurrence of an Accelerated Vesting Event (as defined in the Amended Plan and described below), the Board will have the power to accelerate the vesting of Stock Options. An Accelerated Vesting Event includes the acquisition by certain acquirors (beneficial or otherwise) for the first time, of the ability to cast at least 50% of the votes attached to all shares in the capital of the Company, and also includes certain amalgamations, mergers, arrangements or other business combinations involving the Company.

Other than in the case of (i) death, or (ii) termination for cause, Stock Options will cease to be exercisable no later than the earlier of the Expiry Date (as defined in the Amended Plan) and 30 days after the option holder ceases to be a Director, Officer, Employee, Consultant, or Management Company Employee (each as defined in the Amended Plan). In the case of death of an option holder that is an Eligible Person, each Stock Option held by such option holder shall be exercisable by the heirs or administrators of such option holder and shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is six months after the date of the option holder's death. The Board may, in its discretion and subject to the approval of the Exchange, extend the date of the aforementioned terminations in certain circumstances. If an option holder who is an Eligible Person is terminated for cause, each Stock Option held by such option holder shall terminate and shall cease to be exercisable upon the date of such termination for cause.

If an option holder does not carry on as a director, officer or technical consultant of the Company upon completion of the Qualifying Transaction, then such option holder's options may be exercised within the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the option holder's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Any Common Shares acquired pursuant to the exercise of Stock Options prior to the completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Qualifying Transaction Exchange bulletin is issued.

In accordance with the New Policy 4.4, the Amended Plan requires annual approval by shareholders at the Company's annual general meeting, in accordance with the timing requirements set forth in Policy 3.2 *Filing Requirements and Continuous Disclosure*. No Stock Options may be granted or issued until the requisite approval of the Amended Plan has been obtained from the shareholders.

The Amended Plan contains a "cashless exercise" provision and a "net exercise" provision. The "cashless exercise" provision provides a mechanism for a brokerage firm to facilitate the exercise of a stock option by loaning funds to the option holder. The "net exercise" provision allows for a method of stock option exercise under which the option holder does not make any payment to the issuer for the exercise of their stock options and receives, on exercise, a number of shares equal to the value (current market price less the exercise price) of the stock option valued at the current market price. Pursuant to the New Policy 4.4, the current market price must be the 5-day volume weighted average trading price prior to stock option exercise. The "net exercise" provision is not available for use by Investor Relations Service Providers (as defined in the New Policy 4.4).

Disinterested shareholder approval is required for any amendment to the Amended Plan that results in:

- a) any reduction in exercise price of a Stock Option if the option holder is an insider at the time of the proposed amendment;
- b) an increase to the limits prescribed by section 4.3 of the Amended Plan including any grant that would result in the limits being exceeded;
- c) an extension of the expiry date of the Stock Options if the option holder is an Insider at the time of the proposed extension;
- d) any benefit to an Insider; and
- e) other types of compensation through Common Share issuance.

The New Policy 4.4 requires any Stock Options issued in lieu of dividends to be factored into the limits prescribed by section 4.3 of the Amended Plan. Therefore, the Amended Plan contains a provision allowing for any Stock Options issued in lieu of dividends to be settled in cash.

Other than amendments to fix typographical errors and clarify existing provisions, shareholder approval shall be obtained in accordance with the requirements of the Exchange including without limitation, any amendment that results in:

- a) any cancellation and reissuance of a Stock Option;
- b) the addition of additional categories of Eligible Person;
- c) an increase in the maximum number of Common Shares issuable pursuant to the Amended Plan;
- d) the method for determining the exercise price of a Stock Option;
- e) the maximum term of a Stock Option;
- f) the expiry and termination provisions of a Stock Option, including the addition of a blackout period;
- g) any method or formula for calculating prices, values, or amounts under the Amended Plan that may result in a benefit to an option holder.

### ***Shareholder Approval of Stock Option Plan***

At the Meeting, Shareholders will be asked to consider, and if deemed advisable, pass an ordinary resolution (the "**Stock Option Plan Resolution**") approving the amended Stock Option Plan, dated for reference as of May 5, 2022. In order to be effective, the Stock Option Plan Resolution must be approved by a simple majority of 50% plus one vote of the votes cast by the Shareholders in respect thereof at the Meeting. The text of the Stock Option Plan Resolution is set out below:

“**BE IT RESOLVED**, as an ordinary resolution that:

1. The amended 10% rolling stock option plan for the Company, as described in the management information circular of the Company dated April 18, 2023, is hereby approved, ratified and confirmed; and
2. Any director or officer of the Company is hereby authorized to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the above resolution.”

The Board and management recommend that you vote “FOR” the Stock Option Plan Resolution. **Unless you give other instructions, the proxies solicited by management will be voted “FOR” the Stock Option Plan Resolution.**

### **Other Matters**

Management does not know of any other matters to come before the Meeting other than those referred to in the Notice of Meeting and further described in this Circular. Should any other matters properly come before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting such proxies.

### **INTEREST OF CERTAIN PERSONS**

None of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company’s last completed financial year, none of the other insiders of the Company and no associate or affiliate of any of the foregoing persons has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of the directors, or any interest arising from the ownership of shares of the Company where the shareholder will receive no extra or special benefit or advantage not shared on a *pro-rata* basis by all holders of Common Shares in the capital of the Company.

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

The Company is authorized to issue an unlimited number of Common Shares without par value, of which 20,000,000 Common Shares were issued and outstanding as of the Record Date, being April 18, 2023.

Persons who are registered Shareholders at the close of business on the Record Date will be entitled to receive notice of, attend, and vote at the Meeting. On a show of hands, every Shareholder and proxyholder will have one vote and, on a poll, every Shareholder present in person or represented by proxy will have one vote for each Common Share. In order to approve a motion proposed at the meeting, a majority of more than 50% of the votes cast will be required to pass an ordinary resolution.

To the knowledge of the directors and executive officers of the Company, as of the date of this Circular, no person or company beneficially owns directly or indirectly, controls, or directs shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company, except Paul Beattie, who indirectly through BT Advisory Inc. owns 2,000,000 Common Shares, and indirectly through BT Global Capital Inc. owns 2,000,000 Common Shares, for a total of 20% of the Common Shares of the Company; Jackie Cheung, who owns 4,000,000 Common Shares indirectly through Koi Communications Corporation, representing 20% of the Common Shares of the Company; and Ian Slater, who indirectly through Slater Capital Corporation owns 4,000,000 Common Shares representing 20% of the Common Shares of the Company. These Common Shares are held in escrow through the transfer agent.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation, Philosophy and Objectives*

The Board meets to discuss and determine executive compensation without reference to formal objectives, criteria or analysis.

The general objectives of the Company's compensation strategy are to:

- (a) compensate senior 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 interests of Shareholders;
- (c) provide a compensation package that is commensurate with other comparable publicly listed companies of a similar size to enable the Company to attract and retain talent; and
- (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Company is under without a history of profits.

The Board as a whole ensures that total compensation paid to all Named Executive Officers (as hereinafter defined) is fair and reasonable. The Board relies on the significant financial industry, consulting, and other related business experience of its members in assessing compensation levels. The Board considered the risks associated with the current compensation program and did not note any potential material risks. No director or Named Executive Officer is permitted to purchase financial instruments that are designed to hedge or offset a decrease in the market value of the Company's equity securities held directly or indirectly.

#### **Compensation Oversight for Named Executive Officers**

All compensation matters for Named Executive Officers are dealt with by the Board.

To determine compensation payable to Named Executive Officers, the Compensation Committee determines appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the senior management, while taking into account the cash flow projections and financial and other resources of the Company. In setting the compensation, the Board annually reviews the performance of the CEO and CFO in light of the Company's strategic objectives and considers other factors that may have impacted the success of the Company in achieving its objectives.

The Board may seek independent compensation advice where appropriate from external consultants in order to assist it in assessing executive remuneration levels and aligning with comparable market compensation. The Board has not yet engaged such external advice.

#### *Analysis of Elements*

Base compensation is used to provide the Named Executive Officers a set amount of money during the year with the expectation that each Named Executive Officer will perform their responsibilities to the best of their abilities and in the best interests of the Company. The Company considers the granting of incentive stock options, to be a useful component of 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 periodically at the discretion of the Board. The

terms and conditions of the Company's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Company's Stock Option Plan.

### ***Long-Term Compensation and Equity-Based Awards***

The Company has no long-term incentive plans other than the Stock Option Plan. The Company's directors, officers, employees and consultants are entitled to participate in the Stock Option Plan. This plan is designed to encourage share ownership and entrepreneurship on the part of senior management, employees and other consultants. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officers and the Board with Shareholders by linking a component of executive compensation to the longer-term performance of the Common Shares.

Options to purchase Common Shares under the terms of the Stock Option Plan (each, an “**Option**”) are granted by the Board. In monitoring or adjusting the Option allotments, the Board takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to Shareholder value, previous Option grants if any, and any 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 Board also makes the following determinations:

- the parties who are entitled to participate in the Stock Option Plan;
- the exercise price of each Option granted;
- the date on which each Option is granted;
- the vesting period, if any, for each Option;
- the other material terms and conditions of each Option grant.; and
- any re-pricing or amendment to an Option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Stock Option Plan and applicable laws. The Board reviews and approves grants of Options periodically during the financial year. The exercise price of Options is determined by the Board but will in no event be lower than the higher of the closing trading price of the Common Shares on the Exchange on a) the day before an Option is granted or b) on the day it is granted.

### **Summary of Compensation**

For the purposes of this Circular, “**Named Executive Officer**” means each of the following individuals:

- (a) each individual who, during any part of the year ended December 31, 2022, served as the chief executive officer (“**CEO**”) of the Company;
- (b) each individual who, during any part of the year ended December 31, 2022, served as the chief financial officer (“**CFO**”) of the Company;
- (c) the most highly compensated executive officer, other than the CEO and CFO, at the end of the year ended December 31, 2022 whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer, nor acting in a similar capacity, on December 31, 2022.

### ***Compensation Excluding Compensation Securities***

During the financial year ended December 31, 2022, the Company had one Named Executive Officer: Ian Slater, CEO, CFO, and Director. The following table sets forth all direct and indirect compensation, other than the issuance of stock options, for, or in connection with, services provided to the Company and its subsidiaries for the year ended December 31, 2022 for each member of the Board and each Named Executive Officer. Additional information about the Company is available on its SEDAR profile at [www.sedar.com](http://www.sedar.com).

| <b>Table of Compensation Excluding Compensation Securities</b> |             |                                 |              |                       |                             |  |                           |
|--|-------------|---------------------------------|--------------|-----------------------|-----------------------------|--|---------------------------|
| <b>Name and Principal Position</b>                             | <b>Year</b> | <b>Salary or Consulting Fee</b> | <b>Bonus</b> | <b>Committee Fees</b> | <b>Value of Perquisites</b> | <b>Value of All Other Compensation</b> | <b>Total Compensation</b> |
|  |             | <b>(\$)</b>                     | <b>(\$)</b>  | <b>(\$)</b>           | <b>(\$)</b>                 | <b>(\$)</b>                            | <b>(\$)</b>               |
| Ian Slater, CEO, CFO, & Director <sup>1</sup>                  | 2022        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
|  | 2021        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
| Jay Sujir, Director <sup>2</sup>                               | 2022        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
|  | 2021        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
| Paul Beattie, Director <sup>3</sup>                            | 2022        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
|  | 2021        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
| Peter M. Roth, Director <sup>4</sup>                           | 2022        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |
|  | 2021        | Nil                             | Nil          | N/A                   | Nil                         | Nil                                    | Nil                       |

### **External Management Companies**

The Company entered into a cost reimbursement agreement with Slater Corporate Services Corporation, a company controlled by the CEO, dated November 1, 2021 under which the Company reimburses \$3,000 monthly plus applicable taxes for accounting, corporate secretary, administrative, office and IT support costs. In accordance with Exchange Policy 2.4 *Capital Pool Companies* section 7.1(ii) (“**Permitted Use of Proceeds**”) of the Capital Pool Company rules, the administrative expenses for the Company may not exceed \$3,000 per month and therefore any further costs incurred on behalf of Audrey will not be passed along.

<sup>1</sup> Ian Slater was appointed as CEO on March 9, 2021 and CFO on January 13, 2022. No director is compensated for services.

<sup>2</sup> Jay Sujir was appointed as director on April 30, 2021.

<sup>3</sup> Paul Beattie was appointed as director on April 30, 2021.

<sup>4</sup> Peter M. Roth was appointed as director on August 4, 2021.

## **INCENTIVE PLAN AWARDS**

### **Stock Options and other Compensation Securities**

No compensation securities were granted or issued to each director and each Named Executive Officer during the year ended December 31, 2022. No compensation securities were repriced, cancelled and replaced, extended, or otherwise materially modified in the year ending December 31, 2022. All previously granted Options are non-transferrable and are in escrow with the transfer agent.

### **The Stock Option Plan**

The Company has established the “rolling” Stock Option Plan for its directors, officers, employees and consultants pursuant to which the aggregate number of Common Shares reserved for issuance thereunder may not exceed, at the time of grant, in aggregate 10% of the Company's issued and outstanding Common Shares from time to time.

The Stock Option Plan is intended as an incentive to attract and retain qualified directors, senior officers, employees, and consultants to promote a proprietary interest in the Company among such persons, and to stimulate the active interest of such persons in the development and financial success of the Company.

### **Exercise of Compensation Securities by Directors and Named Executive Officers**

No compensation securities were exercised by directors or Named Executive Officers in the year ended December 31, 2022. No stock options vest until after a Qualifying Transaction.

### **Pension Plan Benefits**

The Company does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following, or in connection with retirement for any director or Named Executive Officer.

## **EMPLOYMENT AGREEMENTS, TERMINATION AND CHANGE OF CONTROL BENEFITS**

There are no compensatory plans or arrangements, with respect to any Named Executive Officer, resulting from the resignation, severance, constructive dismissal, retirement or any other termination of employment of the officer or from a change in control of the Company or a change of any Named Executive Officer's responsibilities following a change of control.

## **DIRECTOR COMPENSATION**

As at the date of this Circular, the Company has four directors, one of whom is also a Named Executive Officer. Directors are eligible for the granting from time to time of incentive stock options in accordance with the policies of the Exchange. Compensation for directors is not tied to any performance criteria or goals. A peer group is not used to benchmark compensation for directors. No director is paid for committee or chairman responsibilities or any meeting fees or other form of compensation except the granting of incentive stock options at the discretion of the Board.

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2022 regarding the number of Common Shares to be issued pursuant to the Stock Option Plan. The Company does not have any other equity compensation plans.

| Plan category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br><br>(a) | Weighted average exercise price of outstanding options, warrants and rights<br><br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br><br>(c) |
|---|--|--|--|
| Equity compensation plans not approved by securityholders (Stock Option Plan) | 0  | N/A  | 0  |
| Equity compensation plans approved by securityholders (Stock Option Plan)     | 1,800,000  | \$0.10   | 0  |
| Total   | 1,800,000  | \$0.10   | 0  |

## INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No person who is, or at any time since the commencement of the Company's last completed financial year was a director, executive officer or senior officer of the Company, and no associate of any of the foregoing persons has been indebted to the Company at any time since the commencement of the Company's last completed financial year. No guarantee, support agreement, letter of credit or other similar arrangement or understanding has been provided by the Company at any time since the beginning of the most recently completed financial year with respect to any indebtedness of any such person, other than amounts not exceeding \$50,000 for travel advances.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of these persons, has 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 case, has materially affected or will materially affect the Company.

An "informed person" means:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and

- (d) the Company if it has purchased, redeemed, or otherwise acquired any of its securities, so long as it holds any of its securities.

### MANAGEMENT CONTRACTS

Management functions of the Company are substantially performed by executive officers of the Company and not to any substantial degree by any other person with whom the Company has contracted, other than pursuant to the cost reimbursement agreement between Slater Corporate Services Corporation and Audrey dated November 1, 2021. The CEO & CFO, and the Corporate Secretary, are employed by Slater Corporate Services Corporation. The agreement may be terminated by either party on 30 days' notice.

### CORPORATE GOVERNANCE

The following is a summary of the Company's corporate governance disclosure required by Form 58-101F2 of National Instrument 58-101 - *Disclosure of Corporate Governance Practices*.

#### Board of Directors

The Board is composed of four directors, one of whom is an executive officer of the Company and three of whom are considered to be "independent", as that term is defined in applicable securities legislation. Jay Sujir, Peter Roth, and Paul Beattie are considered to be independent directors. In determining whether a director is independent, the Board chiefly considers whether the director has no direct or indirect material relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The mandate of the Board is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions.

#### Directorships

Certain of the directors or proposed directors of the Company are also directors of other reporting issuers (or the equivalent) in a jurisdiction or a foreign jurisdiction as follows:

| Name of Director | Name of Other Reporting Issuer (or Equivalent in Foreign Jurisdiction)  |
|------------------|---|
| Ian Slater       | Outcrop Silver & Gold Corporation<br>Libero Copper & Gold Corporation<br>Zacapa Resources Ltd.  |
| Jay Sujir        | Baltic 1 Acquisition Corp.<br>Collingwood Resources Corp.<br>Earthlabs Inc.<br>Golden Lake Exploration Inc.<br>Gotham Resource Corp.<br>Intrepid Metals Corp.<br>Kenorland Minerals Ltd.<br>Kore Mining Ltd.<br>Kraken Energy Corp.<br>Kutcho Copper Corp.<br>Libero Copper & Gold Corporation<br>Outcrop Silver & Gold Corp.<br>Vanadian Energy Corp.<br>Zacapa Resources Ltd. |

| Name of Director | Name of Other Reporting Issuer (or Equivalent in Foreign Jurisdiction) |
|------------------|--|
| Paul Beattie     | N/A  |
| Peter Roth       | N/A  |

### **Orientation and Continuing Education**

The Company has not yet developed an official orientation or training program for new directors. As required, new directors can become familiar with the Company by meeting with the other directors and with management and reviewing the recent press releases and financial statements. Orientation activities are tailored to the needs and experience of each director and the overall needs of the Board. Directors are encouraged by the Board to pursue continuing education.

### **Ethical Business Conduct**

The Board monitors the ethical conduct of the Company and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

### **Nomination of Directors**

The Board has not yet appointed a nominating committee because the Board fulfills these functions. The Board periodically reviews suggestions from existing directors regarding potential changes to the Board and researches new candidates.

### **Committees of the Board**

The Board has appointed an Audit Committee, the members of which are as follows:

| Audit Committee   |
|-------------------|
| Jay Sujir (Chair) |
| Ian Slater        |
| Peter Roth        |

Two members of the Audit Committee are independent. A description of the function of the Audit Committee can be found in this Circular under "*Audit Committee*".

### **Compensation**

A description of the compensation process can be found in this Circular under "*Executive Compensation*" and "*Director Compensation*".

## Assessments

The Board has not adopted procedures for assessing the effectiveness of the Board, or its committee, or individual directors. The relatively small size of the Company enables the Board to satisfy itself that directors are performing effectively.

## AUDIT COMMITTEE

As at the date of this Circular, the Audit Committee is composed of Jay Sujir, Ian Slater, and Peter Roth. Jay Sujir and Peter Roth are independent and all of the members of the Audit Committee are “financially literate”. Under this heading, the Company is including the disclosure required by Form 52-110F2 of National Instrument 52-110 – *Audit Committees* (“NI 52-110”). The text of the Audit Committee mandate is attached in Appendix A.

The Board and senior management will ensure that the Audit Committee has adequate funding to fulfill its duties and responsibilities.

## Relevant Education and Experience

### Jay Sujir, Chair of Audit Committee

Mr. Sujir is a securities and natural resources lawyer who has extensive experience in advising and assisting public companies. He has been a partner with Farris LLP since May 2015. From 1991 to May 2015, Mr. Sujir was a partner at Anfield, Sujir Kennedy & Durno, LLP and its predecessor firms. Mr. Sujir obtained his Bachelor of Arts degree from the University of Victoria in 1981 with a double major in Economics and Philosophy and obtained his Bachelor of Law degree from the University of Victoria in 1985. He is a member of the Law Society of British Columbia and the Canadian Bar Association.

### Ian Slater, CEO & CFO & Director

Mr. Ian Slater has founded numerous companies and has been involved in the mining industry for over twenty years. Previously, Mr. Slater was the Managing Partner of both Ernst & Young’s Canadian and Arthur Andersen’s Central Asian Mining Practices. Mr. Slater is a Chartered Accountant

### Peter Roth, Director

Mr. Peter Roth is a partner at Farris LLP and has close to 20 years’ experience as a corporate and securities lawyer. Mr. Roth obtained his Bachelor of Arts degree from the University of British Columbia in 1996 and obtained his joint Bachelor of Common Law and Civil Law degree from the University of Ottawa in 2000. He is a member of the Law Society of British Columbia, the Québec Bar and the Canadian Bar Association.

Each member of the Audit Committee has relevant education and experience to allow for:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (c) 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 issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

## **Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

## **Reliance on Certain Exemptions**

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemptions contained in Sections 2.4 or Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total amount of fees payable to the auditor in the financial year in which the non-audit services were provided. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

The Company has not relied on any of the exemptions under s. 5 of Form 52-110F2:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*),
- (b) the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*),
- (c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*),
- (d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*), or
- (e) an exemption from this Instrument, in whole or in part, granted under Part 8 (*Exemption*),

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

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

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

### ***Audit Fees***

The aggregate fees billed by the Company's external auditor for the financial year ended December 31, 2022 for audit and assurance and related services were approximately \$14,000 (2021 –\$14,000).

### ***Audit-Related Fees***

The aggregate fees billed by the Company's external auditor for the financial year ended December 31, 2022 for audit related services were Nil (2021 – Nil).

### ***Tax Fees***

The aggregate fees billed for tax compliance, tax advice, and tax planning services by the Company's external auditor for the financial year ended December 31, 2022 were approximately \$2,500 (2021– \$2,500).

### ***All Other Fees***

The aggregate fees billed by the Company's external auditor for the financial year ended December 31, 2022 for review of unaudited interim financial statements, compilation of consolidated financial statements, and related services were Nil (2021 - Nil).

## **Exemption**

The Company is relying on the exemption provided in Section 6.1 of NI 52-110 by virtue of the fact that it is a venture issuer. Section 6.1 exempts the Company from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 and allows for the short form of disclosure of audit committee procedures set out in Form 52-110F2 *Disclosure by Venture Issuers* and disclosed in this Circular.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on its SEDAR profile at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at (604) 638-2545 to request that copies of the Company's financial statements and MD&A be sent to them by mail.

Financial information is provided in the Company's comparative annual financial statements and MD&A for its most recently completed financial year ended December 31, 2022, which are filed on SEDAR and included in this mailing.

The contents of this Circular have been reviewed by the Board.

DATED this 18<sup>th</sup> day of April, 2023.

ON BEHALF OF THE BOARD

*“Ian Slater”*  
CEO, CFO & Director

## **Appendix A – Audit Committee Charter**

### **AUDREY CAPITAL CORPORATION**

#### **AUDIT COMMITTEE CHARTER**

##### **Purpose**

The overall purpose of the Audit Committee (the “Committee”) is to ensure that the Company’s management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements and related financial disclosure of the Company, and to review the Company’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of financial information. It is the intention of the Board that through the involvement of the Committee, the external audit will be conducted independently of the Company’s Management to ensure that the independent auditors serve the interests of Shareholders rather than the interests of Management of the Company. The Committee will act as a liaison to provide better communication between the Board and external auditors. The Committee will monitor the independence and performance of the Company’s independent auditors.

##### **Composition, Procedures and Organization**

- (1) The Committee shall consist of at least three members of the Board of Directors (the “Board”).
- (2) At least two (2) members of the Committee shall be independent and the Committee shall endeavour to appoint a majority of independent directors to the Committee, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Committee members’ independent judgment. At least one (1) 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 applicable to the Company. For the purposes of this Charter, an individual is financially literate if he or she has 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 reasonably be expected to be raised by the Company’s financial statements.
- (3) The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- (4) Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair and a secretary from among their number.
- (5) The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
- (6) The Committee shall have access to such officers and employees of the Company and to the Company’s external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
- (7) Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet as necessary to fulfill its duties and responsibilities in person or via telephone at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
  - (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
  - (c) management representatives may be invited to attend all meetings except private sessions with the external auditors.

- (8) The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Company as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

### **Roles and Responsibilities**

- (9) The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements and related financial disclosure;
  - (b) to establish and maintain a direct line of communication with the Company's internal and external auditors and assess their performance;
  - (c) to ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
  - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
- (10) The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
  - (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - (c) review the audit plan of the external auditors prior to the commencement of the audit;
  - (d) to review with the external auditors, upon completion of their audit:
    - (i) contents of their report;
    - (ii) scope and quality of the audit work performed;
    - (iii) adequacy of the Company's financial and auditing personnel;
    - (iv) co operation received from the Company's personnel during the audit;
    - (v) internal resources used;
    - (vi) significant transactions outside of the normal business of the Company;
    - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
    - (viii) the non audit services provided by the external auditors;
  - (e) to discuss with the external auditors the quality and not just the acceptability of the Company's accounting principles; and
  - (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.
- (11) The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:
- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

- (b) review compliance under the Company's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate;
  - (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company; and
  - (d) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
- (12) The Committee is also charged with the responsibility to:
- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
  - (b) review and approve the financial sections of:
    - (i) the annual report to Shareholders;
    - (ii) the annual information form, if required;
    - (iii) annual and interim MD&A;
    - (iv) prospectuses;
    - (v) news releases discussing financial results of the Company; and
    - (vi) other public reports of a financial nature requiring approval by the Board, and report to the Board with respect thereto;
  - (c) review regulatory filings and decisions as they relate to the Company's consolidated financial statements;
  - (d) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
  - (e) review and report on the integrity of the Company's consolidated financial statements;
  - (f) review the minutes of any audit committee meeting of subsidiary companies;
  - (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
  - (h) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
  - (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.
- (13) The Committee shall have the authority:
- (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
  - (b) to set and pay the compensation for any advisors employed by the Committee; and
  - (c) to communicate directly with the internal and external auditors.

**Appendix B – Stock Option Plan**

**(As adopted by the Board of Directors on May 5, 2022)**

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

1.1 **Defined Terms**

For the purposes of this Plan, the following terms shall have the following meanings:

- a) “**Accelerated Vesting Event**” means the occurrence of any one of the following events:
- (i) The acquisition or continuing ownership by any Person or Persons acting jointly or in concert (as determined under applicable Securities Laws), directly or indirectly, of Common Shares or of Convertible Securities which, when added to all other securities of the Corporation at the time held by such Person or Persons, Persons associated with such Person or Persons, or Persons affiliated with such Person or Persons (as determined under applicable Securities Laws) (collectively, the “**Acquirors**”), and assuming the conversion, exchange, or exercise of the Convertible Securities beneficially owned by the Acquirors, results in the Acquirors beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
  - (ii) An amalgamation, merger, arrangement or other business combination (a “**Business Combination**”) involving the Corporation receives the approval of, or is accepted by, the securityholders of the Corporation (or all classes of securityholders whose approval or acceptance is required) or, if their approval or acceptance is not required in the circumstances, is approved or accepted by the Corporation and as a result of that Business Combination, parties to the Business Combination or securityholders of the parties to the Business Combination, other than the securityholders of the Corporation, will own directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast at least 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect Directors;
- b) “**Affiliate**” has the meaning ascribed thereto by the Exchange;
- c) “**Board**” means the Board of Directors of the Corporation or, as applicable, a committee consisting of not less than three (3) Directors of the Corporation duly appointed to administer this Plan;
- d) “**Common Shares**” means the common shares of the Corporation;
- e) “**Completion of the Qualifying Transaction**” has the meaning given in Exchange Policy 2.4;
- f) “**CPC**” has the meaning given in Exchange Policy 2.4;
- g) “**Consultant**” means an individual (other than a Director, Officer or Employee of the Corporation or any of its subsidiaries) or company of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner, who:
- (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to any of its subsidiaries, other than services provided in relation to a Distribution;
  - (ii) provides the services under a written contract between the Corporation or any of its subsidiaries and the individual or company or partnership, as the case may be; and
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or of any of its subsidiaries;
- h) “**Convertible Securities**” means any security of the Corporation which is convertible into Common Shares;
- i) “**Corporation**” means Audrey Capital Corporation and its successor entities;
- j) “**Director**” means a director (as defined under Securities Laws) of the Corporation or of any of its subsidiaries;

- k) “**Disinterested Shareholder Approval**” means the approval of disinterested shareholders obtained in accordance with the policies and requirements of the Exchange;
- l) “**Distribution**” has the meaning ascribed thereto by the Exchange;
- m) “**Eligible Person**” a Director, Officer, Employee, Management Company Employee or Consultant of the Corporation or its subsidiaries, if any, at the time the option is granted, and includes companies that are wholly owned by Eligible Persons; provided that, until such time as the Corporation completes a Qualifying Transaction, an Eligible Person shall be limited to a Director, senior Officer or, where applicable securities laws allow, a Consultant whose part is required to evaluate the proposed Qualifying Transaction;
- n) “**Employee**” means an individual who:
  - (i) is considered an employee of the Corporation or of its subsidiary under the *Income Tax Act (Canada)*, i.e. for whom income tax, employment insurance, and Canada Pension Plan deductions must be made at source;
  - (ii) works full-time for the Corporation or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or its subsidiary over the details and method of work as an employee of the Corporation or of its subsidiary, but for whom income tax deductions are not made at source; or
  - (iii) works for the Corporation or its subsidiary on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or its subsidiary over the details and method of work as an employee of the Corporation or its subsidiary, but for whom income tax deductions are not made at source;
- o) “**Exchange**” means the TSX Venture Exchange and any successor entity;
- p) “**Exchange Policy 2.4**” means Exchange Policy 2.4 *Capital Pool Companies* of the Exchange’s Corporate Finance Manual;
- q) “**Expiry Date**” means the last day of the term for an Option, as set by the Board at the time of grant in accordance with Section 5.2 and, if applicable, as amended from time to time;
- r) “**Governmental Authorities**” means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels, or other law, rule, or regulation-making organizations or entities:
  - (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state, or any geographic or political subdivision of any of them; or
  - (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory, or taxing authority or power;
- s) “**Insider**” has the meaning ascribed thereto by the Exchange;
- t) “**Investor Relations Activities**” has the meaning ascribed thereto by the Exchange;
- u) “**Investor Relations Service Provider**” has the meaning ascribed thereto by the Exchange;
- v) “**IPO**” means the Corporation’s initial public offering of its Common Shares to the public in the Provinces of British Columbia, Alberta, and Ontario;
- w) “**IPO Share Price**” means the price of the Common Shares offered to the public pursuant to the IPO;
- x) “**Laws**” means currently existing applicable statutes, by-laws, rules, regulations, orders, ordinances, or judgments in each case of any Governmental Authority having the force of the law;

- y) “**Management Company Employee**” means an individual who is employed by a Person providing management services to the Corporation which services are required for the ongoing successful operation of the business enterprise of the Corporation;
- z) “**Material Information**” has the meaning ascribed thereto by the Exchange;
- aa) “**Officer**” means an officer (as defined under Securities Laws) of the Corporation or of any of its subsidiaries, and includes a Management Company Employee;
- bb) “**Option**” means an option to purchase Common Shares granted to an Eligible Person pursuant to this Plan;
- cc) “**Optionee**” means an Eligible Person who has been granted an Option;
- dd) “**Other Share Compensation Arrangement**” means, other than this Plan and any Options, any stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee, or otherwise;
- ee) “**Person**” has the meaning ascribed thereto by the Exchange;
- ff) “**Plan**” means this Incentive Stock Option Plan; and
- gg) “**Resulting Issuer**” has the meaning given in Exchange Policy 2.4.
- hh) “**Securities Laws**” has the meaning ascribed thereto by the Exchange;
- ii) “**Security Based Compensation**” has the meaning ascribed thereto by the Exchange; and
- jj) “**VWAP**” means the volume weighted average trading price of the Corporation’s Common Shares listed on the Exchange calculated by dividing the total value by the total volume of such securities traded for the five trading days immediately preceding the exercise of the subject Option.

## 1.2 **Interpretation**

- a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.
- b) If the Corporation is listed on the Toronto Stock Exchange, the provisions of this Plan as they relate to companies listed on Tier 1 of the Exchange shall apply.

## **ARTICLE 2 ESTABLISHMENT OF PLAN**

### 2.1 **Purpose**

The purpose of this Plan is to provide an effective long-term incentive to Eligible Persons from time to time.

### 2.2 **Shares Reserved**

- a) The maximum number of Common Shares that may be reserved for issuance under this Plan will not exceed more than 10% of the number of issued and outstanding Common Shares. After the Completion of the Qualifying Transaction by the Corporation, the maximum aggregate number of Common Shares reserved for issuance pursuant to the exercise of Options shall not exceed 10% of the outstanding Common Shares at the time of the granting of an Option, LESS the aggregate number of Common Shares then reserved for issuance pursuant to any Other Share Compensation Arrangement. For greater certainty, if an Option is settled in cash, cancelled, surrendered, terminated, forfeited, or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for issuance upon exercise of Options subsequently granted under this Plan.
- b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification, or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of, or corporate change or transaction

affecting the Common Shares (a “**Transaction**”), the Board shall make, as it shall deem advisable and subject to the prior acceptance of the Exchange (except in relation to a share consolidation or split) and the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:

- (i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;
- (ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and
- (iii) the vesting of any Options (subject to the approval of the Exchange if such vesting is mandatory under the policies of the Exchange), including the accelerated vesting thereof on conditions the Board deems advisable,

and if the Corporation undertakes an arrangement or is amalgamated, merged, or combined with another corporation, the Board shall make such provision for the protection of the rights of Optionees as it shall deem advisable.

c) In the event of a Transaction resulting in:

- (i) an Eligible Person becoming entitled to receive Options in excess of the limits prescribed by Section 4.3 hereof, or
- (ii) the Corporation not having sufficient Common Shares available to satisfy the Transaction,

then the Board may, in its discretion, settle such awards in cash.

- d) No fractional Common Shares shall be reserved for issuance under this Plan and the Board may determine the manner in which an Option, insofar as it relates to the acquisition of a fractional Common Share, shall be treated.
- e) The Corporation shall, at all times while this Plan is in effect, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Plan.

### 2.3 **Non-Exclusivity**

Nothing contained herein shall prevent the Board from adopting such other incentive or compensation arrangements as it shall deem advisable.

### 2.4 **Effective Date**

This Plan shall be subject to the approval of any regulatory authority whose approval is required. Any Options granted under this Plan prior to such approvals being given shall be conditional upon such approvals being given, and no such Options may be exercised unless and until such approvals are given.

## **ARTICLE 3 ADMINISTRATION OF PLAN**

### 3.1 **Administration**

- a) This Plan shall be administered by the Board or any committee established by the Board for the purposes of administering this Plan. Subject to the provisions of this Plan, the Board shall have the authority:
  - (i) to determine the Eligible Persons to whom Options are granted, to grant such Options, and to determine any terms and conditions, limitations, and restrictions in respect of any particular Option grant including, but not limited to, the nature and duration of the restrictions, if any, to be imposed upon the acquisition, sale, or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events and the duration of the period, if any, in which any Optionee’s

rights in respect of an Option or Common Shares acquired upon exercise of an Option may be forfeited; and

- (ii) to interpret the terms of this Plan, to make all such determinations and take all such other actions in connection with the implementation, operation, and administration of this Plan, and to adopt, amend, and rescind such administrative guidelines and other rules and regulations relating to this Plan, as it shall from time to time deem advisable, including without limitation for the purpose of ensuring compliance with Sections 3.3 and 6.3 hereof.
- b) The Board's interpretations, determinations, guidelines, rules, and regulations shall be conclusive and binding upon the Corporation, Eligible Persons, Optionees, and all other Persons.
- c) For stock options granted to Employees, Consultants, or Management Company Employees, the Corporation and the Optionee are responsible for ensuring and confirming that the Optionee is a bona fide Employee, Consultant, or Management Company Employee, as the case may be.

### **3.2 Amendment, Suspension, and Termination**

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend, or terminate this Plan or any portion thereof. No such amendment, suspension, or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such Optionee. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules, and regulations relating to this Plan shall continue in effect for the duration of any such time as any Option remains outstanding.

### **3.3 Compliance with Laws**

- a) This Plan, the grant and exercise of Options hereunder, and the Corporation's obligation to sell, issue, and deliver any Common Shares upon exercise of Options shall be subject to all applicable federal, provincial, and foreign Laws, policies, rules, and regulations; to the policies, rules, and regulations of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading; and to such approvals by any governmental or regulatory agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by the existence of this Plan or any provision of this Plan or the grant or exercise of Options hereunder to sell, issue, or deliver Common Shares upon exercise of Options in violation of such laws, policies, rules, and regulations, or any condition or requirement of such approvals.
- b) No Option shall be granted and no Common Shares sold, issued, or delivered hereunder where such grant, sale, issue, or delivery would require registration or other qualification of this Plan or of the Common Shares under the securities laws of any foreign jurisdiction, and any purported grant of any Option or any sale, issue, and delivery of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue, or deliver any Common Shares hereunder unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.
- c) Common Shares sold, issued, and delivered to Optionees pursuant to the exercise of Options shall be subject to restrictions on resale and transfer under applicable Securities Laws and the requirements of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading, and any certificates representing such Common Shares shall bear, as required, a restrictive legend in respect thereof.

## **ARTICLE 4 OPTION GRANTS**

### **4.1 Eligibility and Multiple Grants**

Options shall only be granted to Eligible Persons. An Eligible Person may receive Options on more than one occasion and may receive separate Options, with differing terms, on any one or more occasions. If the Corporation has not completed its Qualifying Transaction and is a CPC, no Option may be granted to any Eligible Person, unless such Eligible Person has entered into an escrow agreement agreeing to deposit the Options and

any Common Shares issuable upon exercise of such Options into escrow in accordance with Exchange Policy 2.4.

#### **4.2 Option Agreement**

Every Option shall be evidenced by an option agreement executed by the Corporation and the Optionee. In the event of any discrepancy between this Plan and an option agreement, the provisions of this Plan shall govern.

#### **4.3 Limitation on Grants and Exercises**

- a) **To any one person.** The maximum aggregate number of Common Shares reserved for issuance to any one Person (and companies wholly owned by that Person) pursuant to this Plan and any other Share Compensation Arrangement in a 12-month period must not exceed 5% of the issued Common Shares of the Corporation outstanding at the time of the grant (unless the Corporation has obtained the requisite Disinterested Shareholder Approval to exceed such limit).
- b) **To Consultants.** The maximum aggregate number of Common Shares reserved for issuance to any one technical Consultant pursuant to this Plan and any other Share Compensation Arrangement must not exceed 2% of the issued Common Shares of the Corporation outstanding at the time of the grant. The Corporation is prohibited from granting Options to Consultants performing Investor Relations Activities, promotional, or market-making services while the Corporation is listed as a CPC.
- c) **To persons conducting Investor Relations Activities.** In accordance with Section 6.3 of the Exchange Policy 2.4, as long as the Corporation remains a CPC, the Corporation shall not grant any options to any Persons providing Investor Relations Activities, promotional, or market-making services. If the Corporation completes a Qualifying Transaction and is no longer a CPC, the maximum aggregate number of Options granted to all Investor Relations Service Providers in any 12-month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant. Investor Relations Service Providers may not receive any compensation involving the issuance or potential issuance of Common Shares, other than Options.
- d) **To Non-Executive Directors.** Subject to the restriction in section 4.3(a), the aggregate value of Options granted to any one non-executive Director in any 12-month period under this Plan:
  - (i) shall not exceed \$100,000, at the time of the grant; and
  - (ii) together with the aggregate value of awards to such non-executive under any Other Share Compensation Arrangement, shall not exceed \$150,000 at the time of the grant.
- e) **To Insiders.** Unless the Corporation has received Disinterested Shareholder Approval to do so:
  - (i) the maximum aggregate number of Common Shares reserved for issuance to Insiders under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at any point in time; and
  - (ii) the maximum aggregate number of Common Shares issuable pursuant to all Security Based Compensation granted to Insiders (as a group) in any 12-month period under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant.

#### **4.4 Approval of Plan**

- a) This Plan must be approved by the shareholders of the Corporation at the time this Plan is to be implemented and yearly thereafter, at the Corporation's annual general meeting of shareholders held in accordance with the timing requirements set out in Exchange Policy 3.2 *Filing Requirements and Continuous Disclosure of the Exchange Corporate Finance Manual*.

- b) In the event the Corporation fails to obtain the yearly approval of its shareholders pursuant to subsection 4.4(a) hereof within 15 months of its last annual general meeting of shareholders, then commencing on the earlier of:
- (i) the date of the annual general meeting of the shareholders of the Corporation at which the Plan was not approved; and
  - (ii) the date that is 15 months after the date of the annual general meeting of the shareholders of the Corporation at which the Plan was last approved,
- no Options shall be granted or issued hereunder until the requisite approval of the Plan has been obtained from the shareholders of the Corporation.

## **ARTICLE 5 OPTION TERMS**

### **5.1 Exercise Price**

- a) Subject to a minimum exercise price of \$0.10 per Common Share, the exercise price per Common Share for an Option granted hereunder shall be determined by the Board, but it will in no event be less than the “Discounted Market Price”, as calculated pursuant to the policies of the Exchange, or such other minimum price as may be required or permitted by the Exchange.
- b) For as long as the Corporation shall remain a CPC, any stock options granted will not be less than the greater of the IPO share price and the Discounted Market Price.

### **5.2 Expiry Date**

Every Option shall have a term not exceeding 10 years and shall therefore expire no later than 10 years after the date of grant, subject to extension where the expiry date falls within a “blackout period”, pursuant to Section 5.8 herein.

### **5.3 Vesting**

- a) Subject to subsection 5.3(b) herein, and otherwise in compliance with the policies of the Exchange, the Board shall determine the manner in which an Option shall vest and become exercisable.
- b) Options granted to Investor Relations Service Providers shall vest such that:
  - (i) no more than  $\frac{1}{4}$  of the Options vest no sooner than three months after the Options were granted;
  - (ii) no more than another  $\frac{1}{4}$  of the Options vest no sooner than six months after the Options were granted;
  - (iii) no more than another  $\frac{1}{4}$  of the Options vest no sooner than nine months after the Options were granted; and
  - (iv) the remainder of the Options vest no sooner than 12 months after the Options were granted.

### **5.4 Accelerated Vesting Event**

Subject to subsection 5.3(b) herein and in compliance with the policies of the Exchange, upon the occurrence of an Accelerated Vesting Event, the Board will have the power, at its sole discretion and without being required to obtain the approval of shareholders or the holder of any Option, except pertaining to Options granted to Investor Relations Service Providers which will be subject to prior written Exchange approval, to make such changes to the terms of Options as it considers fair and appropriate in the circumstances including, but not limited to:

- a) accelerating the vesting of Options, conditionally or unconditionally;
- b) terminating every Option if under the transaction giving rise to the Accelerated Vesting Event, options in replacement of the Options are proposed to be granted to or exchanged with holders of Options, which replacement options treat the holders of Options in a manner which the Board considers fair and appropriate in the circumstances having regard to the treatment of holders of common shares under such transaction;

- c) otherwise modifying the terms of any Option to assist the holder to tender into any takeover bid or other transaction constituting an Accelerated Vesting Event; or
- d) following the successful completion of such Accelerated Vesting Event, terminating any Option to the extent it has not been exercised prior to successful completion of the Accelerated Vesting Event.

The determination of the Board in respect of any such Accelerated Vesting Event shall, for the purposes of this Plan, be final, conclusive, and binding.

### **5.5 Effect of Take-Over Bid**

If a take over bid, as defined under applicable Securities Laws (the “Offer”), is made for Common Shares or Convertible Securities which, if successful (assuming the conversion exchange or exercise of the Convertible Securities, if any, that are the subject of the take over bid), would result in any Person or Persons acting jointly or in concert as determined under applicable Securities Laws, or Persons associated or affiliated with such Person or Persons as determined under applicable Securities Laws beneficially, directly or indirectly, owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors, the Corporation shall immediately upon receipt of notice of the Offer, notify each Optionee of the full particulars of the Offer, whereupon, subject to subsection 5.3(b), all Options will become fully vested and the Options may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Common Shares received upon such exercise, pursuant to the Offer. However, if:

- a) the Offer is not completed within the time specified therein; or
- b) all of the Common Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then the Common Shares received upon such exercise, or in the case of subsection 5.5(b) herein, the Common Shares that are not taken up and paid for may be returned by the Optionee to the Corporation and reinstated as authorized but unissued Common Shares and with respect to such returned Common Shares, the Option shall be reinstated as if it had not been exercised and the terms upon which such Common Shares were to become vested pursuant to this Section shall be reinstated. If any Common Shares are returned to the Corporation under this Section, the Corporation shall immediately refund the exercise price to the Optionee for the Options relating to such returned Common Shares.

### **5.6 Non-Assignability**

Options may not be assigned or transferred.

### **5.7 Ceasing to be Eligible Person**

- a) If an Optionee who is a Director, Officer, Employee, Management Company Employee or Consultant is terminated for cause, each Option held by such Optionee shall terminate and shall therefore cease to be exercisable upon the date of such termination for cause.
- b) If an Optionee dies prior to otherwise ceasing to be an Eligible Person, each Option held by such Optionee shall be exercisable by the heirs or administrators of such Optionee and shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is six months after the date of the Optionee’s death, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is 12-months after the date of the Optionee’s death.
- c) If an Optionee ceases to be an Eligible Person other than in the circumstances set out in subsection 5.7(a) or 5.7(b) herein, each Option held by such Optionee shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is 30 days after such event, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is 12-months after such event, and further provided that the Board may, in its discretion, on a case-by-case basis and only with the approval of the Exchange, further extend the date of such termination and the

resulting period in which such Option remains exercisable to a date exceeding the date which is after 12-months of such event.

- d) If any portion of an Option grant is not vested at the time an Optionee ceases, for any reason whatsoever, to be an Eligible Person, such unvested portion of the Option grant may not be thereafter exercised by the Optionee or its legal representative, as the case may be, provided that the Board may, in its discretion, further and subject to the approval of the Exchange, where the vesting of said Optionee's Options was a requirement of the Exchange's policies, thereafter permit the Optionee or its legal representative, as the case may be, to exercise all or any part of such unvested portion of the relevant Option grant that would have vested prior to the time such Option otherwise terminates and therefore ceases to be exercisable pursuant to the terms of this Section. For greater certainty, and without limitation, this provision will apply regardless of whether the Optionee ceased to be an Eligible Person voluntarily or involuntarily, was dismissed with or without cause, and regardless of whether the Optionee received compensation in respect of dismissal or was entitled to a notice of termination for a period which would otherwise have permitted a greater portion of an Option grant to vest.
- e) Notwithstanding any other provisions of this Plan, if an Optionee does not continue as an Eligible Person of the Resulting Issuer following the Completion of the Qualifying Transaction, then each Option held by such Optionee shall terminate and therefore cease to be exercisable on the later of:
  - (i) 12-months after the Completion of the Qualifying Transaction; and
  - (ii) 90 days after the Optionee ceases to be an Eligible Person of the Resulting Issuer.

## **5.8 Blackout Periods**

An Option will be automatically extended past the Expiry Date of an Option governed by the Plan if such expiry date falls within a period (a "**blackout period**") during which the Corporation prohibits Optionees from exercising their Options provided that the following requirements are satisfied:

- a) The blackout period must be formally imposed by the Corporation pursuant to its internal trading policies as a result of the *bona fide* existence of undisclosed Material Information. For greater certainty, in the absence of the Corporation formally imposing a blackout period, the Expiry Date of any Options will not be automatically extended in any circumstances.
- b) The blackout period must expire upon the general disclosure of the undisclosed Material Information. The Expiry Date of the affected Options can be extended to no later than ten (10) business days after the expiry of the blackout period.
- c) The automatic extension of an Optionee's Options will not be permitted where the Optionee or the Corporation is subject to a cease trade order (or similar order under Securities Laws) in respect of the Corporation's securities.
- d) The automatic extension is available to all Optionees under this Plan under the same terms and conditions.

## **ARTICLE 6 EXERCISE PROCEDURE**

### **6.1 Exercise Procedure**

An Option may be exercised from time to time, and shall be deemed to be validly exercised by the Optionee only upon the Optionee's delivery to the Corporation at its head office of:

- a) a written notice of exercise addressed to the Corporate Secretary of the Corporation, specifying the number of Common Shares with respect to which the Option is being exercised;
- b) the originally signed option agreement with respect to the Option being exercised;
- c) unless the Option is exercised pursuant to Section 6.2 hereof, a certified cheque or bank draft made payable to the Corporation, or confirmation of a direct deposit to the Corporation's bank accounts, for the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised, together with the amount necessary to satisfy any applicable tax withholding or remittance obligations under applicable Laws;
- d) documents containing such representations, warranties, agreements, and undertakings, including such as to the Optionee's future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to comply with or safeguard against the violation of the Laws of any jurisdiction; and
- e) for so long as the Corporation is a CPC, no Option may be exercised before the Completion of the Qualifying Transaction unless the Optionee agrees in writing to deposit the Common Shares acquired into escrow until Completion of the Qualifying Transaction;

and on the business day following, the Optionee shall be deemed to be a holder of record of the Common Shares with respect to which the Option is being exercised, and thereafter the Corporation shall, within a reasonable amount of time, cause certificates for such Common Shares to be issued and delivered to the Optionee.

### **6.2 Cashless Exercise**

Subject to the provisions of this Plan (including, without limitation, Section 6.3 and Board approval, once an Option has vested and become exercisable, an Optionee may elect to exercise such Option by either:

- a) excluding Options granted to Investor Relations Service Providers, a "net exercise" procedure in which the Corporation issues to the Optionee, Common Shares equal to the number determined by dividing (i) the product of the number of Options being exercised multiplied by the difference between the VWAP of the underlying Common Shares and the exercise price of the subject Options by (ii) the VWAP of the underlying Common Shares; or
- b) a broker assisted "cashless exercise" in which the Corporation delivers a copy of irrevocable instructions to a broker engaged for such purposes by the Corporation to sell the Common Shares otherwise deliverable upon the exercise of the Options and to deliver promptly to the Corporation an amount equal to the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised, together with the amount necessary to satisfy any applicable tax withholding or remittance obligations under applicable Laws, against delivery of the Common Shares to settle the applicable trade.
- c) An Option may be exercised pursuant to this Section 6.2 from time to time by delivery to the Corporation, at its head office or such other place as may be specified by the Corporation of (i) written notice of exercise specifying that the Optionee has elected to effect such a cashless exercise of the Option, the method of cashless exercise, and the number of Options to be exercised and (ii) payment of the amount necessary to satisfy any applicable tax withholding or remittance obligations under applicable Laws, as verified by the Corporation to its satisfaction (or by entering into some other arrangement acceptable to the Corporation in its discretion). The Optionee shall comply with Section 6.3 hereof with regard to any applicable required Withholding Obligations (hereinafter defined) and with such other procedures and policies as the

Corporation may prescribe or determine to be necessary or advisable from time to time, including the prior written consent of the Board in connection with such exercise

### **6.3 Withholding**

The Corporation may withhold from any amount payable to an Optionee, either under this Plan or otherwise, such amount as it reasonably believes is necessary to enable the Corporation to comply with the applicable requirements of any federal, provincial, local, or foreign law, or any administrative policy of any applicable tax authority, relating to the withholding of tax or any other required deductions with respect to options (“**Withholding Obligations**”). The Corporation may also satisfy any liability for any such Withholding Obligations, on such terms and conditions as the Corporation may determine in its discretion by:

- a) requiring an Optionee, as a condition to the exercise of any Options, to make such arrangements as the Corporation may require so that the Corporation can satisfy such Withholding Obligations including, without limitation, requiring the Optionee to remit to the Corporation in advance, or reimburse the Corporation for, any such Withholding Obligations; or
- b) selling on the Optionee’s behalf, or requiring the Optionee to sell, any Common Shares acquired by the Optionee under the Plan, or retaining any amount which would otherwise be payable to the Optionee in connection with any such sale.

## **ARTICLE 7 AMENDMENT OF OPTIONS**

### **7.1 Consent to Amend**

The Board may amend any Option with the consent of the affected Optionee and the Exchange, including any shareholder approval required by the Exchange.

- a) Disinterested Shareholder Approval shall be obtained in accordance with the requirements of the Exchange for any amendment that results in:
  - (i) any reduction in the exercise price of an Option if the Optionee is an Insider at the time of the proposed amendment;
  - (ii) an increase to the limits prescribed by Section 4.3 hereof, including any grant that would result in the limits prescribed by Section 4.3 being exceeded;
  - (iii) an extension of the Expiry Date for Options if the Optionee is an Insider at the time of the proposed extension;
  - (iv) any benefit to an Insider; and
  - (v) other types of compensation through Common Share issuance.
- b) Other than amendments to fix typographical errors and clarify existing provisions of the Plan that do not have the effect of altering the scope, nature and intent of such provisions, Shareholder approval shall be obtained in accordance with the requirements of the Exchange for any amendment to the Plan including, without limitation, any amendment that results in:
  - (i) any cancellation and reissuance of an Option;
  - (ii) the addition of additional categories of Eligible Person;
  - (iii) an increase in the maximum number of Common Shares issuable pursuant to the Plan (other than pursuant to Article 2);
  - (iv) the method for determining the exercise price of an Option;
  - (v) the maximum term of an Option;
  - (vi) the expiry and termination provisions applicable to an Option, including the addition of a blackout period; and

- (vii) any method or formula for calculating prices, values or amounts under this Plan that may result in a benefit to an Optionee.

**7.2 Amendment Subject to Approval**

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are provided.

**ARTICLE 8  
MISCELLANEOUS**

**8.1 No Rights as Shareholder**

Nothing in this Plan or any Option shall confer upon an Optionee any rights as a shareholder of the Corporation with respect to any of the Common Shares underlying an Option unless and until such Optionee shall have become the holder of such Common Shares upon exercise of such Option in accordance with the terms of the Plan.

**8.2 No Right to Employment**

Nothing in this Plan or any Option shall confer upon an Optionee any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate the Optionee's employment, with or without cause, at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of an Optionee beyond the time which the Optionee would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which an Optionee would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

**8.3 Governing Law**

This Plan, all option agreements, the grant and exercise of Options hereunder, and the sale, issue, and delivery of Common Shares hereunder upon exercise of Options shall be, as applicable, governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable therein. The Courts of the Province of British Columbia shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.