

## **INFORMATION CIRCULAR**

(As at April 21, 2017 (the “**Record Date**”) and in Canadian dollars except where indicated)

### **PERSONS MAKING THIS SOLICITATION OF PROXIES**

**This Information Circular (“Circular”) is furnished in connection with the solicitation of proxies (“Proxies”) and voting instruction forms (“VIFs”) by the management of San Marco Resources Inc. (the “Company”) for use at the Annual General Meeting of the holders (“Shareholders”) of common shares (“Shares”) of the Company (the “Meeting”) to be held at the time and place and for the purposes set out in the Notice of Meeting and at any adjournment thereof. It is expected the solicitation will be primarily by mail. Proxies and VIFs may also be solicited personally by employees of the Company. The cost of solicitation will be borne by the Company.**

Notice of the Meeting has been given in accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian securities administrators (“**NI 54-101**”). Pursuant to NI 54-101, the Notice of Meeting and Proxy, but not this Circular, have been sent by the Company to its registered Shareholders (Shareholders holding a paper share certificate registered in their name). The Company intends to pay Broadridge Investor Services Inc. (“**Broadridge**”), on behalf of intermediaries such as stockbrokers, securities dealers, banks, trust companies, clearing agencies, trustees and their agents and nominees (“**Intermediaries**”), to send the Notice of Meeting and a VIF, but not this Circular, to those unregistered (beneficial) Shareholders that have consented to the release of their addresses to the Company (“**NOBOs**”) but does not intend to pay Broadridge or any Intermediaries to forward such proxy material to those beneficial Shareholders that have refused to release their addresses to the Company (“**OBOs**”). Accordingly, OBOs will not receive such documents unless their respective Intermediaries assume the cost of forwarding them to the OBOs.

Instead of mailing this Circular to Shareholders, the Company has posted the Circular on its website pursuant to the “Notice and Access” procedures of NI 54-101. Shareholders may request a paper copy of this Circular be sent to them by contacting the Company as set out under “Additional Information” at the end of this Circular.

None of the directors of the Company have informed the Company’s management in writing that they intend to oppose the approval of any of the matters set out in the Notice of Meeting.

### **COMPLETION AND VOTING OF PROXIES AND VIFS**

#### **Voting**

Voting at the Meeting will be by a show of hands, each registered Shareholder and each person representing a registered or unregistered Shareholder through a Proxy or VIF (a “**Proxyholder**”) having one vote, unless a poll is required (if the number of Shares represented by Proxies and VIFs that are to be voted against a motion are greater than 5% of the votes that could be cast at the Meeting) or requested by a Shareholder, Proxyholder or the Chairman of the Meeting, whereupon each such Shareholder and Proxyholder is entitled to one vote for each Share held or represented, respectively.

To approve a motion proposed at the Meeting a majority of greater than 50% of the votes cast will be required (an “ordinary resolution”) unless the motion requires a “special resolution” in which case a majority of 66-2/3% of the votes cast will be required.

## **Appointment of Proxyholders**

The persons named in the Proxy or VIF as Proxyholders are directors or officers of the Company. **A Shareholder has the right to appoint a person (who need not be a Shareholder and, for a VIF, can be the appointing Shareholder) other than the persons named in the Proxy or VIF as Proxyholders to attend and vote on the Shareholder's behalf at the Meeting. To exercise this right, the Shareholder must insert the name of the Shareholder's nominee in the space provided or, if the Shareholder is a registered Shareholder, complete another Proxy.**

A Shareholder may indicate the manner in which the Proxyholders are to vote on behalf of the Shareholder, if a poll is held, by marking an "X" in the appropriate space of the Proxy or VIF. **If both spaces are left blank, the Proxy or VIF will be voted as recommended by management for any matter requiring a "For" or "Against" vote, and in favour of the matter for any matter requiring a "For" or "Withhold" vote.**

The Proxy or VIF must be dated and signed by the Shareholder or the Shareholder's attorney authorized in writing. In the case of a corporation, the Proxy or VIF must be dated and executed under its corporate seal or signed by a duly authorized officer of, or attorney for, the corporation.

**The Proxy or VIF, when properly signed, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting.** The Company's management is not aware that any amendments or variations are to be presented at the Meeting. If any amendments or variations to such matters should properly come before the Meeting, the Proxies and VIFs hereby solicited will be voted as recommended by management.

**Shareholders may vote their completed Proxies and VIFs, in accordance with the instructions set out on the Proxy or VIF. If voting by mail, Shareholders must return their completed Proxies and VIFs, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, in accordance with the instructions set out on the Proxy or VIF.** Proxies (but not VIFs, unless the VIF has Computershare's name and address on the top right corner of the first page) may also be returned to the Company's transfer agent, Computershare Trust Company of Canada (Attn: Proxy Department), by fax within North America at 1-866-249-7775, outside North America at (+1) 416-263-9524, by mail to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (toll free information line: 1-800-564-6253) or by hand delivery to 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9. **Proxies and VIFs received after the time set out in the Proxy or VIF for delivery thereof may be accepted or rejected by the Chairman of the Meeting in the Chairman's discretion.**

## **Registered Shareholders**

Only persons registered as Shareholders in the Company's Central Security Register maintained by its registrar and transfer agent or duly appointed Proxyholders will be recognized to make motions or vote at the Meeting.

## **Unregistered Shareholders**

Shareholders holding their Shares through Intermediaries will not be recognized nor may they make motions or vote at the Meeting except as described below.

If Shares are listed in an account statement provided to a Shareholder by an Intermediary, those Shares are probably not registered in the Shareholder's name. Such Shares will probably be registered in the name of the Intermediary or its nominee and can only be voted through a duly completed Proxy given by

the Intermediary. Without specific instructions, Intermediaries are prohibited from voting Shares for their clients. **Therefore, each unregistered Shareholder should ensure that voting instructions are communicated to the appropriate party well in advance of the Meeting.**

NI 54-101 requires Intermediaries to seek voting instructions from OBOs in advance of Shareholder meetings. Intermediaries may have their own mailing procedures and provide their own form of VIF to clients, which should be carefully followed by unregistered Shareholders to ensure their Shares are voted at the Meeting. The VIF supplied to OBOs by Intermediaries is substantially similar to the Proxy provided by the Company directly to the registered Shareholders, however, it is limited to instructing the Intermediary (as the registered Shareholder) how to vote on behalf of the OBO.

Most Intermediaries in Canada and the United States of America (“USA”) delegate responsibility for obtaining instructions from OBOs to a third party corporation such as Broadridge. This third party corporation sends a machine-readable VIF to OBOs and asks the OBOs to return the VIFs to them or provide instructions to them through the Internet or by telephone. The third party corporation (or the Company or its agent, if it has sent the VIF to the NOBO directly) then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting.

Although an unregistered Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of an Intermediary, the unregistered Shareholder may attend the Meeting as Proxyholder for the Intermediary and indirectly vote the Shares in that capacity. **Unregistered Shareholders wishing to attend the Meeting and indirectly vote their Shares as their own Proxyholder, must enter their own names in the blank space on the VIF provided to them and return the VIF in accordance with the instructions provided on it. If an unregistered Shareholder receives a VIF and does not wish to attend the Meeting as a Proxyholder, the VIF must be returned, or instructions respecting the voting of Shares must be communicated, to the third party corporation (or the Company or its transfer agent) in advance of the Meeting to have the Shares voted in accordance with the instructions on that VIF.**

Shareholders with questions respecting the voting of Shares held through an Intermediary should contact that Intermediary for assistance.

### **United States Shareholders**

This solicitation of Proxies and VIFs involve securities of a corporation located in Canada and is being effected in accordance with the corporate and securities laws of the province of British Columbia, Canada. The proxy solicitation rules under the United States Securities Exchange Act of 1934, as amended, are not applicable to the Company or this solicitation. Shareholders should be aware that disclosure and proxy solicitation requirements under the securities laws of British Columbia, Canada differ from the disclosure and proxy solicitation requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia), some 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 corporation or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign corporation and its officers and directors to subject themselves to a judgment by a United States court.

## REVOCATION OF PROXIES AND VIFS

Shareholders have the power to revoke Proxies and VIFs previously given by them. Revocation of Proxies can be effected by an instrument in writing (which includes a Proxy bearing a later date) signed by a Shareholder or the Shareholder's attorney authorized in writing and, for a corporation, executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation. Such instrument must be delivered to Computershare as set out under "Completion and Voting of Proxies and VIFs – Appointment of Proxyholders" above, to the Company as set out under "Additional Information" below or to the Company's registered office (Northwest Law Group (Attn: Michael F. Provenzano) at Suite 704, 595 Howe Street, Box 35, Vancouver, BC V6C 2T5, Canada or by fax to (+1) 604-687-6650) any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or deposited with the Chairman of the Meeting prior to the commencement of the Meeting. VIFs may only be revoked in accordance with their specific instructions.

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

None of the directors or executive officers of the Company, any person who has held such a position since the beginning of the Company's last financial year, any nominee proposed by management for election as a director of the Company nor any associate or affiliate of the foregoing persons, has any substantial or material interest, directly or indirectly, 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 except for the current directors and executive officers of the Company and the nominees for election as directors, inasmuch as in the following year they may be granted options to purchase Shares pursuant to the Company's stock option plan (the "**Option Plan**"), ratification of which will be sought at the Meeting pursuant to the policies of the TSX Venture Exchange (the "**TSX-V**").

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Shares are the only class of shares of the Company entitled to be voted at the Meeting. All issued Shares are entitled to be voted at the Meeting and each has one non-cumulative vote. Only those Shareholders as at the end of business on the Record Date will be entitled to vote at the Meeting or any adjournment thereof. There were 55,651,832 Shares issued and outstanding as of the Record Date.

To the knowledge of the directors and executive officers of the Company, only those persons set out in the following table beneficially own, directly or indirectly, or exercise control or direction over Shares which, as of the Record Date, represented more than 10% of the voting rights attached to all outstanding Shares:

Name	Number of Shares	Percentage of Outstanding Shares
R.S. (Tookie) Angus <sup>(1)</sup>	6,407,400	11.51%

(1) R.S. (Tookie) Angus is the Chairman of the Board of Directors and a director of the Company.

## ELECTION OF DIRECTORS

### Board Size

The Board of Directors of the Company (the “**Board**”) presently consists of six directors. It is proposed to set the number of directors for the following year at the same number. This requires the approval of the Shareholders by an ordinary resolution, which approval will be sought at the Meeting.

If there are more nominees for election as directors 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.

### Director Term Limits

The Company’s management proposes to nominate the persons named in the following table for election to the Board. Each director elected will hold office until the next Annual General Meeting or until the director’s successor is duly elected or appointed, unless the director’s office is earlier vacated in accordance with the Company’s Articles or the director becomes disqualified to act as a director.

### Information about Nominees for Election as Directors

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

Name, Province or State & Country of Residence & Present Position in Company	Present Principal Occupation <sup>(1)</sup>	Director Since	Number of Shares <sup>(2)</sup>
<b>ANGUS, R. S. (Tookie)</b> <sup>(4)(5)(6)</sup> British Columbia, Canada Director & Chairman of the Board	Independent business advisor to the mining industry	September 3, 2009	6,407,400
<b>CARSTENSEN, Andrew B.</b> Montana, USA Director	Vice President Exploration (since August 2009) of Anfield Gold Corp. (publicly traded (TSX-V) nickel exploration company)	December 4, 2013	191,500
<b>LOCK, Brian</b> <sup>(4)(5)(6)</sup> British Columbia, Canada Director	Chairman of the Board of Directors of Castle Peak Mining Ltd. (publicly traded (TSX-V) mineral exploration company)  Interim CEO of Scorpio Gold Corporation (publicly traded (TSX-V) gold mining company)  President of Brigill Investments Ltd. (private investment company) and Proton Management Corp. (private management company)	May 2, 2011	147,000
<b>MYCKATYN, William H.</b> <sup>(5)(6)</sup> British Columbia, Canada Director	Retired mining executive	July 15, 2009	419,000
<b>PRENTER, Craig B.</b> <sup>(4)</sup> British Columbia, Canada Director	Partner in Manning Elliott LLP, Chartered Professional Accountants (accounting firm)	May 2, 2011	150,000

Name, Province or State & Country of Residence & Present Position in Company	Present Principal Occupation <sup>(1)</sup>	Director Since	Number of Shares <sup>(2)</sup>
<b>WILLIS, Robert D.</b> British Columbia, Canada Director & CEO	CEO of the Company	July 15, 2009	1,044,500

- (1) Includes occupations for preceding five years unless the director was elected at the previous Annual General Meeting and was shown as a nominee for election as a director in the information circular for that meeting.
- (2) The approximate number of Shares carrying the right to vote in all circumstances beneficially owned, directly or indirectly, or over which control or direction is exercised by each proposed nominee as of the Record Date. No director, together with the director's associates and affiliates beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Shares other than R. S. (Tookie) Angus, whose associates do not own, directly or indirectly, or exercise control or direction over any Shares.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation Committee.
- (6) Member of the Corporate Governance Committee.

### Sanctions, Bankruptcies and Similar Matters

No proposed director:

1. is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer (“CEO”) or chief financial officer (“CFO”) of any corporation (including the Company) that was subject to a “cease trading” or similar order (including a voluntary or involuntary Cease Trading Order applying to some or all of the management of a corporation) or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued
  - (a) while the proposed director was acting as a director, CEO or CFO of that corporation, or
  - (b) after the proposed director ceased to be a director, CEO or CFO of that corporation but resulted from an event that occurred while acting in such capacity;
2. is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director or executive officer of any corporation (including the Company) that while acting in that capacity or within a year of 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;
3. has, within the 10 years before the date of this 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 their assets;
4. has entered into, at any time, a settlement agreement with a securities regulatory authority; or
5. has been subject to, at any time, any penalties or sanctions imposed by

- (a) a court relating to securities legislation or a securities regulatory authority, or
- (b) a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director,

other than R. S. (Tookie) Angus was an independent, outside director of Wildcat Silver Corporation (TSX-V listed) when it requested and, on October 30, 2007, was issued a management cease trade order by the British Columbia Securities Commission (“BCSC”) for the late filing of its annual financial statements and related Management’s Discussion & Analysis (“MD&A”) for the year ended June 30, 2007. Wildcat’s delay in making the filing was due to the need to clarify potential foreign tax obligations relating to an acquisition it had completed in that year. The filings were made on January 7, 2008 and the order revoked on January 8, 2008.

## CORPORATE GOVERNANCE

National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian securities administrators requires the Company to annually disclose certain information regarding its corporate governance practices. That information is disclosed below.

### Mandate of the Board of Directors

The Board has responsibility for the stewardship of the Company. That stewardship includes responsibility for strategic planning, identification of the principal risks of the Company’s business and implementation of appropriate systems to manage these risks, succession planning (including appointing, training and monitoring senior management), communications with investors and the financial community and the integrity of the Company’s internal control and management information systems.

### Independence of the Directors

A director is “independent” if the director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company, other than interests and relationships arising from shareholding.

The following table describes whether the current and proposed directors are independent and, if not independent, sets out the reasons:

Director or Nominee	Independent	Reason why the Director is not Independent
ANGUS, R. S. (Tookie)	Yes	–
CARSTENSEN, Andrew, B.	Yes	–
LOCK, Brian	Yes	–
MYCKATYN, William H.	Yes	–
PRENTER, Craig B.	No	Is a partner of an accounting firm which provides bookkeeping and accounting services to the Company.
WILLIS, Robert D.	No	Is the CEO of the Company.

The Board facilitates its exercise of independent supervision over the Company’s management through regular meetings of the Board. The meetings are held both with and without members of the Company’s management in attendance.

The Board does not hold regularly scheduled meetings without the non-independent directors and members of management. However, when consideration of a matter concerns or affects a director, that director recuses himself from the meeting and consideration of the matter so that the independent directors can have an open and candid discussion of, and freely vote on, the matter.

### **Other Directorships**

The current and proposed directors are also directors of the following other reporting issuers (publicly traded corporations):

<b>Director or Nominee</b>	<b>Reporting Issuers</b>
ANGUS, R. S. (Tookie)	Nevsun Resources Ltd., K92 Mining Inc., New Castle Gold Ltd., and Kenadyr Mining (Holdings) Corp.
CARSTENSEN, Andrew B.	None
LOCK, Brian	Castle Peak Mining Ltd. and Scorpio Gold Corporation
MYCKATYN, William H.	First Point Minerals Corp., Nevada Copper Corp. and OceanaGold Corporation
PRENTER, Craig B.	None
WILLIS, Robert D.	None

### **Orientation and Continuing Education**

The Board takes the following steps to ensure that all new directors receive orientation regarding the role of the Board, its committees and its directors, and the nature and operation of the Company.

The first step is to assess a new director’s set of skills and professional background. This allows the orientation to be customized to that director’s needs since different information regarding the nature and operations of the Company’s business will be necessary and relevant to each new director.

Once that assessment is complete, the second step is taken by one or more existing directors, who may be assisted by the Company’s management, to provide the new director with the appropriate orientation through meetings, telephone calls and correspondence.

To ensure the Board provides continuing information for its directors so they maintain the skill and knowledge necessary for them to meet their obligations as directors of the Company, there are technical presentations made as required at meetings of the Board. The presentations can range from a review of the Company’s financial statements to various aspects of the Company’s business. The Board believes the discussion among the directors, management and outside experts at these meetings provides a valuable learning resource for directors without expertise in the subject matter being presented.

### **Ethical Business Conduct**

As part of its responsibility for the stewardship of the Company, the Board seeks to foster a culture of ethical conduct by striving to ensure the Company carries out its business in line with high business and moral standards and applicable legal and financial requirements. In that regard, the Board:

- has established a Corporate Governance Committee, as described below under “Board Committees”.

- has established a written “Whistleblower Policy” which details complaint procedures for financial concerns as further described below in “Audit Committee – Complaints”.
- encourages management to consult with legal and financial advisors to ensure the Company is meeting those requirements.
- is cognizant of the Company’s timely disclosure obligations and reviews material disclosure documents such as financial statements, MD&A and press releases prior to distribution.
- actively monitors the Company’s compliance with the Board’s directives and ensures that all material transactions are reviewed and authorized by the Board before being undertaken by management.

In addition, the Board must comply with the conflict of interest provisions of its governing corporate legislation and relevant securities regulatory instruments and stock exchange policies (which require that interested directors recuse themselves from the consideration of, and voting on, such matters), to ensure its directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### **Nomination of Directors**

The Board has not appointed a Nominating Committee, however, it does not feel it is necessary to increase the number of directors on the Board at this time. When the Board considers it necessary to do so, it can also consider whether a Nominating Committee of directors, some or all of whom will be independent directors, needs to be formed to recommend appointees and assess directors on an ongoing basis. Any new appointees or nominees to the Board must have a favourable history of experience in general business management, special expertise in areas of strategic interest to the Company and the ability to devote the time required of a director.

### **Compensation**

To assist the Board in determining the appropriate level of compensation to pay the Chairman of the Board, CEO, CFO and other executive officers and the directors, the Board has established a Compensation Committee, as described below under “Board Committees”, and adopted a Charter for the Committee. The Committee recommends to the Board what it feels is the appropriate compensation based primarily on a comparison of the remuneration paid by the Company with the remuneration paid by other public companies that the Committee feels are similarly placed within the same business.

In addition, the Chairman of the Board, CEO, CFO and other executive officers and the directors are granted stock options under the Option Plan. The Board determines, relying on recommendations of the Compensation Committee, the terms of each stock option within the parameters set out in the Option Plan. While not required by the Company’s governing corporate law, each director abstains from voting on any option to be granted to him if the options are granted at a meeting of the Board and not by a consent resolution.

### **Board Committees**

In addition to the Audit Committee described in the next section, the Board has established the following committees:

*Compensation Committee:* The Compensation Committee is responsible for reviewing all remuneration (including stock options) of the Board and senior management of the Company, and its subsidiaries, reporting to the Board on the results of those reviews and making recommendations to the Board for

adjustments to such compensation. The Committee discharges its duties pursuant to a Compensation Committee Charter.

The Committee consists of three, independent (outside, non-management) directors – R. S. (Tookie) Angus (Committee Chairman), Brian Lock and William H. Myckatyn. Each member of the Committee has direct experience relevant to their responsibilities on the Committee, including acting as officers and directors of other publicly traded corporations so that they are familiar with remuneration in the Company's industry.

*Corporate Governance Committee:* The Committee is responsible for advising the Board of the appropriate corporate governance procedures that should be followed by the Company and the Board and monitoring whether they comply with such procedures. The Corporate Governance Committee is also responsible for reviewing the size and composition of the Board and recommending to the Board any changes that should be made to it. As a part of carrying out such function, the Committee attempts to locate suitable nominees for election or appointment to the Board should it be necessary to fill a vacancy in, or elect a new member to, the Board.

The Corporate Governance Committee consists of three, independent (outside, non-management) directors – R. S. (Tookie) Angus (Committee Chairman), Brian Lock and William H. Myckatyn.

### **Assessments**

The Corporate Governance Committee is also responsible for assessing the effectiveness of the Board, committees of the Board and individual directors and reporting to the Board on its assessment. Neither the Board nor the Committee has established any formal written procedures to carry out such responsibilities.

## **AUDIT COMMITTEE**

National Instrument 52-110 *Audit Committees* of the Canadian securities administrators (“**NI 52-110**”) requires the Audit Committee of the Board to meet certain requirements. It also requires the Company to disclose in this Circular certain information regarding the Audit Committee. That information is disclosed below.

### **Overview**

The purpose of the Audit Committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting and financial reporting processes and audits of financial statements, the integrity of financial statements, compliance with legal and regulatory requirements, the qualification and independence of external auditor and the performance of the external independent auditor. It is the objective of the Audit Committee to maintain a free and open means of communication among the members of the Board, the auditor and the financial and senior management of the Company.

To satisfy such purposes and objectives, the Audit Committee is responsible for:

- recommending to the Board an external auditor to be nominated for election by the Shareholders at each Annual General Meeting and approving the compensation of such external auditor;
- overseeing the work of the external auditor, including the resolution of disagreements between the auditor and management regarding the Company's financial reporting;

- pre-approving all non-audit services to be provided to the Company, and its subsidiaries, by the auditor;
- reviewing the Company’s annual and interim financial statements, MD&A and press releases regarding earnings before they are submitted for review and approval by the Board and publicly disseminated by the Company; and
- reviewing and approving the Company’s hiring policies regarding current and former partners and employees of the Company’s current and former auditors.

The Company’s auditor reports directly to the Audit Committee.

### **The Audit Committee’s Charter**

The Board has adopted a Charter for the Audit Committee which sets out the Committee’s mandate, organization, powers and responsibilities. The Charter is attached as a schedule to this Circular.

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

The Audit Committee consists of three directors. Unless it was a “Venture Issuer” (an issuer the securities of which are not listed or quoted on any of the Toronto Stock Exchange (the “TSX”), a market in the USA other than the over-the-counter market, or a market outside of Canada and the USA) as of the end of its last financial year, NI 52-110 requires each of the members of the Committee to be independent and financially literate. Since the Company was a “Venture Issuer” (its securities were listed on the TSX-V, but not listed or quoted on any other exchange or market, other than possibly the over-the-counter market in the USA, or a market outside of Canada and the USA, and it remains Venture Issuer) as of the end of its last financial year, it is exempt from this requirement. Furthermore, as a Venture Issuer, a majority (rather than all) of the members of the Committee must not be executive officers, employees or control persons (Shareholders of greater than 20% of the Shares) of the Company or its affiliates. The Audit Committee complies with all of these requirements.

The following table sets out the names of the members of the Audit Committee and whether they are executive officers, employees, control persons, “independent” or “financially literate”.

<b>Name of Member</b>	<b>Officer or Employee</b>	<b>Independent <sup>(1)</sup></b>	<b>Financially Literate <sup>(2)</sup></b>
ANGUS, R. S. (Tookie)	Yes; Officer	Yes	Yes
LOCK, Brian	No	Yes	Yes
PRENTER, Craig B. (Committee Chairman)	No	No	Yes

(1) To be considered to be independent, a member of the Committee must not have any direct or indirect “material relationship” with the Company. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgement, including being or having been in the last three years an employee or full-time executive officer of the Company. Under NI 52-110, a part-time executive officer is deemed to be independent. In addition to the requirements of NI 52-110, the *Business Corporations Act* (British Columbia), requires the Audit Committee to have a majority of members who are not officers or employees of the Company or an affiliate of the Company. Craig Prenter is not considered to be independent since Manning Elliott LLP, an accounting firm of which he is a partner, has entered into an agreement with the Company pursuant to which it provides bookkeeping and accounting services. See “Management Contracts”.

(2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues

that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### Relevant Education, Associations and Experience

The education, associations and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting,

are as follows:

Name of Member	Education and Associations	Experience
ANGUS, R. S. (Tookie)	Barrister & Solicitor (1974)  Member (retired), The Law Society of British Columbia  LLB (1973; University of British Columbia)	Former solicitor to, current and former director and officer of, and investor in, numerous publicly traded mineral exploration companies during the course of which he has reviewed and analysed numerous financial statements.
LOCK, Brian	Electrical Engineer (1971)  H.N.C. (Electrical Engineering & Technology) (1971; Durham New College, England)	Current and former director and officer of, and investor in, various publicly traded mineral exploration companies during the course of which he has reviewed and analysed numerous financial statements.
PRENTER, Craig B. (Committee Chairman)	Certified General Accountant (1996)  Member, Certified General Accountants Association of British Columbia  Diploma of Technology (Finance) (1986; British Columbia Institute of Technology)	Partner (since Aug. 1, 2007) and formerly manager (1992 to July 31, 2007) in Manning Elliott LLP, Chartered Professional Accountants, which, as part of its practice, acts as auditor for, and provides accounting and tax services to, publicly traded companies.

### Audit Committee Oversight

Since the commencement of the Company's last financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

**Reliance on Exemptions in NI 52-110 regarding  
De Minimis Non-audit Services or a Regulatory Order**

Since the commencement of the Company’s last financial year, the Company has not relied on:

1. the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by the Company’s auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor’s annual fees charged to the Company, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year’s audit);
2. the exemption in section 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*) of NI 52-110 (which exempts the Audit Committee until the earlier of the next annual general meeting or the expiry of six months from the requirement that a majority of the Committee not be executive officers or employees if the business or operations of the issuer would be affected and would be best addressed by a member of the Committee becoming an executive officer or employee);
3. the exemption in section 6.1.1(5) (*Events Outside Control of Member*) of NI 52-110 (which exempts the Audit Committee until the earlier of the next annual general meeting or the expiry of six months from the requirement that a majority of the Committee not be control persons if a member of the Committee becomes a control person for reasons outside of the member’s reasonable control);
4. the exemption in section 6.1.1(6) (*Death, Incapacity or Resignation*) of NI 52-110 (which exempts the Audit Committee until the earlier of the next annual general meeting or the expiry of six months from the requirement that the Committee consist of three directors if a vacancy arises from the death, incapacity or resignation of a member of the Committee); or
5. an exemption from the requirements of NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section III.B “Powers and Responsibilities – Performance & Completion by Auditor of its Work” of the Charter.

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

The following table discloses the fees billed to the Company by its external auditor during the last two financial years.

Financial Year Ending November 30 <sup>th</sup>	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
2015	\$20,000	0	0	\$400
2016	\$20,000	0	0	\$320

(1) The aggregate fees billed for audit services.

- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services. The fees are in respect of the preparation of Canadian corporate income tax returns.
- (4) The aggregate fees billed for professional services other than those listed in the other three columns. These fees consist of the Canadian Public Accountability Board Participation Fee paid by the auditor.

### **Reliance on Exemptions in NI 52-110 regarding Audit Committee Composition and Reporting Obligations**

Since the Company was a Venture Issuer at the end of its last financial year, it relies on the exemption contained in section 6.1 of NI 52-110 from the requirements of Part 3 *Composition of the Audit Committee* (as described in "Composition of the Audit Committee" above) and Part 5 *Reporting Obligations* of NI 52-110 (which requires certain prescribed disclosure about the Audit Committee in the Company's Annual Information Form, if any).

### **Complaints**

The Audit Committee has established a written "Whistleblower Policy" which creates procedures for the confidential and anonymous submission by employees of complaints and concerns regarding the Company's accounting, auditing and financial reporting procedures and obligations, without fear of retaliation of any kind.

The Policy provides that if an employee has any information, complaints or concerns regarding such matters being questionable, incorrect, misleading or fraudulent they are urged under the Policy to present such information, complaints or concerns to the Audit Committee, without regard to the position of the persons responsible for the subject matter of the information, complaint or concern. Promptly following the receipt of any information, complaints and concerns submitted to it, the Audit Committee will investigate each matter and take appropriate corrective actions.

The Audit Committee will retain as part of its records, any information, complaints or concerns received. Furthermore, it will keep a written record of all such reports or inquiries and make quarterly reports on any ongoing investigation which will include steps taken to satisfactorily address each complaint.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

Unless otherwise noted the following information is for the Company's last financial year (which ended November 30, 2016) and, since the Company had one or more subsidiaries during that year, is disclosed on a consolidated basis.

In this section, a "Named Executive Officer" or "NEO" means each of the CEO and CFO of the Company (or any person carrying out the functions of a CEO or CFO) during the last financial year and the highest paid executive officer, if any, of the Company and any subsidiary other than each CEO and CFO during the last financial year whose total compensation (excluding the value of any "other compensation" in the table below) was more than \$150,000 in the last financial year.

### **Compensation Table – Named Executive Officers and Directors**

The following table discloses the compensation paid or payable, directly or indirectly, by or on behalf of the Company during the last two financial years to its Named Executive Officers and directors:

Table of compensation, excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission	Bonus	Committee or meeting fees	Value of perquisites	Value of all other compensation	Total compensation
<b>Named Executive Officers</b>							
WILLIS, Robert D. CEO & Director	2016	\$118,400	0	0	0	0	\$118,400
	2015	\$87,500	0	0	0	0	\$87,500
ZACHARIAS, B. (Bernie) former CFO <sup>(1)</sup>	2016	\$5,457	0	0	0	0	\$5,457
	2015	\$4,934	0	0	0	0	\$4,934
<b>Directors</b>							
ANGUS, R. S. (Tookie)	2016	0	0	0	0	0	0
	2015	0	0	0	0	0	0
CARSTENSEN, Andrew B.	2016	0	0	0	0	0	0
	2015	0	0	0	0	0	0
LOCK, Brian	2016	0	0	0	0	0	0
	2015	0	0	0	0	0	0
MYCKATYN, William H.	2016	0	0	0	0	0	0
	2015	0	0	0	0	0	0
PRENTER, Craig B.	2016	0	0	0	0	0	0
	2015	0	0	0	0	0	0

(1) Mr. Zacharias, as CFO, was not an employee of the Company. He is employed by Avisar Chartered Professional Accountants (“Avisar”) with which the Company had an arrangement for the provision of executive management services to the Company. The amounts shown are those portions of the compensation paid to Mr. Zacharias by Avisar during the financial years which Avisar attributed to the CFO services provided to the Company. No remuneration was paid directly to this NEO by the Company. Mr. Zacharias ceased to be CFO on April 5, 2017 and was replaced by Fernando J. Costa on the same day.

(2) Amounts shown are for the entire financial year and include all remuneration paid during, or payable in respect of, the year, even if the NEO or director was not an NEO or director for the entire year.

### Stock Options and other Compensation Securities

The following table sets out details of all compensation securities granted or issued by the Company or one of its subsidiaries to each NEO and director in the last financial year for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

Compensation Securities							
Name and position	Type and number of Compensation Security and percentage of class <sup>(1)</sup>	Number of Underlying Securities and percentage of class	Date of issue or grant	Issue, conversion or exercise price	Closing price of security or Underlying security		Expiry date
					On date of grant	At year end	
<b>Named Executive Officers</b>							
WILLIS, Robert D. CEO & Director	600,000 stock options (27.01%)	600,000 Shares (1.10%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021
ZACHARIAS, B. (Bernie) former CFO <sup>(2)</sup>	50,000 stock options (2.33%)	50,000 Shares (0.09%)	June 6, 2016	\$0.10	\$0.095	\$0.165	July 4, 2017
<b>Directors</b>							
ANGUS, R. S. (Tookie)	400,000 stock options (18.60%)	400,000 Shares (0.74%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021
CARSTENSEN, Andrew B.	100,000 stock options (4.65%)	100,000 Shares (0.18%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021
LOCK, Brian	100,000 stock options (4.65%)	100,000 Shares (0.18%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021
MYCKATYN, William H.	100,000 stock options (4.65%)	100,000 Shares (18%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021
PRENTER, Craig B.	150,000 stock options (6.98%)	150,000 Shares (28%)	June 6, 2016	\$0.10	\$0.095	\$0.165	June 6, 2021

- (1) The compensation securities vest as to 25% on each of June 6, 2016, September 6, 2016, December 6, 2016 and March 6, 2017.
- (2) Mr. Zacharias ceased to be CFO on April 5, 2017 and his stock option will expire 90 days later.
- (3) There are no restrictions or conditions for converting, exercising or exchanging the compensation securities other than vesting and as set out under "Stock Option Plan" below.
- (4) The total amount of compensation securities and underlying securities held by each NEO and director at the end of the last financial year was as follows:

Name and Position	Total compensation securities and underlying securities
<b>Named Executive Officers</b>	
WILLIS, Robert D. CEO & Director	900,000 stock options / 900,000 underlying Shares

Name and Position	Total compensation securities and underlying securities
ZACHARIAS, B. (Bernie) former CFO	150,000 stock options / 150,000 underlying Shares
<b>Directors</b>	
ANGUS, R. S. (Tookie)	630,000 stock options / 630,000 underlying Shares
CARSTENSEN, Andrew B.	150,000 stock options / 150,000 underlying Shares
LOCK, Brian	200,000 stock options / 200,000 underlying Shares
MYCKATYN, William H.	200,000 stock options / 200,000 underlying Shares
PRENTER, Craig B.	270,000 stock options / 270,000 underlying Shares

\* Mr. Zacharias ceased to be CFO on April 5, 2017 and his stock options will expire 90 days later.

- (5) No compensation security has been re-priced, cancelled and replaced, had its term extended, or otherwise been materially modified in the last financial year.

The following table sets out details of all compensation securities exercised by each NEO and director in the last financial year.

Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security	Date of exercise	Closing price per security on date of exercise	Difference between exercise price and closing price on date of exercise	Total value on date of exercise
<b>Named Executive Officers</b>							
WILLIS, Robert D. CEO & Director	Stock options	0	-	-	-	-	-
ZACHARIAS, B. (Bernie) former CFO <sup>(1)</sup>	Stock options	0	-	-	-	-	-
<b>Directors</b>							
ANGUS, R. S. (Tookie)	Stock options	0	-	-	-	-	-
CARSTENSEN, Andrew B.	Stock options	0	-	-	-	-	-
LOCK, Brian	Stock options	0	-	-	-	-	-
MYCKATYN, William H.	Stock options	0	-	-	-	-	-
PRENTER, Craig B.	Stock options	0	-	-	-	-	-

- (1) Mr. Zacharias ceased to be CFO on April 5, 2017 and his stock option will expire 90 days later.

## **Contracts with Named Executive Officers and Directors**

The Company's employment and consulting contracts with its Named Executive Officers are verbal. These agreements provide for the remuneration of such officers, if applicable, as summarized in the Summary Compensation Table below. The agreements may be terminated at the election of such officers or the Company on reasonable notice.

In addition to the remuneration payable under the contracts, bonuses and stock options may be paid or granted to such officers in the discretion of the Board.

The Company has not established or entered into any compensatory plans, contracts or arrangements where any of its Named Executive Officers are entitled to receive more than \$100,000 from the Company in the event of their resignation, retirement or other termination of their employment, a change of control of the Company or a change in any of their responsibilities following a change of control.

## **Pension Plans for Named Executive Officers and Directors**

The Company does not have any pension plans for its NEOs and directors.

## **Oversight and Description of Director and NEO Compensation**

### *Director Compensation*

The amount of compensation of the Company's directors is determined by the Board itself, based on recommendations from the Compensation Committee. Any changes to such compensation are made when the Committee and Board believe they are warranted and are determined based on the Company's financial position and the duties being performed by the directors, and other relevant factors.

### *NEO Compensation*

The amount of compensation of the Company's NEOs is determined by the Board, based on recommendations from the Compensation Committee.

The philosophy used by the Compensation Committee in determining its recommendations to the Board for the compensation of the Named Executive Officers is that the compensation should:

- assist the Company in attracting and retaining key individuals as NEOs,
- align the interests of NEOs with those of the Shareholders,
- reflect each NEO's performance, expertise, responsibilities and length of service to the Company,
- reflect the Company's past performance and current state of development, and
- be commensurate with the Company's financial ability to remunerate its NEOs.

The Company's is comparable to most employers in the mineral exploration industry, compensation of its Named Executive Officers is comprised of three components: (i) base salary; (ii) incentive bonus; and (iii) stock options.

### 1. Base Salary:

The base salary for each Named Executive Officer is based on assessment of factors such as:

- current competitive market conditions;
- compensation levels within the peer group; and
- particular skills of the NEOs, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual.

Using this information and budgetary guidelines and other internally generated planning and forecasting tools, the Compensation Committee performs an annual assessment of the compensation of all NEOs. The Committee then recommends to the Board what should be the base salaries of the CEO, CFO and other NEOs, and the Board sets the base salaries of the CEO and CFO and approves the base salaries for the other NEOs.

## 2. Incentive Bonus:

The Compensation Committee annually reviews and, if it determines them to be appropriate, approves the payment of incentive bonuses. The bonuses are generally paid by way of cash payments. The amount of the bonuses paid is based partly on the Company's success in reaching its objectives and partly on each Named Executive Officer's performance.

As part of determining bonuses to be paid, the Board reviews corporate performance objectives during the year. In the last financial year, the principal objectives included:

- maximizing Shareholder value from the sale, option, joint venture or other disposition of existing mineral properties and/or the acquisition of additional prospective mineral properties
- maintaining compliance with the regulatory and disclosure framework;
- increasing investors' interest in the Company; and
- increasing the Company's market capitalization and working capital.

The success of the NEOs' contributions to the Company in reaching its overall goals is a factor in the determination of their annual bonus. The Board assesses each NEO's performance on the basis of the NEO's contribution to the achievement of corporate goals and the needs of the Company that arise on a day-to-day basis. This assessment is used by the Compensation Committee in developing its recommendations to the Board with respect to the determination of annual bonuses for the NEOs.

## 3. Stock Options:

The Option Plan is designed to encourage Share ownership and entrepreneurship in Named Executive Officers and other senior management and employees. The Board believes that the Option Plan aligns the interests of the NEOs' with the interests of Shareholders by linking a component of executive compensation to the longer term performance of the Shares.

### **Stock Option Plan**

The purpose of the Option Plan is to attract and motivate the directors, officers and employees of the Company and any subsidiaries, employees of any management corporation and consultants to the Company (collectively, "**Optionees**") and thereby advance the Company's interests by providing them an opportunity to acquire an equity interest in the Company through the exercise of stock options granted to them under the Option Plan.

Pursuant to the Option Plan, the Board, based on recommendations of the Compensation Committee, may grant stock options to Optionees in consideration of them providing their services to the Company or a subsidiary. The number of Shares subject to each option is determined by the Board within the guidelines set out in the Option Plan in accordance with the policies of the TSX-V. The options enable the Optionees to purchase Shares at a price fixed pursuant to such guidelines. The options are exercisable by the Optionee giving the Company notice and payment of the exercise price for the number of Shares to be acquired.

The Option Plan authorizes stock options to be granted to the Optionees on the following terms:

1. The number of Shares available for issuance pursuant to outstanding options cannot exceed an aggregate of 10% of the issued Shares.
2. The number of Shares issuable upon the exercise of options granted under the Option Plan by one Optionee or all Optionees providing investor relations services is subject to the following limitations
  - (a) no Optionee can be granted options during a 12 month period to purchase more than
    - (i) 5% of the issued Shares unless disinterested Shareholder approval has been obtained (such approval was obtained at the 2013 annual general meeting of Shareholders), or
    - (ii) 2% of the issued Shares, if the Optionee is a consultant, and
  - (b) the number of Shares subject to options held by all Optionees providing investor relations services cannot exceed 2% in the aggregate.
3. Approval by disinterested Shareholders must be obtained (such approval was obtained at the 2013 annual general meeting of Shareholders) if options granted under the Option Plan, together with all of the Company's previously established and outstanding stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of its Shares, could result in
  - (a) the grant to insiders, within a one year period, of options to purchase that number of Shares exceeding 10% of the outstanding Shares, or
  - (b) the issuance to any one insider and such insider's associates, within a one year period, of Shares totalling in excess of 5% of the outstanding Shares.
4. The exercise price of the options cannot be set at less than the greater of \$0.10 per Share and the closing trading price of the Shares on the day before the granting of the stock options. If the Optionee is subject to the tax laws of the USA and owns (determined in accordance with such laws) greater than 10% of the Shares, the exercise price shall be at least 110% of the price established as aforesaid.
5. The options may be exercisable for up to five years. If, however, an option expires during, or within five business days after, a trading black-out period imposed by the Company to restrict trades in the Company's securities then, notwithstanding any other provision of the Option Plan, the option shall expire 10 business days after the trading black-out period is lifted by the Company.
6. There are not any vesting requirements unless the Optionee is providing investor relations services to the Company, in which case the options must vest over at least 12 months with no more than one-quarter vesting in any three month period. However, the Board may impose additional vesting requirements and, subject to obtaining any required approval from the TSX-V, may authorize all non-

vested options to vest immediately if the Company agrees to a change of control or if there is a potential change of control of the Company due to a take-over bid being made for the Company or similar events.

7. The options can only be exercised by the Optionee (to the extent they have already vested) for so long as the Optionee is a director, officer or employee of, or consultant to, the Company or any subsidiary or is an employee of the Company's management corporation and within a period thereafter not exceeding the earlier of:
  - (a) the original expiry date;
  - (b) 90 days (or such longer period as the Board may determine) after ceasing to be a director, officer, employee or consultant at the request of the Board or for the benefit of another director or officer unless the Optionee is subject to the tax laws of the USA, in which case the option will terminate on the earlier of the 90<sup>th</sup> day and the third month after the Optionee ceased to be an officer or employee; or
  - (c) if the Optionee dies, within one year from the Optionee's death.

If the Optionee is terminated "for cause", involuntarily removed or resigns (other than at the request of the Board or for the benefit of another director or officer) from any of such positions the option will terminate at the same time.

8. The options are not assignable except to a wholly-owned holding corporation. If the option qualifies as an "incentive stock option" under the United States Internal Revenue Code, the option is not assignable to a holding corporation.
9. No financial assistance is available to Optionees under the Option Plan.
10. Any amendments to the Option Plan or outstanding stock options are subject to the approval of the TSX-V and, if required by the TSX-V or the Option Plan, of the Shareholders, possibly with only "disinterested Shareholders" being entitled to vote. Disinterested Shareholder approval must be obtained for the reduction of the exercise price of options (including the cancellation and re-issuance within a one year period of options so as to effectively reduce the exercise price) of options held by insiders. The amendment to an outstanding stock option will also require the consent of the Optionee.
11. The Option Plan provides that Shareholder approval is required to amend the Option Plan to:
  - (a) increase the number of Shares reserved for issuance under the Option Plan (including a change from a fixed maximum number of Shares to a fixed maximum percentage of Shares); or
  - (b) change the manner of determining the exercise price if the exercise price would be less than the market price of the Shares on the date of grant under the new manner of exercise price determination.
12. Subject to the restrictions in the preceding paragraph, the Board may, in its discretion, and without obtaining Shareholder approval, amend, suspend or discontinue the Option Plan and, with the consent of adversely affected option holders, amend or discontinue any options granted under the Option Plan, at any time, to
  - (a) make any amendment of a grammatical, typographical or administrative nature or to comply with the requirement of any regulatory authority, or

(b) amend the vesting provisions.

No options have been granted under the Option Plan which are subject to Shareholder approval. The Option Plan does not permit stock options to be transformed into stock appreciation rights.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as at the end of the Company's last financial year, information regarding outstanding options, warrants and rights (other than those granted *pro rata* to all Shareholders) granted by the Company under its equity compensation plans.

Plan Category	Number of Shares issuable upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted average exercise price of outstanding options, warrants and rights	Number of Shares remaining available for issuance under equity compensation plans <sup>(2)</sup>
Equity compensation plans <b>approved</b> by Shareholders	3,210,000	\$0.26	1,468,108
Equity compensation plans <b>not approved</b> by Shareholders	0	–	0
<b>Totals</b>	<b>3,210,000</b>	–	<b>1,468,108</b>

(1) Includes options to purchase 1,050,000 Shares that had not vested by the end of the financial year. No other rights to purchase Shares under an equity compensation plan were outstanding at the end of the financial year.

(2) Excluding the number of Shares issuable upon exercise of outstanding options, warrants and rights shown in the second column.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or former (within the last financial year) directors, executive officers or employees of the Company or any subsidiary are indebted to the Company or any subsidiary.

None of the current or former (within the last financial year) directors and executive officers of the Company, proposed nominees for election as directors of the Company or associates of any such persons are, or at any time during the last financial year have been, indebted to the Company, any subsidiary or to any third party to which the Company or any subsidiary have provided a guarantee, support agreement, letter of credit or other similar arrangement or understanding in connection with a securities purchase or other program.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, proposed nominees for election as a director of the Company, persons beneficially owning, directly or indirectly, more than 10% of the outstanding Shares nor any associates or affiliates of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has or will materially affect the Company.

## **APPOINTMENT OF AN AUDITOR**

Davidson & Company LLP, Chartered Professional Accountants, of Vancouver, British Columbia, will be nominated at the Meeting for re-appointment as the Company's auditor to hold office until the next Annual General Meeting of the Shareholders, at a remuneration to be approved by the Audit Committee.

## **MANAGEMENT CONTRACTS**

Pursuant to an agreement dated as of April 5, 2017, Manning Elliott LLP, Chartered Professional Accountants (“**ME**”) of Vancouver, British Columbia, supplies accounting, tax and consulting services to the Company for a fee of \$5,000 per month, plus additional amounts for other services. ME is an accounting firm of which Fernando J. Costa, the Company's CFO, and Craig B. Prenter, a director of the Company, are partners.

Pursuant to an agreement dated as of November 14, 2014, Avisar Chartered Professional Accountants (“**Avisar**”) of Langley, British Columbia, supplied accounting, tax and consulting services to the Company for a fee of \$4,000 per month, plus additional amounts for other services. Avisar is an accounting firm of which B. (Bernie) Zacharias, the Company's former CFO, is a partner. During the Company's last financial year a total of \$53,500 was paid by the Company to Avisar for such services. Avisar's agreement was terminated effective April 5, 2017.

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

In addition to the ordinary business to be conducted at the Meeting, approval of the Shareholders is being sought for the following matters.

### **Stock Option Plan**

The Board established the Option Plan described under “Executive Compensation – Stock Option Plan”. The TSX-V requires stock option plans which reserve for issuance up to 10% (instead of a fixed number) of the issued Shares to be annually ratified by Shareholders by way of an ordinary resolution. That ratification is being sought at the Meeting by way of an ordinary resolution.

Following approval of the Option Plan by the Shareholders, any options granted pursuant to the Option Plan will not require further Shareholder or TSX-V approval unless, for an option held by an insider of the Company, the exercise price is reduced.

If the Option Plan is not approved by the Shareholders, any stock options currently outstanding will continue in full force and effect, however, the Board cannot grant any new options under the Plan nor can it re-allocate any expired or cancelled options.

**The Board recommends that Shareholders vote in favour of the proposed resolution.** The persons named in the Proxy or VIF as Proxyholders intend to vote the Shares represented by Proxies and VIFs in favour of the proposed resolution.

### **Other Matters**

The Company's management does not know of any other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting,

the Shares represented by the Proxies and VIFs solicited hereby will be voted on such matters in accordance with the recommendations of management.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information for the Company's last financial year is provided in its comparative financial statements and MD&A, and is also available on the SEDAR website.

To request copies of the Company's financial statements and MD&A and any document to be approved at the Meeting, Shareholders may contact the Company as follows:

<b>e-mail:</b> mfprovenzano@telus.net	<b>telecopier:</b> (+1) 604-697-6650	<b>telephone:</b> (+1) 604-687-5792 (collect calls accepted)
<b>mail:</b> Suite 704, Box 35, 595 Howe Street, Vancouver, British Columbia V6C 2T5, Canada		

**DATED** this 24<sup>th</sup> day of April 2017

### **ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) MICHAEL F. PROVENZANO  
Corporate Secretary

**CHARTER  
FOR  
THE AUDIT COMMITTEE  
OF  
THE BOARD OF DIRECTORS  
OF  
SAN MARCO RESOURCES INC.**

**I. MANDATE**

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of San Marco Resources Inc. (the “**Company**”) shall assist the Board in fulfilling its financial oversight responsibilities. The Committee’s primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company’s financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company’s independent external auditor (the “**Auditor**”); and
4. The performance of the Company’s internal accounting procedures and Auditor.

**II. STRUCTURE AND OPERATIONS**

A. Composition

The Committee shall be comprised of three or more members, each of whom is a director of the Company.

A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company.

B. Qualifications

Each member of the Committee must be a member of the Board.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement.

C. Appointment and Removal

In accordance with the Articles of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

## F. Meetings

The Committee shall meet as frequently as required but not less than once per year respecting the Company's annual financial statements. The Committee should meet with the Auditor and management to review the Company's annual financial statements in a manner consistent with, and to discharge its duties under, Section III of this Charter. The Committee may discharge its duties respecting the Company's three, six and nine month financial statements by each member signing a resolution in writing respecting such statements rather than meeting in person or by conference telephone.

The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee believes would be appropriate to discuss privately.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

## III. **DUTIES**

### A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

### B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

#### *Independence of Auditor*

- Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company.
- Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
- Require the Auditor to report directly to the Committee.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and

employees of the Auditor and former independent external auditor of the Company.

#### *Performance & Completion by Auditor of its Work*

- Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor.
- Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor unless such non-audit services:
  - (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Company to the Auditor during the fiscal year in which the non-audit services are provided;
  - (b) were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (c) are promptly brought to the attention of the Committee by the Company's management and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

#### *Internal Financial Controls & 'Whistleblower' Policy*

- Establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

#### *Preparation of Financial Statements*

- Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
  - (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.

- (b) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

*Public Disclosure by the Company*

- Review the Company's annual and quarterly financial statements, management discussion and analysis (MD&A) and press releases respecting earnings before the Board approves and the Company publicly discloses this information.
- Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
- Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

*Manner of Carrying Out its Mandate*

- Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- Meet separately, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor.
- Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
- Make periodic reports to the Board, as necessary.
- Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- Annually review the Committee's own performance.
- Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.
- Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.

C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.