



[www.empressresources.com](http://www.empressresources.com)  
Unit 1 – 15782 Marine Drive,  
White Rock, British Columbia, Canada V4B 1E6

**MANAGEMENT INFORMATION CIRCULAR  
FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD  
AUGUST 15, 2019**

Containing information as at July 11, 2019

**PERSONS MAKING THE SOLICITATION**

This Management Information Circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Empress Resources Corp. (Formerly: Cipher Resources Inc.) (the “**Company**” or “**Empress Resources**”) for use at the Annual General and Special Meeting (the “**Meeting**”) of the Company’s shareholders (the “**Shareholders**”) to be held on August 15, 2019, at the hour of 9:00 a.m. (PDT), in the offices of the Company at 1 – 15782 Marine Drive, White Rock, British Columbia.

The enclosed form of proxy (the “**Proxy**”) is solicited by Management. The solicitation will be primarily by mail, however, proxies may be solicited personally or by telephone by the regular officers and employees of the Company. The cost of solicitation will be borne by the Company.

Under the Articles of the Company, a quorum for the transaction of business at the Meeting is one person who is, or who is represented by proxy. Shareholders who hold at least one of the issued common shares are entitled to be vote at the Meeting.

References to dollars (\$) in this Information Circular shall mean Canadian dollars unless otherwise indicated.

**PART 1 - VOTING**

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**APPOINTMENT OF PROXYHOLDER**

The persons named in the Proxy are representatives of the Company.

A Shareholder entitled to vote at the Meeting has the right to appoint a person (who need not be a Shareholder) to attend and act on the Shareholder’s behalf at the Meeting other than the persons named in the accompanying form of proxy. To exercise this right, a Shareholder shall strike out the names of the persons named in the accompanying form of proxy and insert the name of the Shareholder’s nominee in the blank space provided or complete another suitable form of proxy.

## REVOCAION OF PROXY

A Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to the Company's Registered Office at Unit 1 – 15782 Marine Drive, White Rock, B.C. V4B 1E6 (facsimile: 604-536-2788) at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it or to the Chair of the Meeting on the day of the Meeting or any adjournment of it. A Proxy may also be revoked in any other manner permitted by law. **Only registered Shareholders have the right to revoke a Proxy. Non-Registered Holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective intermediaries to revoke the Proxy on their behalf.**

A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

## VALIDITY OF PROXY

A Proxy will not be valid unless it is signed by the Shareholder or intermediary or by the Shareholder's or intermediary's agent duly authorized in writing or, if the Shareholder or intermediary is a corporation, under its corporate seal and signed by an officer of the Shareholder or intermediary. The instrument empowering the agent, or a notarial copy thereof, should accompany the Proxy. The Proxy, if not dated, is deemed to be dated on the date mailed by the person making the solicitation.

## JOINT HOLDERS

A Proxy given on behalf of joint holders must be executed by all of them and may be revoked only by all of them.

If more than one of several joint holders is present at the Meeting and they do not agree as to which of them is to exercise any vote to which they are jointly entitled, they will for the purpose of voting, be deemed not to be present.

## DEPOSIT OF PROXY

**A Proxy will not be valid unless it is completed, dated and signed and delivered by hand or mail to Computershare Investor Services Inc.** at Proxy Dept., 100 University Avenue 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or by fax to: (within North America) 1-866-249-7775 (outside North America) 416-263-9524, not less than 48 hours (excluding Saturdays and holidays) prior to the Meeting or to the Chair of the Meeting prior to the commencement of the Meeting.

## NON-REGISTERED HOLDERS OF SHARES

**Only registered Shareholders of record as of the Meeting Record Date (as hereinafter defined) or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Company are "non-registered" Shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered Shareholder in respect of shares which are held on behalf of such person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and directors or administrators of self-administered RRSP's, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("**CDS**") of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 ("**NI 54-101**") of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, this Information Circular and the Proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials, or where there is a special meeting involving abridged timing under NI 54-101, will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit a Proxy should otherwise properly complete the Proxy and **deliver it to Computershare Investor Services Inc.** as provided above; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**proxy authorization form**”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one-page pre-printed form. Sometimes, instead of the one-page pre-printed form, the proxy authorization form will consist of a regular printed Proxy accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the Proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the Proxy, properly complete and sign the Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, this procedure permits Non-Registered Holders to direct the voting of the shares, which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

The Meeting Materials are not being sent to registered or beneficial owners using the Notice and Access procedures contained in NI 54-101. The Company is sending the Meeting Materials directly to non-objecting beneficial holders (as defined in NI 54-101). The Company will not pay for Intermediaries to deliver the Meeting Materials to objecting beneficial holders (as defined in NI 54-101) and objecting beneficial holders will not receive the Meeting Materials unless their Intermediary assumes the cost of delivery.

#### **VOTING OF SHARES REPRESENTED BY PROXY AND EXERCISE OF DISCRETION**

Voting at the Meeting will be by a show of hands, each Shareholder having one vote, unless a ballot or poll is requested or required in accordance with the Company’s By-Laws or the *Business Corporations Act* (British Columbia), in which case each Shareholder is entitled to one vote for each share held. **The Shares represented by a Proxy will be voted on any ballot or poll by the persons named in the Proxy, and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the shares represented thereby will, on a ballot or poll, be voted or withheld from voting in accordance with the specifications so made. Where no choice has been specified by the Shareholder, such shares will be voted in favour of the motions proposed to be made at the Meeting as described in this Information Circular.**

A proxy in the enclosed form, when properly completed and delivered and not revoked, confers discretionary authority on the persons named proxyholders therein to vote on any amendments or variations

of matters identified in the Notice of Meeting and on any other matters which may properly come before the Meeting. As of the date of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

In order to approve a motion proposed at the Meeting, a majority of greater than 50% of the votes cast will be required unless the motion requires a special resolution, in which case a majority of not less than two-thirds of the votes cast by shareholders who voted on the resolution will be required.

## **PART 2 - VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The authorized voting share capital of Empress Resources consists of an unlimited number of common shares (“**Common Shares**”). Each holder of Common Shares is entitled to one vote for each Common Share registered in his or her name at the close of business on July 11, 2019, the date fixed by our directors (the “**Board**”) as the record date (the “**Meeting Record Date**”) for determining who is entitled to receive notice of and to vote at the Meeting.

On May 5, 2018, the Company formed a strategic alliance with Endeavour Financial Limited (Cayman) and Endeavour Financial AG, collectively “Endeavour Financial” which, among other things, providing Endeavour Financial has control or direction over greater than 9.9% of the Company’s outstanding shares, provides Endeavour Financial with anti-dilution provisions and grants Endeavour Financial the right to nominate half of the individuals to the Board of the Company. David Rhodes and Paul Mainwaring are Endeavour Financial nominees who were appointed to the Board and standing for election at the Meeting.

At the close of business on July 11, 2019, there were 60,756,690 Common Shares outstanding. To the best knowledge of the directors and senior officers of the Company, the only persons or Company’s who beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company are:

<b>Beneficial Shareholder</b>	<b>Number of Common Shares Owned <sup>(3)</sup></b>	<b>Percentage of Issued and Outstanding <sup>(2)</sup></b>
Endeavour Financial <sup>(1)</sup>	7,980,000	13.13%
Terra Capital Natural Resource Fund Pty Ltd.	10,000,000	16.46%

<sup>(1)</sup> The 7,980,000 Common Shares are owned as to 4,230,000 by Endeavour Financial AG and 3,750,000 by Endeavour Financial Limited (Cayman), collectively “Endeavour Financial”.

<sup>(2)</sup> Based on Empress Resources Common Shares issued and outstanding as at Record Date.

<sup>(3)</sup> The number of Common Shares owned are derived solely from public filings on the System for Electronic Disclosure by Insiders (SEDI) or SEDAR. This number does not include any warrants, stock options or convertible securities held by the beneficial shareholder.

## **PART 3 - BUSINESS OF THE MEETING**

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### **1. FINANCIAL STATEMENTS**

The financial statements and management discussion and analysis of Empress Resources for the fiscal year ended March 31, 2019, will be placed before you at the Meeting. These financial statements may be requested by completing the enclosed Financial Statement Request Form that accompanies this Information Circular, or they may be viewed on [www.sedar.com](http://www.sedar.com).

### **2. FIX NUMBER OF DIRECTORS AT FOUR**

Under Empress Resources' Articles, the number of directors may be fixed or changed from time to time by ordinary resolution but shall not be fewer than three. The number of directors was last fixed at six and there are currently four directors and four nominees proposed by management for election as directors at the Meeting.

**Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR fixing the number of directors at four.**

### **3. ELECTION OF DIRECTORS**

Directors of Empress Resources are elected for a term of one year. 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/she resigns or otherwise vacates office before that time.

Management does not anticipate that any of these nominees will be unable to serve as a director.

At the Meeting, the Shareholders will be asked to vote on a resolution to elect as directors the nominees set out in the table below. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR election as directors of the nominees set out in the table below.**

The following table sets out the names of the nominees for election as directors, the province or state and country in which each is ordinarily resident, all offices of the Company now held by each of them, their principal occupations, the period of time for which each has been a director of the Company, and the number of common shares of the Company or any of its subsidiaries beneficially owned by each, directly or indirectly, or over which control or direction is exercised, as at the date of this Information Circular.

As of the date hereof, no additional director nominations for the Meeting have been received by the Company in compliance with the Company's Advance Notice Policy adopted by the shareholders on December 20, 2013.

<b>Name, Present Position(s) with the Company and Place of Residence <sup>(1)</sup></b>	<b>Principal Occupation <sup>(1)</sup></b>	<b>Date(s) Served as a Director Since</b>	<b>Ownership or Control Over Voting Shares Held <sup>(1)</sup></b>
<b>Paul Mainwaring <sup>(2)</sup></b> <i>Director</i> Surrey, UK	Associate Director at Endeavour Financial and has been with Endeavour Financial since 2006.	May 11, 2018	-
<b>Duncan Gordon</b> <i>Director</i> West Vancouver, Canada	President of Ivy Capital Corp., a private company providing financing services for companies seeking guidance through the capital raising process. Prior to that Vice President and Senior Investment Advisor at Canaccord Genuity Wealth Management for 17 years.	July 24, 2018	280,000
<b>Jeremy Bond <sup>(2) (3) (4)</sup></b> <i>Director</i> Sydney, Australia	Founder of Terra Capital Natural Resource Fund Pty Ltd and Chief Investment Officer since 2010.	December 21, 2018	10,000,000
<b>David Rhodes <sup>(2) (3) (5)</sup></b> <i>Director</i> London, UK	Managing Director of Endeavour Financial Limited (a financial services advisory firm) from June 2011 to present.	April 24, 2019	7,980,000

- (1) The information as to country of residence, principal occupation and number of shares beneficially owned by the nominees (directly or indirectly or over which control or direction is exercised) is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
- (2) Member of the Company's Audit Committee, of which Mr. Mainwaring is the Chairman.
- (3) Member of the Company's Investment Committee, of which Mr. Rhodes is the Chairman.
- (4) Mr. Bond is one of the control persons of the 10,000,000 Shares held by Terra Capital Natural Resource Fund Pty Ltd.
- (5) Mr. Rhodes is one of the control persons of the 7,980,000 Shares held by Endeavour Financial.

### ***Cease Trade Orders and Bankruptcy***

No director or proposed director of Empress Resources is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including Empress Resources), that:

- (a) was subject to a cease trade order, an order similar to a cease trade 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, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade 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, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or proposed director of Empress Resources, and no shareholder holding a sufficient number of securities of Empress Resources to affect materially the control of Empress Resources:

- (a) is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including Empress Resources) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or proposed director of Empress Resources, and no shareholder holding a sufficient number of securities of Empress Resources to affect materially the control of Empress Resources has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### 4. APPOINTMENT AND REMUNERATION OF AUDITOR

Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants (“**DMCL**”) has been the Auditor of the Company since April 1, 2015.

The Company’s management recommends that shareholders vote FOR the appointment of DMCL, as the Company’s auditor for the ensuing year and grant the Board the authority to determine the remuneration to be paid to the auditor. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of DMCL, to act as our auditor until the close of our next annual general meeting and to authorize the Board to fix the remuneration to be paid to the auditor.**

#### 5. APPROVAL OF RENEWAL OF STOCK OPTION PLAN

The Company has adopted a stock option plan (the “**Option Plan**”) pursuant to which the Board may grant options (the “**Options**”) to purchase Common Shares of the Company to NEOs, Directors and employees of the Company or affiliated corporations and to consultants retained by the Company.

The purpose of the Option Plan is to attract, retain, and motivate NEOs, Directors, employees and other service providers by providing them with the opportunity, through options, to acquire an interest in the Company and benefit from the Company’s growth.

Under the Option Plan, the maximum number of Common Shares reserved for issuance, including Options currently outstanding, is equal to ten (10%) percent of the Common Shares outstanding from time to time (the “**10% Maximum**”). The 10% Maximum is an “evergreen” provision, meaning that, following the exercise, termination, cancellation or expiration of any Options, a number of Common Shares equivalent to the number of options so exercised, terminated, cancelled or expired would automatically become

reserved and available for issuance in respect of future Option grants.

The number of Common Shares which may be the subject of Options on a yearly basis to any one person cannot exceed five (5%) percent of the number of issued and outstanding Shares at the time of the grant. Options may be granted to any employee, Officer, Director, consultant, affiliate or subsidiary of the Company exercisable at a price which is not less than the market price of common shares of the Company on the date of the grant. The Directors of the Company may, by resolution, determine the time period during which any option may be exercised (the “**Exercise Period**”), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the Common Shares may be listed. All Options will terminate on the earliest to occur of (a) the expiry of their term; (b) the date of termination of an optionee’s employment, office or position as Director, if terminated for just cause; (c) ninety (90) days (or such other period of time as permitted by any rule or regulation of such exchange on which the Common Shares may be listed) following the date of termination of an optionee’s position as a Director or NEO, if terminated for any reason other than the optionee’s disability or death; (d) thirty (30) days following the date of termination of an optionee’s position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee’s disability, death, or just cause; and (e) the date of any sale, transfer or assignment of the Option.

Options are non-assignable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be a NEO, Director, employee, consultant, affiliate, or subsidiary of the Company, as the case may be. Subject to the foregoing restrictions, and certain other restrictions set out in the Option Plan, the Board is authorized to provide for the granting of Options and the exercise and method of exercise of options granted under the Option Plan.

The Company is asking its Shareholders to vote FOR the following ordinary resolution to renew and approve the Option Plan (the “**Option Plan Resolution**”):

“**RESOLVED THAT**, subject to regulatory approval, the Option Plan authorizing the directors to grant options on shares totalling up to a maximum of 10% of the Company’s common shares issued and outstanding from time to time, as at the date of the relevant grant, be and it is hereby renewed and approved, together with all options granted thereunder as at the date hereof, and that the Board be and they are hereby authorized, without further shareholder approval, to carry out the intent of this resolution.”

If this resolution is approved by Shareholders, it is expected that the Board will in due course grant further options under the Option Plan as the Board deems fit in light of the overall compensation program and the relative efforts and contributions of the eligible participants under the Option Plan.

**The Board recommend that Shareholders vote FOR the Option Plan Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Option Plan Resolution. The discretionary authority granted by the enclosed proxy will be used by management to approve any amendments to the above resolution acceptable to it.**

## **PART 4 - EXECUTIVE COMPENSATION**

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### **DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION EXCLUDING COMPENSATION SECURITIES**

The following information is provided as required under Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*. All amounts are expressed in Canadian dollars for the fiscal year ended March 31, 2019.

#### **NAMED EXECUTIVE OFFICERS**

“Named Executive Officers” and “NEOs” means each of the following individuals:

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(a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;

(b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;

(c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5), for that financial year;

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year. During the most recent fiscal year ended March 31, 2019, the Company had four NEOs.

Table of compensation excluding stock options and compensation securities							
Name and position	Year	Salary <sup>(1)</sup> , consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation <sup>(2)</sup> (\$)	Total compensation (\$)
<b>Elena Tanzola,</b> <sup>(1)</sup> <i>Director, President and Interim CEO</i>	2019	60,000	-	-	-	-	60,000
	2018	45,000	-	-	-	-	45,000
<b>Anthony Jackson,</b> <sup>(2)</sup> <i>Former Interim Chief Financial Officer and Corporate Secretary</i>	2018	39,000	-	-	-	-	39,000
<b>Golden Oak Corporate Services Ltd.,</b> <sup>(3)</sup> <i>Chief Financial Officer and Corporate Secretary</i>	2019	82,500	-	-	-	-	82,500
<b>Jim Mustard,</b> <sup>(4)</sup> <i>Director</i>	2019	27,500	-	-	-	-	27,500
	2018	-	-	-	-	88,400	88,400
<b>Guy-Phillipe Bertin,</b> <sup>(5)</sup> <i>Director</i>	2019	18,333	-	-	-	-	18,333
	2018	-	-	-	-	-	-

Notes:

- (1) Elena Tanzola was Director, President and Interim CEO of the Company from May 8, 2017 until April 30, 2019 when her consulting agreement was terminated.
- (2) Consulting fees paid to Jackson & Company., a company owned by Anthony Jackson, which provided Anthony Jackson's services as Corporate Secretary and Chief Financial Officer to the Company. Jackson & Company was engaged from June 30, 2017 to May 22, 2018 when his consulting agreement was terminated.
- (3) Consulting fees are paid to Golden Oak Corporate Services Ltd., which provides Doris Meyer's and Dan O'Brien's services to the Company. Ms. Meyer and Mr. O'Brien were appointed Corporate Secretary Chief Financial Officer on May 22, 2018.
- (4) Consulting fees paid to Jim Mustard from July 18, 2017 to March 31, 2018. Mr. Mustard was paid \$20,000 per year for director fees, plus an additional \$5,000 for sitting on the Audit Committee and an additional \$5,000 for sitting on and Chairing the Investment Committee. Mr. Mustard resigned as a director of the Company on June 4, 2019.
- (5) Guy-Phillipe Bertin was a Director of the Company from April 5, 2018 until June 17, 2019.

#### EXTERNAL MANAGEMENT COMPANIES

None of the NEOs or directors of the Company have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Company to provide management services to the Company, directly or indirectly.

## **STOCK OPTIONS AND OTHER COMPENSATION SECURITIES**

No compensation securities were granted or issued to any NEO or director by the Company or one of its subsidiaries in the financial year ended March 31, 2019 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

No NEO or director exercised any compensation securities during the financial year ended March 31, 2019.

## **STOCK OPTION PLANS AND OTHER INCENTIVE PLANS**

The Company's Option Plan is described Part 3 – Business of the Meeting, Item 5. Approval of Renewal of Stock Option Plan.

The Option Plan is administered by the Board or a committee thereof, which has full and final authority with respect to the granting of all stock options thereunder. A number of stock options equal to 10% of the outstanding common shares of the Company from time to time is available to be granted pursuant to the Plan to such directors, officers, employees or consultants of the Company and its subsidiaries, if any, as the Board or a committee thereof may from time to time designate. The purpose of the Plan is to improve the Company's long-term financial success by closely aligning the participants' personal interests with those of the Company's shareholders.

Subject to the provisions of the Plan, the Company may grant stock options that entitle the holders to purchase in total up to a maximum of 10% of the issued and outstanding share capital of the Company at the time the options are granted. As the Company grows, stock options provide participants with a reward for the long-term contribution of directors, NEO's, employees and consultants towards the growth and success of the Company. The Company's practice will be to grant such number of stock options in order to stay close to the authorized maximum of options outstanding by issuing incremental options every year and granting options to new directors, NEO's or employees depending on the circumstances. Stock options help in retaining directors, NEO's and employees. The Board considers such factors as individual performance, the significance of individual contribution to the success of the Company, experience and length of service in determining the amounts of options awarded. Previous grants of stock options are taken into account when stock options are granted.

The Company does not have any other compensation security plans.

## **EMPLOYMENT, CONSULTING AND MANAGEMENT AGREEMENTS**

The Company has the following arrangements in respect of remuneration received or that may be received by the NEOs in the Company's most recently completed fiscal year ended March 31, 2019 in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control.

### *GOLDEN OAK CORPORATE SERVICES LTD.*

On June 1, 2018, the Company entered into a consulting agreement (the "**GO Agreement**") with Golden Oak Corporate Services Ltd. (the "**Contractor**"), a company controlled by Dan O'Brien and Doris Meyer, the Company's Chief Financial Officer and Corporate Secretary.

Pursuant to the GO Agreement, the Contractor provides the services of qualified personnel employed by the Contractor. On May 23, 2018, Doris Meyer was appointed by the Company to serve as the Corporate

Secretary of the Company and Dan O'Brien was appointed by the Company to serve as the Chief Financial Officer. The Contractor provides as an independent contractor to the Company accounting, financial, corporate and regulatory compliance services in consideration of an annual service fee of \$90,000 (the "**Annual Service Fee**") plus applicable taxes. The Company reimburses the Contractor a share of reasonable office costs and expenses and all pre-approved travel and out-of-pocket expenses incurred by the Contractor in furtherance of or in connection with the business of the Company and its subsidiaries.

The GO Agreement shall continue for an indefinite term, unless otherwise terminated. The GO Agreement may be terminated by the Company for cause without notice or without cause at any time upon 90 days written notice of termination or payment in lieu of notice and reimbursement of any other amounts then due and owing. The GO Agreement may be terminated by the Contractor upon 90 days written notice to the Company provided that the Company may waive such notice, in which case the Contractor's services will terminate upon the Company giving such waiver. During the 90-day notice period, the Contractor will agree to perform its obligations to the Company if the Company requests such performance and will perform such obligations in the manner directed by the Company. On a defined change of control event, if the Company terminates the GO Agreement within one year of the change of control event, Contractor shall be paid an amount equal to the Annual Service Fee in effect at the time.

#### ALEXANDRA WOODYER SHERRON

Subsequent to March 31, 2019, on May 1, 2019, the Company entered into an executive consulting agreement (the "**Sherron Agreement**") with Alexandra Woodyer Sherron ("**Sherron**"), the Company's President and Chief Executive Officer.

Pursuant to the Sherron Agreement, Sherron carries out the duties and responsibilities of the position of President and Chief Executive Officer for the Company. Sherron is as an independent contractor to the Company in consideration of an annual service fee of \$60,000 (the "**Annual Service Fee**") plus applicable taxes for 25% of Sherron's time. Sherron will be eligible for a bonus at the end of each fiscal year in an amount determined by the Board.

The Sherron Agreement shall continue for an initial term of two years and shall automatically renew for successive one-year terms unless otherwise terminated. The Sherron Agreement may be terminated by the Company for cause without notice or without cause at any time upon written notice of termination or payment in lieu of notice an amount equal to half of the Annual Service Fee plus an amount equal to any bonus paid during the 12 month period prior to the date of termination and reimbursement of any amounts then due and owing. The Sherron Agreement may be terminated by Sherron upon 90 days written notice to the Company provided that the Company may waive such notice, in which case Sherron's services will terminate upon the Company giving such waiver. During the 90 day notice period, Sherron will agree to perform her obligations to the Company if the Company requests such performance and will perform such obligations in the manner directed by the Company. On a defined change of control event, if the Company terminates the Sherron Agreement, or if Sherron terminates the Sherron Agreement, within one year of the change of control event, Sherron shall be paid an amount equal to the Annual Service Fee in effect at the time plus an amount equal to two times the amount of any bonus paid during the 12 month period prior to the date of termination and reimbursement of any amounts then due and owing.

## **OVERSIGHT AND DESCRIPTION OF DIRECTOR AND NEO COMPENSATION**

### ***COMPENSATION DISCUSSION AND ANALYSIS***

The Company's executive compensation program is administered by the Board, the majority of whom are independent. The Board also monitors the performance of the Company's executive officers and reviews the design and competitiveness of the Company's executive compensation plans.

#### **DIRECTOR COMPENSATION PROGRAM**

Compensation of directors of the Company is reviewed annually and determined by the Board. The level of compensation for directors is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and nature, and the availability of financial resources.

From May 5, 2018 until April 30, 2019 each non-management director had been paid an annual retainer of \$20,000 and an additional \$5,000 a year per committee each non-management director sat on or Chaired. Subsequent to April 30, 2019 there are no director fees paid.

#### ***EXECUTIVE COMPENSATION PROGRAM***

While the Board has not adopted a written program concerning the compensation of NEOs, it has developed a consistent approach relating to executive compensation. The objective in the determination of executive compensation is the need to provide total compensation packages that will:

- ensure external competitiveness by developing and maintaining compensation levels that reflect current market rates of pay;
- promote pay-for-performance levels that reward consistently high-performance levels;
- provide the Company with the resources to recruit and retain a highly capable work force; and
- establish incentives to develop and achieve performance targets that maximize the success and value of the Company to the benefit of the Company's shareholders and other stakeholders.

The Company's executive compensation program is based on a pay-for-performance philosophy. It is designed to retain, encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long-term. The Compensation Committee reviews and recommends to the Board base salaries based on a number of factors enabling the Company to compete for and retain executives critical to the Company's long-term success. Incentive compensation in the form of cash bonuses is directly tied to corporate and individual performance. Share ownership opportunities through stock options are provided to align the interests of executive officers with the longer-term interests of shareholders. Independent consultants may be retained on an as needed basis by the Company to assess its executive compensation program.

Compensation for the NEO's, as well as for executive officers of the Company as a whole, consists of a base salary, along with annual incentive compensation in the form of consideration for a discretionary annual bonus, and a longer-term incentive in the form of grants of stock options. The Company attempts to pay competitively in the aggregate as well as deliver an appropriate balance between annual compensation

(base salary and discretionary cash bonuses) and long-term compensation (stock options). The relative portions of annual compensation and long-term incentives for the CEO are intended to provide a significant portion of the executive's compensation through long-term incentives.

In determining specific compensation amounts for the NEOs, the Compensation Committee considers factors such as experience, individual performance, length of service, role in achieving corporate objectives, positive production, exploration and development results, stock price, and compensation compared to other employment opportunities for executives. As an executive officer's level of responsibility increases, a greater percentage of total compensation is based on performance (as opposed to base salary and standard employee benefits) and the mix of total compensation shifts towards annual bonuses, and in particular, stock options, thereby increasing the mutuality of interest between executive officers and shareholders. The Company does not have precise criteria or formulas to determine global remuneration of NEO's and uses its senior officers and Board's experience and knowledge of the market to do so. The Company's compensation program is designed to reward NEO's for the success of the Company in achieving its technical and financial objectives.

#### ***COMPENSATION RISK ASSESSMENT AND MITIGATION***

Although the Company does not have formal policies specifically targeting risk taking in a compensation context, the practice of the Board is to consider all factors related in an executive's performance, including any risk mitigation efforts, in determining compensation.

Under the Company's policies, NEOs and directors are not permitted to purchase financial instruments, (including, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds), that are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by the NEO or director.

The Company operates in a volatile market and the following elements of the compensation package are required to provide the motivation to NEO's and other employees and achieve retention of the Company's skilled people in such market.

#### ***BASE SALARY***

Senior management of the Company make recommendations to the Compensation Committee, as applicable, as to base salaries for officers and employees at all levels of the Company based on assigned responsibilities, the performance of each of the officers and employees as well as the overall financial performance of the Company. The level of base salary for each employee within a specified range is determined by the level of past performance as well as by the level of responsibility, the importance of the position to the Company and market factors. The NEO's employment contracts will be reviewed periodically and adjusted as a result of the economic situation in which the Company finds itself, subject to acceptance of the NEO's.

#### ***ANNUAL DISCRETIONARY BONUSES***

The Board determines, on a discretionary basis, incentive awards or bonuses to be paid by the Company to the executive officers of the Company, if any, in respect of a particular fiscal year, following recommendations from the Compensation Committee. The CEO makes recommendations to the Compensation Committee who determine, on a discretionary basis, bonuses to be paid by the Company to

all other eligible employees and consultants of the Company in respect of a fiscal year. Corporate performance is assessed by reference to a number of factors, including the Company's progress and development, corporate and operations efficiency and success in enhancing shareholder value. Individual performance is measured by reviewing personal performance and other significant factors, such as level of responsibility and importance of the position to the Company. The individual performance factor allows the Company to recognize and reward those individuals whose efforts have particularly assisted the Company to attain its corporate performance objectives.

**DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE**

The Company does not provide retirement benefits for its NEO's other than as referred to herein.

**PART 5 – SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth information in respect of securities authorized for issuance under the Company's equity compensation plans as at March 31, 2019.

Plan Category	Number of securities to be issued on exercise	Weighted-average exercise price of outstanding securities	Number of securities available for future issuance
Equity compensation plans approved by shareholders <sup>(1)</sup>	-	\$0.00	6,075,669
Equity compensation plans not approved by shareholders	-	-	-
Total	-	\$0.00	6,075,669

<sup>(1)</sup> The Stock Option Plan is detailed under the heading Part 3: Business of the Meeting – “Renewal of Stock Option Plan”

## PART 6 – AUDIT COMMITTEE DISCLOSURE

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### CHARTER OF THE AUDIT COMMITTEE

The Audit Committee has a charter that sets out its mandate and responsibilities. A copy of the charter is attached to this Information Circular as Schedule "A".

### COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is chaired by Paul Mainwaring, with Jim Mustard and Elena Tanzola comprising the remainder of the Committee until April 30, 2019 when Elena Tanzola resigned as a Director and David Rhodes filled the vacancy created by Ms. Tanzola's resignation and until June 4, 2019 when Jim Mustard resigned as a Director and Jeremy Bond filled the vacancy created by Mr. Mustard's resignation. Messrs. Mainwaring, Rhodes and Bond reviewed the audited financial statements for the fiscal year ended March 31, 2019. Messrs. Mainwaring, Rhodes and Bond are independent. All committee members are financially literate and have the ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. "Independent" and "financially literate" have the meaning used in NI 52-110.

### RELEVANT EDUCATION AND EXPERIENCE

The relevant education and experience of such members is as follows:

**Paul Mainwaring** – Mr. Mainwaring has over fifteen years' experience in corporate finance and in the last thirteen years, whilst at Endeavour Financial, has focussed on financings in the natural resources sector. Mr. Mainwaring has extensive experience in cash flow modelling, financial analysis, valuation, debt advisory, deal structuring and the negotiation, documentation and execution of mining finance transactions and re-financings. Prior to joining Endeavour Financial in 2006, he worked for PricewaterhouseCoopers in their Valuation & Strategy department and was involved in valuation assignments and corporate transactions across a range of sectors and also previously worked as a chemical engineer in the petrochemical and pharmaceutical industries. CFA qualified.

**David Rhodes** – Mr. Rhodes career in the finance industry has spanned more than twenty-five years. Prior to joining Endeavour over fourteen years ago, he was at Standard Bank London Limited, Barclays Capital and Royal Bank of Scotland. At Standard and Barclays, he sourced, structured and syndicated finance for mining projects and companies on a global basis (including advice on derivative products). Having lived and worked in London and New York he has international experience of the North/South American, European, CIS and African markets. As a result, he has arranged over US\$10 billion of funding for mining companies.

**Jeremy Bond** – Mr. Bond is the Chief Investment Officer and founder of Terra Capital Natural Resource Fund ("Terra Capital") the holder of 10 million shares (16.46%) of the Company. Terra Capital is a specialist investment manager with a proven track record of performance, a focus on risk management and with a management team that is strongly aligned with investors. Mr. Bond previously worked as an analyst at RAB Special Situations Fund at RAB Capital Plc. The RAB Special Situations Fund had an investment bias towards natural resources and was previously rated the Best Energy and Natural Resources Fund by Hedge Fund Review in 2007 and ranked No 1 in Barron's Hedge Fund 50 Global rankings in 2007. Prior to joining RAB in 2007, Mr. Bond was an Associate at Azure Capital, a boutique investment bank based out of Perth, WA. Here he worked on numerous merger and acquisitions, as well as being involved in a number of capital raisings in the small cap sector.

## RELIANCE ON CERTAIN EXEMPTIONS

During the most recently completed financial year, the Company relied on the exemption set out in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

During the most recently completed financial year, the Company has not relied on certain exemptions set out in NI 52-110, namely section 2.4 (De Minimus Non-audit Services), subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), subsection 6.1.1(5) (Events Outside Control of Member), subsection 6.1.1(6) (Death, Incapacity or Resignation), and any exemption, in whole or in part, in Part 8 (Exemptions).

## AUDIT COMMITTEE OVERSIGHT

At no time was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted formal policies and procedures for the engagement of non-audit services. Subject to the requirements of the NI 52-110, the engagement of non-audit services is considered by, as applicable, the Board and the Audit Committee, on a case by case basis.

## EXTERNAL AUDITOR SERVICE FEES

Except as noted, all dollar amounts herein are in Canadian dollars. Fees, for professional services rendered by Dale Matheson Carr-Hilton Labonte LLP to the Company were:

	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2018
<b>Audit Fees</b> <sup>[1]</sup>	\$20,000	\$17,500
<b>Audit Related Fees</b> <sup>[2]</sup>	-	-
<b>Tax Fees</b> <sup>[3]</sup>	\$1,000	\$900
<b>Total fees</b>	\$21,000	\$18,400

<sup>(1)</sup> "Audit Fees" represent the fees for the audit of the Company's consolidated financial statements for the fiscal year ended March 31, 2019, and March 31, 2018.

<sup>(2)</sup> "Audit Related Fees" represent the fees for the review of the Company's interim consolidated financial statements and services normally provided by the accountant in connection with the Company's interim statutory and regulatory filings.

<sup>(3)</sup> "Tax Fees" represent the fees for tax services consisting of tax compliance and tax planning and advice.

## PART 7 – CORPORATE GOVERNANCE DISCLOSURE

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The following is a summary of Empress Resources approach to Corporate Governance.

### BOARD OF DIRECTORS

The Board of the Company supervises the CEO and the CFO. Both the CEO and CFO are required to act in accordance with the scope of authority provided to them by the Board.

## DIRECTORSHIPS

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

Name of Director	Directorships (other reporting issuer or equivalent in a foreign jurisdiction)
David Rhodes	Orsu Metals Corporation

## ORIENTATION AND CONTINUING EDUCATION

The Board does not have a formal process for the orientation of new Board members. Orientation is done on an informal basis. New Board members are provided with such information as is considered necessary to ensure that they are familiar with the Company's business and understand the responsibilities of the Board.

The Board does not have a formal program for the continuing education of its directors. The Company expects its directors to pursue such continuing education opportunities as may be required to ensure that they maintain the skill and knowledge necessary to fulfill their duties as members of the Board. Directors can consult with the Company's professional advisors regarding their duties and responsibilities, as well as recent developments relevant to the Company and the Board.

## ETHICAL BUSINESS CONDUCT

The Board has adopted a formal code of ethics. The Code of Ethics and Business Conduct is intended to document the principles of conduct and ethics to be followed by the Company's directors, officers, consultants and employees.

## NOMINATION OF DIRECTORS

The identification of potential candidates for nomination as directors of the Company is primarily done by the CEO, but all directors are encouraged to participate in the identification and recruitment of new directors. Potential candidates are primarily identified through referrals by business contacts.

## COMPENSATION

The compensation of directors and the CEO is determined by the Board as a whole. Such compensation is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and nature, and the availability of financial resources.

## OTHER COMMITTEES

The Board does not have any standing committees other than the Audit Committee and the Investment Committee. The Board delegated the authority to an Investment Committee comprising David Rhodes, Chair, Jeremy Bond and Alexandra Woodyer Sherron to be responsible for:

- a. Reviewing those proposed investment opportunities formally submitted to the Investment Committee for consideration to ensure investment opportunities presented by the Investment Managers, meet the investment criteria established by the Board;
- b. Assisting and advising on the terms of any investment;
- c. Review and recommend funding for the investment opportunities;
- d. Oversee legal, technical and know your client due diligence on investment opportunities;
- e. Identifying and managing potential conflicts of interest;

- f. Making recommendations to the Board; and
- g. Reviewing the performance and outlook of the portfolio.

## **ASSESSMENTS**

The Board does not have any formal process for assessing the effectiveness of the Board, its committees, or individual directors. Such assessments are done on an informal basis by the CEO and the Board as a whole.

## **PART 8 – OTHER INFORMATION**

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

No individual who is, or at any time during the fiscal year ended March 31, 2019, was, a director or proposed nominee for election as a director of the Company, an executive officer or senior officer and no associate or affiliate of any such person, is indebted to the Company or to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, except for routine indebtedness.

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

Other than as disclosed in this Information Circular and below no informed person of the Company, nominee for director, or any associate or affiliate of an insider or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

On May 5, 2018 until termination on April 30, 2019, the Company was party to an agreement with Endeavour Financial pursuant to which Endeavour Financial was to identify, evaluate, structure and assist in the execution of opportunities primarily in lower-mid market precious and base metal mining projects, specifically those in production or development stage (the “**Services**”). The agreement was for an initial term of four years, renewable for one-year terms annually thereafter unless terminated pursuant to their terms. Endeavour Financial was paid the minimum monthly fee of \$12,500 while the agreement was in force. On termination of the agreement the Company issued 750,000 common shares of the Company at a deemed value of \$0.10 per share in lieu of twelve months notice.

On November 1, 2018 until termination on April 30, 2019 the Company was party to an agreement with SGG Consulting Ltd. (“**SGG**”) (from May 5, 2018 until October 31, 2018 with Cipher Research Ltd.) to provide the same Services as Endeavour Financial. The agreement was for an initial term of four years, renewable for one-year terms annually thereafter unless terminated pursuant to their terms. SGG, (and before Cipher Research) was paid the minimum monthly fee of \$12,500 while the agreement was in force. On termination of the agreement the Company paid SGG \$150,000 in lieu of twelve months notice. Both companies were controlled by the former President and CEO, Elena Tanzola.

### **MANAGEMENT CONTRACTS**

The management functions of the Company and its subsidiaries are not performed to any substantial degree by any person or company other than the directors and officers of the Company or its subsidiaries.

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

Other than as disclosed in this Information Circular, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, “Person” shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company’s last fiscal year;

(b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

#### **RESTRICTED SECURITIES**

There are no actions to be taken by the Company that would involve a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities.

#### **OTHER BUSINESS**

It is not known that any other matters will come before the Meeting other than as set forth above and in the Notice of Meeting, but if such should occur the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters identified in the Notice of Meeting and other matters which may properly come before the meeting or any adjournment thereof.

#### **ADDITIONAL INFORMATION**

You may obtain additional financial information about Empress Resources in our Financial Statements and Management's Discussion and Analysis for the fiscal year ended March 31, 2019, by completing the enclosed Financial Statement Request Form, which is being mailed with this Information Circular. Copies may be obtained without charge upon request to us at: Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6 - telephone (604) 536-2711; fax (604) 536-2788. You may also access our disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.empressresources.com](http://www.empressresources.com).

#### **BOARD APPROVAL**

The contents of this Information Circular have been approved, and its mailing has been authorized by the Directors of the Company.

Dated at White Rock, British Columbia, this 11<sup>th</sup> day of July 2019.

**ON BEHALF OF THE BOARD,**

*"Alexandra Woodyer Sherron"*

**President and Chief Executive Officer**

## SCHEDULE "A" – AUDIT COMMITTEE TERMS OF REFERENCE

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### EMPRESS RESOURCES CORP. (the "Company")

#### CHARTER OF THE AUDIT COMMITTEE

##### 1. MANDATE

The primary mandate of the audit committee (the "**Audit Committee**") of the Board of Directors (the "**Board**") of the Company is to assist the Board in overseeing the Company's financial reporting and disclosure. This oversight includes:

- (A) reviewing the financial statements and financial disclosure that is provided to shareholders and disseminated to the public;
- (B) reviewing the systems of internal controls to ensure integrity in the financial reporting of the Company; and
- (C) monitoring the independence and performance of the Company's external auditors and reporting directly to the Board on the work of the external auditors.

##### 2. COMPOSITION AND ORGANIZATION OF THE COMMITTEE

- 2.1 The Audit Committee must have at least three directors.
- 2.2 The majority of the Audit Committee members must be independent. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgment.
- 2.3 Every Audit Committee member must be financially literate. Financial literacy is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.
- 2.4 The Board will appoint from themselves the members of the Audit Committee on an annual basis for one-year terms. Members may serve for consecutive terms.
- 2.5 The Board will also appoint a chair of the Audit Committee (the "**Chair of the Audit Committee**") for a one-year term. The Chair of the Audit Committee may serve as the chair of the committee for any number of consecutive terms.
- 2.6 A member of the Audit Committee may be removed or replaced at any time by the Board. The Board will fill any vacancies in the Audit Committee by appointment from among members of the Board.

##### 3. MEETINGS

- 3.1 The Audit Committee will meet at least four (4) times per year. Special meetings may be called by the Chair of the Audit Committee as required.
- 3.2 Quorum for a meeting of the Audit Committee will be two (2) members in attendance.

- 3.3 Members may attend meetings of the Audit Committee by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.
- 3.4 The Audit Committee Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to Audit Committee members for members to have a reasonable time to review the materials prior to the meeting.
- 3.5 Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the Audit Committee. Minutes of each meeting must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
- 3.6 A resolution consented to in writing, whether by document, telegram, telex, facsimile or any method of transmitting legibly recorded messages, by all of the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the members of the Audit Committee duly called and held. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Members of the Audit Committee and shall be effective on the date stated thereon. Copies of such consent resolutions must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

#### **4. RESPONSIBILITIES OF THE COMMITTEE**

- 4.1 The Audit Committee will perform the following duties:

##### **External Auditor**

- (a) select, evaluate and recommend to the Board, for shareholder approval, the external auditor to examine the Company's accounts, controls and financial statements;
- (b) evaluate, prior to the annual audit by external auditors, the scope and general extent of their review, including their engagement letter, and the compensation to be paid to the external auditors and recommend such payment to the Board;
- (c) obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs;
- (d) recommend to the Board, if necessary, the replacement of the external auditor;
- (e) meet at least annually with the external auditors, independent of management, and report to the Board on such meetings;
- (f) pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services;

##### **Financial Statements and Financial Information**

- (g) review and discuss with management and the external auditor the annual audited financial statements of the Company and recommend their approval by the Board;

- (h) review and discuss with management, the quarterly financial statements and recommend their approval by the Board;
- (i) review and recommend to the Board for approval the financial content of the annual report;
- (j) review the process for the certification of financial statements by the Chief Executive Officer and Chief Financial Officer;
- (k) review the Company's management discussion and analysis, annual and interim earnings or financial disclosure press releases, and Audit Committee reports before the Company publicly discloses this information;
- (l) review annually with external auditors, the Company's accounting principles and the reasonableness of managements' judgments and estimates as applied in its financial reporting;
- (m) review and consider any significant reports and recommendations issued by the external auditor, together with management's response, and the extent to which recommendations made by the external auditors have been implemented;

#### **Risk Management, Internal Controls and Information Systems**

- (n) review with the external auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls;
- (o) review adequacy of security of information, information systems and recovery plans;
- (p) review management plans regarding any changes in accounting practices or policies and the financial impact thereof;
- (q) review with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements;
- (r) discuss with management and the external auditor correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure;
- (s) assist management in identifying the Company's principal business risks;
- (t) review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board;

#### **Other**

- (u) review Company loans to employees/consultants; and
- (v) conduct special reviews and/or other assignments from time to time as requested by the Board.

## **5. PROCESS FOR HANDLING COMPLAINTS REGARDING FINANCIAL MATTERS**

- 5.1 The Audit Committee shall establish a procedure for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, financial reporting, or auditing matters.
- 5.2 The Audit Committee shall ensure that any procedure for receiving complaints regarding accounting, internal controls, financial reporting, or auditing matters will allow the confidential and anonymous submission of concerns by employees.

## **6. REPORTING**

- 6.1 The Audit Committee will report to the Board on:
- (a) the external auditor's independence;
  - (b) the performance of the external auditor and the Audit Committee's recommendations;
  - (c) the reappointment or termination of the external auditor;
  - (d) the adequacy of the Company's internal controls and disclosure controls;
  - (e) the Audit Committee's review of the annual and interim financial statements;
  - (f) the Audit Committee's review of the annual and interim management discussion and analysis;
  - (g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and
  - (h) all other material matters dealt with by the Audit Committee.

## **7. AUTHORITY OF THE COMMITTEE**

- 7.1 The Audit Committee will have the resources and authority appropriate to discharge its duties and responsibilities. The Audit Committee may at any time retain outside financial, legal or other advisors at the expense of the Company without approval of management.
- 7.2 The external auditor will report directly to the Audit Committee.