



**CMC METALS LTD.**  
**Suite 605 – 369 Terminal Avenue**  
**Vancouver, British Columbia V6A 4C4**  
**Phone: 604-605-0166 - Fax: 604-692-0117**

**INFORMATION CIRCULAR**  
as at the 31<sup>st</sup> day of May, 2018

**This Information Circular is furnished in connection with the solicitation of proxies by the management of CMC Metals Ltd. (the “Company”) for use at the annual general meeting (the “Meeting”) of its shareholders to be held on Thursday, July 25, 2019 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

In this Information Circular, references to “the Company”, “we” and “our” refer to CMC Metals Ltd. “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

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

**Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the “Proxy”) are officers and/or directors of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

The only methods by which you may appoint a person as proxy are submitting a proxy by mail, hand delivery or fax.

**Voting by Proxyholder**

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

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy and, if applicable, for the nominees of management for directors and auditors as identified in the Proxy.**

## **Registered Shareholders**

Whether or not they attend the Meeting in person, registered shareholders may choose to vote by proxy using one of the following methods:

- (a) complete, date and sign the enclosed form of proxy and return it to the Company's transfer agent, Computershare Investor Services Inc., by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail or by hand to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or
- (b) use a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the 15 digit control number which is located on your proxy form/voting instruction form. *If you vote by telephone, you cannot appoint anyone other than the directors named on your proxy form as your proxyholder;* or
- (c) via the internet through Computershare's website at [www.investorvote.com](http://www.investorvote.com). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the 15 digit control number which is located on your proxy form/voting instruction form;

In all cases shareholders must ensure that the proxy is received by the Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof.

## **Beneficial Shareholders**

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

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

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

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

The Company is taking advantage of those provisions of National Instrument 54-101 of the Canadian Securities Administrators, which permits it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form (VIF). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare will provide instructions for telephone voting and internet voting as described on the VIF itself. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs it receives.

This information circular, with related material, is being sent to registered owners only of the Common Shares of the Company

Beneficial Shareholders who are OBOs should contact their broker or intermediary and carefully follow their instructions in order to ensure that their Common Shares are voted at the Meeting.

The form of proxy that will be supplied by your broker will be similar to the Proxy provided to registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions (“Broadridge”) in the United States and in Canada, Broadridge Financial Solutions Inc. Canada (collectively “Broadridge”). Broadridge mails a voting instruction form in lieu of a Proxy provided by the Company. The voting instruction form will name the same persons as the Company’s Proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company) other than the persons designated in the voting instruction form to represent the Beneficial Shareholder at the Meeting. To exercise this right, you should insert the name of your desired representative in the blank space provided in the voting instruction form. The completed voting instruction form must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use it to vote Shares directly at the Meeting - the voting instruction form must be returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Shares voted.**

Although as a Beneficial Shareholder you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you may attend at the Meeting as proxyholder for your broker and vote your Common Shares in that capacity. If you wish to attend at the Meeting and indirectly vote your Common Shares as proxyholder for your broker, you should enter your own name in the blank space on the voting instruction form provided to you and return the same to your broker in accordance with the instructions provided by your broker, well in advance of the Meeting.

Alternatively, you can request in writing that your broker send to you a legal proxy which would enable you to attend at the Meeting and vote your Common Shares.

#### **Notice to Shareholders in the United States**

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

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

#### **Revocation of Proxies**

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

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder’s authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare Investor Services or at the address of the office of the Company at Suite 605, 369 Terminal Avenue, Vancouver, British Columbia, V6A 4C4, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening

thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or

- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

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

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

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

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

The board of directors (the "Board") of the Company has fixed Thursday, June 6, 2019, as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

Unless otherwise stated, the information contained in this Information Circular is as of the Record Date.

As of Thursday, June 6, 2019, there were 18,128,055 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares. There are no Preferred shares issued and outstanding as at June 6, 2019

To the knowledge of the directors and executive officers of the Company, the only persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common of the Company as at June 6, 2019, are:

<b>Shareholder Name</b>	<b>Number of Common Shares Held</b>	<b>Percentage of Issued Common Shares</b>
Michael C. Scholz	4,255,829	23.47%

Notes:

- (1) The above information was supplied to the Company by the shareholders and from the insider reports available at [www.sedi.ca](http://www.sedi.ca).

Copies of documents incorporated herein by reference may be obtained by a Shareholder upon request without charge from Michael C. Scholz, Chief Financial Officer of CMC Metals Ltd., at 605 – 369 Terminal Avenue, Vancouver, BC, V6A 4C4, Telephone: 604-605-0166. These documents are also available through the Internet on SEDAR, which can be accessed at [www.sedar.com](http://www.sedar.com).

### **VOTES NECESSARY TO PASS RESOLUTIONS**

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors or appointment of the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

## ELECTION OF DIRECTORS

The size of the Board of the Company is currently determined at seven (7). The board proposes that the number of directors remain unchanged at seven (7). Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at seven (7).

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (British Columbia) ("BCA"), each director elected will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following table sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at June 6, 2019.

Nominee Position with the Corporation and Country of Residence	Occupation, Business or Employment <sup>(1)</sup>	Period as a Director of the Corporation	Common Shares Beneficially Owned or Controlled
Kevin Brewer President, Chief Executive Officer, and Director Yukon, Canada	Registered professional geoscientist for past 25 years; Owner, principal geologist for 39627 Yukon Inc.; Executive Director of Sierra Capital Corp since 2016; Former Acquisitions Advisor to Moly Mines Ltd. from June 2015 to September 2016; Former General Manager for Largo Resources Ltd., Northern Dancer Project from March 2008 to December, 2015.	Since July, 2018	Nil
Michael C. Scholz (1) Chairman of the Board, Chief Financial Officer, and Director British Columbia, Canada	Businessman; President and CFO of Fibre-Crown Manufacturing Inc., a reporting issuer; Chairman of Uniserve Communications Inc., a reporting issuer; former Chairman of the Board of Avcorp Industries Inc.; former Director, Great Canadian Gaming Corp., April 2000 to June, 2004, former Vice-Chairman from June 2001 to June, 2004 and former President of Great Canadian Gaming Corp., June 2001 to November 2003.	Since July, 2005	1,458,143 (direct)  2,797,686 (indirect)
Graham Chisholm, A.C.I.S. Secretary, Director British Columbia, Canada	Business Executive; Owner of Aisco Industrial Supply Ltd., a private company; Chairman of Timelapse Film Media House Inc., a private company; Founder and former CEO and President of Nubian Resources Ltd., a TSXV listed company, 2006 to 2011.	March, 2018	252,000 (direct)

<b>Nominee Position with the Corporation and Country of Residence</b>	<b>Occupation, Business or Employment<sup>(1)</sup></b>	<b>Period as a Director of the Corporation</b>	<b>Common Shares Beneficially Owned or Controlled</b>
John Bossio (1) Director Alberta, Canada	Registered Psychologist; Director of Bossio Psychological Services Incorporated since 2004.	June, 2010	324,257 (direct)
Robert Wheeler Director British Columbia, Canada	Businessman; Former Vice-President of Future Electronics, a worldwide leader electronic components distributor, from 1979 to November, 2012.	August, 2014	64,000 (direct)
J. Gerard (Gerry) Lenoski Director British Columbia, Canada	Businessman; Government Affairs and Corporate Relations/Communications counselor; Director of Transnational Canada Counsel Inc.(a private management advisory, since 2014); Officer and Director of several national and local NGOs; past federal (parliamentary) Political Advisor and longstanding Public Affairs/ Communications/Investor Relations counsel to corporate enterprises.	March, 2017	Nil
Arif Merali Director British Columbia, Canada	Businessman; Self-employed investor since 2001; Manager of 663312 BC Ltd., a private corporation, since 2004; Director of Petrostar Petroleum Corp, a private corporation since 2012; Former registered representative of Canaccord Capital Corporation from 1999 to 2001.	March, 2018	Nil

(1) Denotes members of the Audit Committee. As of the date of this Information Circular, the members of the Audit Committee are Michael C. Scholz, John Bossio and Azim Virani.

Notes:

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

The British Columbia Securities Commission issued a cease trade order against the Company on September 3, 2009 for failure to file an updated 43-101 on its Silver Hart Property plus non-compliant NI43-101 disclosure statements. In connection with the September 3, 2009 Cease Trade Order, the Company's shares were halted from trading on the TSX Venture Exchange. Having met all the requirements imposed by the Commission, a Revocation Order was issued on January 15, 2010 and the Company's shares resumed trading on the TSX Venture Exchange on February 4, 2010.

## **APPOINTMENT OF AUDITOR**

Dale, Matheson, Carr-Hilton, Labonte, Chartered Accountants, of Vancouver, British Columbia, will be nominated at the Meeting for reappointment as auditor of the Company and a remuneration to be fixed by the directors. Dale, Matheson, Carr-Hilton, Labonte was first appointed auditor of the Company on October 9, 2007.

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

Multilateral Instrument 52-110 of the Canadian Securities Administrators (“MI52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

### **The Audit Committee’s Charter**

The audit committee has a charter. A copy of the audit committee charter is attached as Schedule “A” hereto.

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

As of the date of this Information Circular, the members of the audit committee are Michael C. Scholz, John Bossio and Azim Virani. Messrs. Bossio and Virani are independent members of the audit committee under NI52-110 and Mr. Scholz is not in his capacity as CFO of the Company. All members are considered to be financially literate.

### **Relevant Education and Experience**

All members of the audit committee have:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity in accounting issues comparable to issues that the Company can reasonably expect to arise in the issuer’s financial statements; or experience actively supervising individuals engaged in such activities; and
- (c) an understanding of internal controls and procedures for financial reporting.

The experience and qualifications of members of the Audit Committee are highlighted under the Item “Election of Directors.”

### **Audit Committee Oversight**

The audit committee has not made any recommendations to the board of directors to nominate or compensate any external auditor.

### **Reliance on Certain Exemptions**

The Company’s auditors, Dale, Matheson, Carr-Hilton, Labonte, have not provided any material non-audit services.

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

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

## External Auditor Service Fees

The audit committee has reviewed the nature and amount of the non-audited services provided by its auditors, Dale, Matheson, Carr-Hilton, Labonte, to ensure auditor independence. Fees incurred by the Company's auditors for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Fees Incurred to Auditor, Dale, Matheson, Carr-Hilton, Labonte in Year Ended September 30, 2017.	Fees Incurred to Auditor, Dale, Matheson, Carr-Hilton, Labonte in Year Ended September 30, 2018.
Audit Fees <sup>(1)</sup>	\$30,090	\$25,305
Audit-Related Fees <sup>(2)</sup>	\$13,800	\$17,550
Tax Fees <sup>(3)</sup>	\$5,250	\$5,250
All Other Fees <sup>(4)</sup>	N/A	N/A
Total	\$49,140	\$48,105

Notes:

(1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

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

(4) "All Other Fees" include all other non-audit services.

## Exemption

The Company is relying upon the exemption in section 6.1 of MI 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations under MI 52-110 for the year ended September 30, 2018. This exemption exempts a "venture issuer" from the requirement to have 100% of the members of its audit committee independent, as would otherwise be required by MI 52-110.

## CORPORATE GOVERNANCE

### General

Effective June 30, 2005, National Instrument 58-101 Disclosure of Corporate Governance Practices ("NI 58-101") and National Policy 58-201 Corporate Governance Guidelines ("NP 58-201") were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices.

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the CSA have implemented National Instrument 58-101F2 *Disclosure of Corporate Governance Practices*, which prescribes certain disclosure by the

Company of its corporate governance practices. This section sets out the Company's approach to corporate governance and addresses the Company's compliance with NI 58-101.

### **1. Board of Directors**

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

The board facilitates its independent supervision over management by reviewing monthly reports prepared by management as well as regularly scheduled board meetings.

The independent members of the Board of Directors of the Corporation are directors John Bossio, Robert Wheeler, Gerry Lenoski and Graham Chisholm.

The non-independent directors are Kevin Brewer, the Company's President and Chief Executive Officer, Michael C. Scholz, the Company's Chairman of the Board and Chief Financial Officer, and Graham Chisholm, the Company's Secretary.

A majority of the Board is independent, and three directors are officers of the Company.

### **2. Directorships**

Mr. Brewer is a director of Sourdough Resources Inc. and 39627 Yukon Inc., both non-reporting companies.

Mr. Scholz is a director of Fibre-Crown Manufacturing Inc., and Uniserve Communications Corporation, both of which are reporting issuers, and various non-reporting issuers.

Mr. Chisholm is a director of Aisco Industrial Supply Ltd., and the Chairman of Timelapse Film Media House Inc., both non-reporting companies.

Mr. Bossio is a director of Bossio Psychological Services Incorporated, a non-reporting issuer.

Mr. Lenoski is a director of Transnational Canada Counsel Inc., a private management advisory, and director of several national and local non-governmental organizations.

Mr. Merali is a director of various non-reporting issuers.

### **3. Orientation and Continuing Education**

When new directors are appointed, they receive orientation on the Corporation's business, its technology, including its exploration properties and the mining industry in general, and on the responsibilities of directors.

Board meetings may also include presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business.

### **4. Ethical Business Conduct**

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

### **5. Nomination of Directors**

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual general meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.



Notes:

- (1) Mr. Chisholm provided consulting services to the Corporation on a project basis, billing under his name personally and that of his private corporation, Aisco Industrial Supply Ltd. These services were not provided pursuant to a consulting agreement;
- (2) Mr. Tharani provided management services to the Corporation at \$5,000 per month for a three month period commencing September 15, 2017 through to December 15, 2017, through an entity of which his wife was the beneficial owner. Mr. Tharani was not re-elected to the Company's Board at its last Annual General Meeting held July 19, 2018 and therefore was no longer a director or officer of the Corporation as of that date;
- (3) Mr. Graham previously provided management services to the Corporation since June, 2016 and was being paid \$4,500 to \$5,000 per month to September 30, 2017. Mr. Graham resigned his position as an officer and a director of the Corporation on October 11, 2017;
- (4) Mr. Bal previously provided management services to the Corporation which commenced October, 2013 and concluded in October, 2016, and was being paid \$5,000 per month. Mr. Bal resigned his position as an officer and a director of the Corporation on January 11, 2017.

### **Long-Term Incentive Plan Awards**

A long term incentive plan ("LTIP") is "a plan providing compensation intended to motivate performance over a period greater than one financial year" and does not include option or stock appreciation rights ("SARs") plans or plans for compensation through shares or units that are subject to restrictions on resale. The Company did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

### **Stock Appreciation Rights**

A stock appreciation right ("SAR") is a right to receive a payment of cash or an issue or transfer of shares based wholly or in part on changes in the trading price of the Company's Common Shares. No SARs were granted to, or exercised by, any Named Executive Officer or any directors during the most recently completed financial year.

### **Options**

The following share options were granted to the Named Executive Officers during the financial year ended September 30, 2018:

- (a) Mr. Graham Chisholm was granted 120,000 (300,000 pre-consolidation) options by agreement dated March 8, 2018 which options were exercisable at \$0.125 (\$0.05 pre-consolidation) per share and set to expire February 26, 2018. Mr. Chisholm exercised his option in full and was issued 120,000 (300,000 pre-consolidation) common shares on March 19, 2018.

Other than as mentioned herein, there were no options issued or exercised by the Named Executive Officers during the period.

The value of the unexercised in-the-money options granted to the Named Executive Officers at the financial year September 30, 2018 was nil.

The Company does not have a pension plan under which benefits are determined primarily by final compensation (or average final compensation) and years of service.

### **Termination of Employment, Change in Responsibilities and Employment Contracts**

There is no written employment contract between the Company and any Named Executive Officer.

There are no compensatory plan(s) or arrangement(s), with respect to the Named Executive Officer resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the Named Executive Officer's Responsibilities following a change in control.

### **Compensation of Directors**

There are no arrangements under which directors were compensated by the Company and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants.

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

The only equity compensation plan which the Company has in place is the Company's Stock Option Plan (the "Plan") which was previously approved by shareholders on July 19, 2018. The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby

encourage their continuing association with the Company. The Plan is administered by the directors of the Company. The Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. The Plan provides that the number of Common Shares issuable under the Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares. All options expire on a date not later than five years after the date of grant of such option.

The following table sets out equity compensation plan information as at the end of the financial year ending September 30, 2018.

***Equity Compensation Plan Information***

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders (the "Plan")	Nil	Nil	1,812,805
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	Nil	Nil	1,812,805

Note - Disclose:

- (a) the number of securities to be issued upon the exercise of outstanding options, warrants and rights in column (a);
- (b) the weighted-average exercise price of the outstanding options, warrants and rights disclosed under column (b);
- (c) other than securities to be issued upon the exercise of the outstanding options, warrants and rights disclosed in subsection (a), the number of securities remaining available for future issuance under the plan – column (c).

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

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

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended September 30, 2013, or has any interest in any material transaction in the current year other than as set out herein.

**MANAGEMENT CONTRACTS**

There are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or senior officers of the Company.

## OTHER MATTERS TO BE ACTED UPON

### A. Continuation of 10% Rolling Stock Option Plan

The Company has a rolling plan under which stock options are granted, which was approved by Members of the Company at its annual general meeting held on July 19, 2018. The number of shares reserved for issue under a rolling plan is limited to 10% of the issued and outstanding common shares of an Issuer at the time of any grant of options (on a non-diluted basis). The rules of the TSX require that a rolling plan be approved yearly by shareholders to re-set the number of shares allotted and reserved for issue. The 2018 Plan complies with the requirements of Exchange Policy 4.4 for Tier 2 Issuers, and contains, among other provisions, the following provision:

- all options are non-transferable, except in certain circumstances;
- no more than 5% of the issued shares may be granted to any one individual in any 12 month period;
- no more than 2% of the issued shares may be granted to a consultant, or any employee performing investor relations activities, in any 12 month period;
- options granted to persons performing investor relations activities must vest in stages over 12 months with no more than  $\frac{1}{4}$  of the options vesting in any three month period, subject to prior Exchange acceptance, although the Company may grant options with vesting periods to other Eligible Optionees;
- the exercise price per share must be set at not less than the closing price of the Company's shares on the last trading day immediately preceding the date of grant of the option, and shall not be lower than the Discounted Market Price pursuant to the rules of the TSX;
- disinterested shareholder approval must be obtained for any reduction in the exercise price of an outstanding option, if the option holder is an insider;
- options will be reclassified in the event of any consolidation, subdivision, conversion or change in the Company's common shares, and the Company has the right to accelerate the date on which any option becomes eligible on the occurrence of a takeover bid, issuer bid, or going private transaction.

A copy of the 2018 Plan is available for review at the Company's offices at Suite 605 – 369 Terminal Avenue, Vancouver, BC, V6A 4C4, during normal business hours up to and including the date of the Meeting, and is attached hereto as Schedule "B" hereto.

The Company will be asking Members to approve the following resolutions:

"BE IT RESOLVED, WITH OR WITHOUT AMENDMENT, THAT:

1. the Company's 2018 Plan be and is hereby ratified, confirmed and approved and adopted as the Stock Option Plan for 2019;
2. the Directors be and are hereby authorized to continue to grant incentive stock options under and subject to the terms and conditions of the Plan, exercisable to purchase in the aggregate up to 10% of the Company's issued and outstanding common share capital at the time of such grant;
3. all options granted under the Plan be and they are hereby ratified, confirmed and approved;
4. the Directors be and they are authorized and directed to sign and execute all documents, agreements, and

writings including any amendments thereto, file such documents, agreements, and writings with regulatory authorities and perform such other acts and deeds as may be necessary to obtain regulatory acceptance hereto and to give effect to these resolutions.”

The Board of Directors recommends that shareholders vote in favour of the continuation of the Plan. An ordinary resolution is a resolution passed by the shareholders of the Corporation at a general meeting by a simple majority of the votes cast in person or by proxy.

**The Board of Directors recommends each Shareholder vote in favour of the above ordinary resolution.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on [www.Sedar.com](http://www.Sedar.com). Financial information is provided in the Company’s comparative year end financial statements and related management discussion and analysis and in the interim financial statements and related management discussion and analysis. The Company will provide to any person or company, upon request to Michael C. Scholz, Chief Financial Officer of the Company, at Suite 605, 369 Terminal Avenue, Vancouver, B.C., V6A 4C4, telephone no.: (604) 605-0166 or fax no.: (604) 692-0117, one copy of any of the financial statements of the Company filed with the applicable securities regulatory authorities for the Company during the most recently two completed financial years in respect to for which such financial statements have been issued and filed with the applicable securities regulatory authorities.

Copies of the above documents will be provided, upon request, free of charge to security holders of the Company. The Company may require the payment of a reasonable charge from any person or company who is not a security holder of the Company, who requests a copy of any such document. The foregoing documents are also available on Sedar at [www.Sedar.com](http://www.Sedar.com).

#### **OTHER MATTERS**

The Directors are not aware of any other matters which they anticipate will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to shareholders have been approved by the board of directors of the Company.

**DATED** at Vancouver, British Columbia, this 6<sup>th</sup> day of June, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“Michael C. Scholz”*

**Michael C. Scholz**  
**Chairman of the Board**

**Schedule A**  
**CMC METALS LTD.**  
**(the “Company”)**

**AUDIT COMMITTEE CHARTER**

**1. Mandate**

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

**2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

*2.1 Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

*2.2 Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

**3. Meetings**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

**4. Roles and Responsibilities**

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

*4.1 External Audit*

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

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors’ proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and

- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### 4.2 *Internal Control*

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

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

#### 4.3 *Financial Reporting*

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

##### *General*

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

##### *Annual Financial Statements*

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

##### *Interim Financial Statements*

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

##### *Release of Financial Information*

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

#### 4.4 *Non-Audit Services*

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

##### *Delegation of Authority*

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

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

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

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

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

#### *4.5 Other Responsibilities*

The audit committee shall:

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

#### *4.6 Reporting Responsibilities*

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

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

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

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

### **6. Guidance – Roles & Responsibilities**

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

## 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

## 6.2 *Financial Reporting*

### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

### *Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;

- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

**Schedule B**  
**CMC METALS LTD.**  
**(the “Company”)**  
**ROLLING STOCK OPTION PLAN**

Dated for Reference July 19, 2018

**1. PURPOSE**

- 1.1 The purpose of this stock option plan (the “Stock Option Plan”) is to authorize the grant to directors, officers, employees and other service providers of CMC Metals Ltd. (the “Company”) incentive stock options to purchase common shares in the capital of the Company and thus benefit the Company. This will allow the Company to attract, retain and motivate service providers by providing them with the opportunity, through share options, to acquire an increased proprietary interest in the Company.

**2. INTERPRETATION**

- 2.1 In this Stock Option Plan, in addition to terms which are parenthetically defined, the following terms shall have the following meanings respectively:
- (a) “Affiliate” has the meaning ascribed thereto in the Exchange Policies;
  - (b) “Associate” has the meaning ascribed thereto in the *Securities Act* (British Columbia);
  - (c) “Board” means the board of directors of the Company;
  - (d) “Common Shares” means common shares in the capital of the Company;
  - (e) “Consultant” means, in relation to the Company, an individual (other than an Employee or a Director of the Company) or Company that:
    - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a Distribution;
    - (ii) provides the services under a written contract between the Company or an Affiliate and the individual or the Company, as the case may be;
    - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
    - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company;
  - (f) “Consultant Company” means a Consultant that is a Company;
  - (g) “Director” means a director, senior officer or Management Company Employee of an Issuer, or of an unlisted Company seeking a listing on the Exchange, or a director, a senior Management Company Employees of an Issuer’s or an unlisted Company’s subsidiaries;

- (h) “Discounted Market Price” means the Market Price less the following maximum discounts based on closing price (and subject, notwithstanding the application of any such maximum discount, to a minimum price per share of \$0.05):

Closing Price	Discount
Up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

- (i) “Eligible Charitable Organization” has the same meaning as set forth in Policy 4.7 – Charitable Options in Connection With an IPO.
- (j) “Employee” means:
- (i) an individual who is considered an employee of the Company or its Subsidiaries under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);
  - (ii) an individual who works full-time for the Company or its Subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
  - (iii) an individual who works for the Company or its Subsidiaries on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provide by an employee and who is subject to the same control and direction by the Company over the details and the methods of work as an employee of the Company, but for whom income tax deductions are not made at source;
- (k) “Exchange” means the TSX Venture Exchange, provided that if the Common Shares are not at the relevant time listed and posted for trading on the TSX Venture Exchange, “Exchange” shall mean such stock exchange or quotation system on which the Common Shares are then listed or quoted as may be selected by the Board;
- (l) “Exchange Policies” means the policies of the Exchange;
- (m) “Existing Options” means stock options granted prior to the effective date of the Stock Option Plan, which have not been exercised or cancelled;
- (n) “Expiry Date” of an Option means the day on which an Option lapses;
- (o) “Insider” has the meaning ascribed thereto in the Exchange Policies;
- (p) “Investor Relations Activities” has the meaning ascribed thereto in the Exchange Policies;
- (q) “Market Price” has the meaning ascribed thereto in the Exchange Policies;
- (r) “Management Company Employee” means an individual employed by a Person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in Investor Relations Activities;
- (s) “Option” means a stock option granted pursuant to the Stock Option Plan;

- (t) “Optionee” means the recipient of stock options granted by the Company under this Stock Option Plan;
- (u) “Outstanding Issue” means the number of Common Shares which are issued and outstanding as of a particular time, on a non-diluted basis;
- (v) “Person” means a company or individual;
- (w) “Reserved for Issuance” at any particular time refers to Common Shares which may be issued in the future upon the exercise of Options and Existing Options which are outstanding at that time; and
- (x) “Subsidiary” has the meaning ascribed thereto in the *Business Corporations Act* (British Columbia).

### **3. ADMINISTRATION**

- 3.1 The Stock Option Plan shall be administered by the Board. Options to purchase unissued Common Shares may be granted from time to time under this Share Option Plan by the Board only to an Eligible Charitable Organization or a Director, Employee or Consultant of the Company or its Subsidiaries, or to Consultant Companies as set out in the Exchange Policies, at the time the option is granted (hereinafter referred to as “Eligible Optionees”), in order to be eligible for the grant of stock option to the Optionee.
- 3.2 Subject to the provisions hereof, the Board shall have full and final authority to determine whether and when Options are to be granted, to determine which Eligible Optionees are to be granted Options under the Stock Option Plan, the number of shares subject to each Option, and all other terms and conditions applicable to each Option.
- 3.3 For every grant of stock options to Eligible Employees, the Company shall represent that the Optionee is a bona fide Eligible Charitable Organization or a Director, Employee or Consultant of the Company or its Subsidiaries, or to the Consultant Companies, as the case may be.
- 3.4 Upon determination by the Board of a grant of option, the Company shall issue a press release at the time of the grant of options granted to Insiders or all persons employed or retained to provide Investor Relations Activities.

### **4. SHARES SUBJECT TO PLAN**

- 4.1 Subject to adjustment under the provisions of paragraph 18 hereof, the aggregate number of Common Shares which may be issued and sold under the Stock Option Plan, together with the Existing Options, will not exceed 10% of the Outstanding Issue at the time of the stock option grant.
- 4.2 If any Common Shares cannot be issued to any Optionee for whatever reason, the obligation of the Company to issue such Common Shares shall terminate and any option exercise price paid to the Company shall be returned to the Optionee. Common Shares in respect of which Options or Existing Options have expired unexercised shall be available for subsequent Options granted under the Stock Option Plan.
- 4.3 No fractional shares may be issued or purchased under the Stock Option Plan. If Options are surrendered, terminated or expire in accordance with the terms of the Stock Option Plan without being exercised, new Options may be granted covering Common Shares not purchased under such lapsed Options.

4.4 All Existing Options which are outstanding as of the effective date of the Stock Option Plan will thereafter be governed by the Stock Option Plan.

## **5. GRANT LIMITATIONS**

5.1 Options shall not be granted under the Stock Option Plan which could result in:

- (a) the number of Common Shares Reserved for Issuance to holders of Options or Existing Options who are Insiders at the time of the particular grant, exceeding 10% of the Outstanding Issue at the time of such grant;
- (b) the number of Common Shares issued within any 12 month period pursuant to the exercise of Options and Existing Options to optionees who are Insiders at the time of issuance, exceeding 10% of the Outstanding Issue at the time of such grant;
- (c) the number of Options granted to any one Consultant in any 12 month period exceeding 2% of the Outstanding Issue;
- (d) the aggregate number of Options granted to all persons employed or retained to provide Investor Relations Activities must not exceed 2% of the issued shares of the Company in any 12 month period calculated at the date an option is granted to any such person Outstanding Issue;
- (e) the number of Options granted to an Optionee within any 12 month period exceeding 5% of the Outstanding Issue at the time of such grant.

## **6. PRICE**

6.1 The option price of any Common Share in respect of which an Option may be granted under the Stock Option Plan shall be fixed by the Board but shall be not lower than the Discounted Market Price. A minimum exercise price cannot be established unless the options are allocated to a particular Person. The Board may determine that the option price per Common Share may escalate at a specified rate dependent upon the year in which any Option to purchase Common Shares may be exercised by the Optionee.

6.2 Disinterested Shareholder approval will be obtained for any reduction in the exercise price if the Optionee is an Insider of the Company at the time of the proposed amendment.

## **7. PERIOD OF OPTION AND RIGHTS TO EXERCISE**

7.1 Subject to the provisions of this paragraph 7.1 and articles 8, 13, 14 and 15 below, Options will be exercisable in whole or in part, and from time to time, during the currency thereof. Options shall not be granted for a term exceeding five years. The Common Shares to be purchased upon the exercise of any Option ("Option Shares") shall be paid for in full at the time of such exercise. Except as provided in paragraphs 13 and 14 below, no Option may be exercised unless the Optionee is at the time of exercise an Eligible Optionee.

7.2 A four (4) month hold period commencing on the date the stock options are granted shall apply to those options granted to an Insider or to any Eligible Optionees receiving an option at any discount to the Market Price.

## **8. VESTING RESTRICTIONS**

8.1 The Board shall determine any vesting periods for all Options granted pursuant to this Stock Option Plan at the time of the grant in accordance with the policies of the Exchange. Options issued to all

persons employed or retained to provide Investor Relations Activities must vest in stages over 12 months with no more than  $\frac{1}{4}$  of the options vesting in any three month period, subject to prior Exchange acceptance;

- 8.2 If the Board determines with respect to an Optionee that is desirable to alter the vesting periods of any particular Option, it may fix the vesting of that Option before or after its grant in such manner as it determines in its direction.
- 8.3 If a *bona fide* offer (an "Offer"):
- (a) is made to all shareholders of the Company for Common Shares, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the *Securities Act* (British Columbia);
  - (b) is made for all or substantially all of the undertaking of the Company (as such concept is interpreted under the *Business Corporations Act* (British Columbia)); or
  - (c) is made for a proposed transaction which a majority of the Board determines is reasonably likely to have a similar effect as either of the transactions referred to in subparagraph (a) or (b) above;

then the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon, notwithstanding that such Option may not be fully vested at such time, such Option shall become vested immediately, and such Options may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender or to vote, as applicable, the Option Shares received upon such exercise, pursuant to the Offer. If:

- (d) the Offer is not completed within the time specified therein;
- (e) the Optionee does not tender the Option Shares pursuant to the Offer, if applicable;
- (f) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof; or
- (g) the sale or reorganization does not close in accordance with its terms,

then the Option Shares received upon such exercise, or in the case of clause (f) above, the Option Shares that are not taken up and paid for, shall be returned by the Optionee to the Company and reinstated as authorized but unissued Common Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised and the terms upon which such Option Shares were to become vested pursuant to paragraph 8.1 shall be reinstated. If any Option Shares are returned to the Company under this paragraph 8.3, the Company shall immediately refund the exercise price to the Optionee for such Common Shares. In no event shall the Optionee be entitled to sell the Option Shares otherwise than pursuant to the Offer (in the case of an Offer pursuant to paragraph 8.3(a) hereof) or to sell the Option Shares prior to the closing of any transaction (in the case of an Offer pursuant to paragraph 8.3(b) or (c) hereof).

## **9. EVIDENCE OF OPTIONS**

- 9.1 A written agreement will be entered into between the Company and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to Option, the exercise price, provisions as to vesting (if any) and the expiry date, and any other terms approved by the Board, all in accordance with the provisions of this Stock Option Plan. The agreement will be in such form as the Board may from time to time approve, or authorize the officers of the Company to enter

into, and may contain such terms as may be considered necessary in order that the Option will comply with this Stock Option Plan and any regulatory body having jurisdiction over the Company.

**10. EXERCISE OF OPTION**

- 10.1 Subject to the provisions of the Stock Option Plan and the particular Option, an Option may be exercised from time to time by delivering to the Company at its registered office a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment for the full amount of the purchase price of the Common Shares then being purchased.
- 10.2 The full purchase price of Common Shares purchased under the Option must be paid in lawful money of Canada or by certified cheque made payable to the Company.
- 10.3 Upon receipt of a treasury order of an authorized officer directing the issue of Common Shares purchased under the Stock Option Plan, the transfer agent is authorized and directed to issue and countersign share certificates for the Option Shares in the name of such Optionee or the Optionee's legal personal representative or as may be directed in writing by the Optionee's legal personal representative.

**11. RIGHTS PRIOR TO EXERCISE**

- 11.1 An Optionee shall have no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Option Shares in respect of which the Optionee shall have exercised the Option to purchase hereunder and which the Optionee shall have actually taken up and paid for.

**12. EXPIRY OF OPTION**

- 12.1 On the expiry date of any option granted under the Stock Option Plan, and subject to any extension of such expiry date permitted in accordance with the Stock Option Plan, such Option shall forthwith expire and terminate and be of no further force or effect whatsoever as to such of the Option Shares in respect of which the Option has not been exercised.

**13. CESSATION OF PROVISION OF SERVICES**

- 13.1 If any Optionee ceases to be an Eligible Optionee for any reason (except as otherwise provided in paragraph 14 and 15) the Optionee may, but only within the period of thirty days after such cessation and in no event after the Expiry Date of the Optionee's Option, exercise the Optionee's Option.
- 13.2 If an Optionee ceases to be an Eligible Optionee for cause, no Option held by such Optionee may be exercised following the date on which such Optionee ceases to be an Eligible Optionee.
- 13.3 An Optionee ceases to be an Eligible Optionee if his employment has been terminated by the Company or a Subsidiary of the Company:
- (a) other than for cause, either:
    - (i) on the day specified by the Company or such Subsidiary in writing to the Eligible Optionee as being the last day on which the Eligible Optionee is to report for work for the Company or a Subsidiary of the Company; or
    - (ii) if such Eligible Optionee is given pay in lieu of advance notice of a pending effective date of termination, on the day on which such notice of termination is given in writing by the Company or such Subsidiary to the Eligible Optionee and

(b) for cause, on the day on which the notice of termination was given.

**14. DEATH OF OPTIONEE**

14.1 If an Optionee ceases to be an Eligible Optionee by reason of death of the Optionee during the currency of the Optionee's Option, any Option theretofore granted to the Optionee shall be exercisable by the Optionee's legal personal representative within, but only within, the period of one year after the Optionee's death, and in no event after the expiry date of the Option. Before expiry of an Option under this paragraph 14, the Company shall notify the Optionee's legal personal representative in writing of such expiry.

**15. EXTENSION OF OPTION**

15.1 Notwithstanding the provisions of paragraphs 13 and 14, the Board may extend the period of time within which an Option held by an Optionee who has ceased to be an Eligible Optionee may be exercised, but such an extension shall not be granted beyond the original Expiry Date of the Option. Any extensions of Options granted under this Stock Option Plan are subject to applicable regulatory approval.

**16. GRANT OF MULTIPLE OPTIONS**

16.1 The grant of an Option to an Eligible Optionee shall not prevent the Board from granting further Options to the same Eligible Optionee and any such further grant of an Option shall, for the purposes of paragraph 3, be treated as a separate Option.

**17. NON-TRANSFERABILITY OF OPTIONS**

17.1 No Option granted under the Stock Option Plan shall be transferable or assignable by an Optionee, or subject to any other alienation, sale, pledge or encumbrance, otherwise than by will or by the laws of descent and distribution, and, therefore, such Option shall be exercisable, during an Optionee's lifetime, only by the Optionee.

**18. ADJUSTMENTS IN SHARES SUBJECT TO PLAN**

18.1 Following the date an Option is granted, the exercise price for and the number of Option Shares which are subject to an Option will be adjusted, with respect to the then unexercised portion thereof, in the events and in accordance with the provisions and rules set out in this section 18, with the intent that the rights of Optionees under their Options are, to the extent possible, preserved notwithstanding the occurrence of such events. Any dispute that arises at any time with respect to any adjustment pursuant to such provisions and rules will be conclusively determined by the Board, and any such determination will be binding on the Company, the Optionee and all other affected parties.

18.2 If the outstanding Common Shares are changed into or exchanged for a different number of shares or into or for other securities of the Company or securities of another company or entity, whether through an arrangement, amalgamation or other similar procedure or otherwise, or a share recapitalization, subdivision or consolidation, then on each exercise of the Option which occurs following such events, for each Option Share for which the Option is exercised, the Optionee shall instead receive the number and kind of shares or other securities of the Company or other company into which such Option Share would have been changed or for which such Option Share would have been exchanged if it had been outstanding on the date of such event and the exercise price will be similarly adjusted so that the aggregate price to exercise the Option is preserved.

- 18.3 If the outstanding Common Shares are changed into or exchanged for a different number of shares or into or for other securities of the Company or securities of another company or entity, in a manner other than as specified in subsection 18.2, then the Board, in its sole discretion, may make such adjustment to the securities to be issued pursuant to any exercise of the Option and the exercise price to be paid for each such security following such event as the Board in its sole and absolute discretion determines to be equitable to give effect to the principle described in subsection 18.1, and such adjustments shall be effective and binding upon the Company and the Optionee for all purposes.

**19. AMENDMENT OF THE PLAN**

- 19.1 Subject to the prior approval of the Exchange and/or any other applicable regulatory authority, the Board may at any time amend or terminate the Stock Option Plan or supersede and replace the Stock Option Plan with a new stock option plan (a "New Plan"). In the event that a New Plan is adopted in place of the Stock Option Plan, such New Plan may provide that all Options granted under the Stock Option Plan which are outstanding as of the date of adoption of the New Plan shall thereafter be governed by the New Plan. Provided, however, that no amendment of the Stock Option Plan, or termination of the Stock Option Plan and adoption of a New Plan, may adversely affect the rights under any Option granted prior to such action without the consent of the Optionee.

**20. GOVERNING LAW**

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

**21. EFFECTIVE DATE OF THE PLAN**

- 21.1 This Stock Option Plan will become effective upon receipt of shareholder approval and acceptance by the Exchange.