

PANCONTINENTAL RESOURCES CORPORATION

Suite 401, 217 Queen Street West
Toronto, Ontario M5V 0R2

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of the shareholders of **Pancontinental Resources Corporation** (the "**Company**") will be held on **Wednesday, September 30, 2020**, at the hour of 4:00 p.m. (Eastern time), at the office of Irwin Lowy LLP at Suite 401, 217 Queen Street West, Toronto, Ontario M5V 0R2, for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company for the year ended December 31, 2019 and the report of the auditors thereon;
2. to elect the directors of the Company;
3. to appoint the auditors of the Company and to authorize the directors to fix their remuneration;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution of shareholders approving and confirming the stock option plan of the Company;
5. to consider and, if deemed advisable, pass, with or without variation, an ordinary resolution of the majority of the disinterested shareholders of the Company, approving and authorizing a debt settlement to an insider creditor of the Company, all as more specifically set out in the accompanying management information circular dated August 24, 2020 of the Company; and
6. to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his or her duly executed form of proxy with the Company's transfer agent and registrar, TSX Trust Company, at Suite 301, 100 Adelaide Street West, Toronto, Ontario M5H 4H1 not later than 4:00 p.m. (Eastern time) on Monday, September 28, 2020 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned meeting.

Shareholders who are unable to attend the Meeting in person, are requested to date, complete, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

The board of directors of the Company has by resolution fixed the close of business on Monday, August 24, 2020 as the record date, being the date for the determination of the registered holders of common shares of the Company entitled to receive notice of, and to vote at, the Meeting and any adjournment thereof.

COVID-19 GUIDANCE

In the context of the effort to mitigate potential risk to the health and safety associated with COVID-19 and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the shareholders are being discouraged from attending the Meeting in person. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out herein and in the accompanying management information circular dated August 24, 2020 of the Company.

The accompanying management information circular provides additional detailed information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this notice of annual and special meeting. Additional information about the Company and its financial statements are also available on the Company's profile at www.sedar.com.

DATED this 24th day of August, 2020.

BY ORDER OF THE BOARD

"Thomas Layton Croft" (signed)
President, Chief Executive Officer and Director

PANCONTINENTAL RESOURCES CORPORATION

Suite 401, 217 Queen Street West
Toronto, Ontario M5V 0R2

MANAGEMENT INFORMATION CIRCULAR

As at August 24, 2020

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR ("CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF PANCONTINENTAL RESOURCES CORPORATION (the "**Company**") of proxies to be used at the annual and special meeting of shareholders of the Company to be held on Wednesday, September 30, 2020 at the office of Irwin Lowy LLP at Suite 401, 217 Queen Street West, Toronto, Ontario M5V 0R2 at the hour of 4:00 p.m. (Eastern time), and at any adjournment or postponement thereof (the "**Meeting**") for the purposes set out in the enclosed notice of meeting (the "**Notice**"). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), arrangements have been made with brokerage houses and clearing agencies, custodians, nominees, fiduciaries or other intermediaries to send the Company's proxy solicitation materials (the "**Meeting Materials**") to the beneficial owners of the common shares of the Company (the "**Common Shares**") held of record by such parties. The Company may reimburse such parties for reasonable fees and disbursements incurred by them in doing so. The costs of the solicitation of proxies will be borne by the Company. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Company in favour of the matters set forth in the Notice.

COVID-19 GUIDANCE

In the context of the effort to mitigate potential risk to the health and safety associated with COVID-19 and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the shareholders are being discouraged from attending the Meeting in person. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out herein.

APPOINTMENT AND REVOCATION OF PROXIES

A holder of Common Shares who appears on the records maintained by the Company's registrar and transfer agent as a registered holder of Common Shares (each a "**Registered Shareholder**") may vote in person at the Meeting or may appoint another person to represent such Registered Shareholder as proxy and to vote the Common Shares of such Registered Shareholder at the Meeting. In order to appoint another person as proxy, a Registered Shareholder must complete, execute and deliver the form of proxy accompanying this Circular, or another proper form of proxy, in the manner specified in the Notice.

The purpose of a form of proxy is to designate persons who will vote on the shareholder's behalf in accordance with the instructions given by the shareholder in the form of proxy. The persons named in the enclosed form of proxy are officers or directors of the Company. **A REGISTERED SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM, HER OR IT AT THE MEETING MAY DO SO BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.** A Registered Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must, in all cases, deposit the completed form of proxy with the Company's transfer agent and registrar, TSX Trust Company (the "**Transfer Agent**"), not later than 4:00 p.m. (Eastern time) on Monday, September 28, 2020 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting at which the form of proxy is to be used. A form of proxy

should be executed by the Registered Shareholder or his or her attorney duly authorized in writing or, if the Registered Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies may be deposited with the Transfer Agent using one of the following methods:

| | |
|---------------------|---|
| By Mail: | TSX Trust Company Suite 301, 100 Adelaide Street West, Toronto, Ontario M5H 4H1 |
| Facsimile: | 416-595-9593 |
| By Internet: | www.voteproxyonline.com You will need to provide your 12 digit control number (located on the form of proxy accompanying this Circular). |

A Registered Shareholder attending the Meeting has the right to vote in person and, if he or she does so, his or her form of proxy is nullified with respect to the matters such person votes upon at the Meeting and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

A Registered Shareholder who has given a form of proxy may revoke the form of proxy at any time prior to using it: (a) by depositing an instrument in writing, including another completed form of proxy, executed by such Registered Shareholder or by his or her attorney authorized in writing or, if the Registered Shareholder is a corporation, by an authorized officer or attorney thereof, to (i) the registered office of the Company, located at Suite 401, 217 Queen Street West, Toronto, Ontario M5V 0R2, at any time prior to 5:00 p.m. (Eastern time) on the last business day preceding the day of the Meeting or any adjournment thereof or (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof; or (b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The Common Shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if a Registered Shareholder specifies a choice with respect to any matter to be acted upon at the meeting, the Common Shares represented by the proxy shall be voted accordingly. Where no choice is specified, the proxy will confer discretionary authority and will be voted for the election of directors, for the appointment of auditors and the authorization of the directors to fix their remuneration and for each item of special business, as stated elsewhere in this Circular.

The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting in such manner as such nominee in his judgment may determine. At the time of printing this Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

ADVICE TO NON-REGISTERED SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders of the Company, as a substantial number of shareholders of the Company do not hold Common Shares in their own name. Only Registered Shareholders or the persons they appoint as their proxies are permitted to attend and vote at the Meeting and only forms of proxy deposited by Registered Shareholders will be recognized and acted upon at the Meeting. Common Shares beneficially owned by a beneficial holder of Common Shares who does not appear on the records maintained by the Company's registrar and transfer agent as a registered holder of Common Shares (each a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) (a "**Clearing Agency**") of which the Intermediary is a participant. Accordingly, such Intermediaries and Clearing Agencies would be the Registered Shareholders and would appear as such on the list maintained by the Transfer Agent. Non-Registered Holders do not appear on the list of the Registered Shareholders maintained by the Transfer Agent.

Distribution of Meeting Materials to Non-Registered Holders

In accordance with the requirements of NI 54-101, the Company has distributed copies of the Meeting Materials to the Clearing Agencies and Intermediaries for onward distribution to Non-Registered Holders as well as directly to NOBOs (as defined below).

Non-Registered Holders fall into two categories - those who object to their identity being known to the issuers of securities which they own ("**OBOs**") and those who do not object to their identity being made known to the issuers of the securities which they own ("**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from Intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials to such NOBOs. If you are a NOBO and the Company or its agent has sent the Meeting Materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding the Common Shares on your behalf.

The Company's OBOs can expect to be contacted by their Intermediary. The Company does not intend to pay for Intermediaries to deliver the Meeting Materials to OBOs and it is the responsibility of such Intermediaries to ensure delivery of the Meeting Materials to their OBOs.

Voting by Non-Registered Holders

The Common Shares held by Non-Registered Holders can only be voted or withheld from voting at the direction of the Non-Registered Holder. Without specific instructions, Intermediaries or Clearing Agencies are prohibited from voting Common Shares on behalf of Non-Registered Holders. Therefore, each Non-Registered Holder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

The various Intermediaries have their own mailing procedures and provide their own return instructions to Non-Registered Holders, which should be carefully followed by Non-Registered Holders in order to ensure that their Common Shares are voted at the Meeting.

Non-Registered Holders will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

Voting Instruction Form. In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form (a "**VIF**"). If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the VIF must be completed, signed and returned in accordance with the directions on the form.

or,

Form of Proxy. Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the Non-Registered Holder must complete and sign the form of proxy and in accordance with the directions on the form.

Voting by Non-Registered Holders at the Meeting

Although a Non-Registered Holder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an Intermediary or a Clearing Agency, a Non-Registered Holder may attend the Meeting as proxyholder for the Registered Shareholder who holds Common Shares beneficially owned by such Non-Registered Holder and vote such Common Shares as a proxyholder. A Non-Registered Holder who wishes to attend the Meeting and to vote their Common Shares as proxyholder for the Registered Shareholder who

holds Common Shares beneficially owned by such Non-Registered Holder, should (a) if they received a VIF, follow the directions indicated on the VIF; or (b) if they received a form of proxy strike out the names of the persons named in the form of proxy and insert the Non-Registered Holder's or its nominees name in the blank space provided. Non-Registered Holders should carefully follow the instructions of their Intermediaries, including those instructions regarding when and where the VIF or the form of proxy is to be delivered.

All references to shareholders in the Meeting Materials are to Registered Shareholders as set forth on the list of registered shareholders of the Company as maintained by the Transfer Agent, unless specifically stated otherwise.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value. As of August 24, 2020 (the "**Record Date**"), there were a total of 216,847,290 Common Shares issued and outstanding and no preferred shares issued. Each Common Share outstanding on the Record Date carries the right to one vote at the Meeting.

Only Registered Shareholders as of the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting or any adjournment or postponement of the Meeting. On a show of hands, every Registered Shareholder and proxy holder will have one vote and, on a poll, every Registered Shareholder present in person or represented by proxy will have one vote for each Common Share held.

To the knowledge of the Company's directors and executive officers, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to the outstanding Common Shares, other than as set forth below:

| Name | Number of Common Shares | Percentage |
|-------------------------|-------------------------|------------|
| Erdenetsetseg Dayandorj | 22,360,000 | 10.31% |

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set out under the heading "*Particulars of Matters to be Acted Upon*" below, no person who has been a director or an officer of the Company at any time since the beginning of its last completed financial year or any associate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting, except as disclosed in this Circular.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the board of directors of the Company (the "**Board**"), the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice.

1. RECEIPT OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the year ended December 31, 2019 and the report of the auditors will be placed before the shareholders at the Meeting. No vote will be taken on the financial statements. The financial statements and additional information concerning the Company are available under the Company's profile at www.sedar.com.

2. ELECTION OF DIRECTORS

The board currently consists of five directors. The following table states the names of the persons nominated by management for election as directors at the Meeting, any offices with the Company currently held by them, their principal occupations or employment, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof.

| Name, province or state and country of residence and position, if any, held in the Company | Principal Occupation | Served as Director of the Company since | Number of Common Shares beneficially owned, directly or indirectly, or controlled or directed at present ⁽¹⁾ | Percentage of Voting Shares Owned or Controlled |
|---|--|---|---|---|
| Thomas Layton Croft North Carolina, United States President, Chief Executive Officer and Director | President, Chief Executive Officer of the Company. | March 2017 | 3,236,000 | 1.49% |
| Richard Mark British Columbia, Canada Director | President and Chief Executive Officer of Harvest Gold Corporation. | May 2003 | 1,463,500 | 0.67% |
| David Mosher ⁽²⁾⁽³⁾ Nova Scotia, Canada Director | Independent Director and Advisor | April 2006 | 7,519,555 | 3.47% |
| David Petroff ⁽²⁾⁽³⁾ Ontario, Canada Director | Independent Director | February 2012 | 1,217,500 | 0.56% |
| Donald Whalen ⁽²⁾⁽³⁾ Ontario, Canada Director | Independent Director | April 2006 | 7,282,000 | 3.36% |

Notes:

- (1) *The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.*
- (2) *Member of the Audit Committee.*
- (3) *Member of the Nominating Committee.*

The term of office of each director will be from the date of the annual meeting of the shareholders of the Company at which he is elected until the next annual meeting of the shareholders of the Company, or until his successor is elected or appointed.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. Management has no reason to believe that any of the nominees will be unable to serve as a director but, **IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.**

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no proposed director, within 10 years before the date of this Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively an "**Order**") and that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director 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.

Other than as set forth below, no proposed director, within 10 years before the date of this Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director 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.

Mr. Petroff was formerly a director and officer of Jaguar Mining Inc. which commenced a plan of compromise and arrangement pursuant to the *Companies' Creditors Arrangement Act* in Ontario on December 23, 2013. Mr. Petroff resigned as a director and officer of Jaguar Mines Inc. on April 23, 2014.

Personal Bankruptcies

None of the proposed directors of the Company have, 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 the assets of such person.

Penalties and Sanctions

None of the proposed directors of the Company have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to 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.

3. APPOINTMENT OF AUDITORS

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF RSM CANADA LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. RSM Canada LLP, Chartered Accountants, were first appointed as the auditors of the Company on April 13, 2007.

4. APPROVAL AND CONFIRMATION OF THE STOCK OPTION PLAN

The Company has adopted a "rolling" stock option plan (the "**Stock Option Plan**") for officers, directors, employees and consultants of the Company. The Stock Option Plan provides for the issue of stock options to acquire up to 10% of the issued and outstanding Common Shares as at the date of grant, subject to standard anti-dilution adjustment. This is a "rolling" stock option plan as the number of Common Shares reserved for issue pursuant to the grant of stock options will increase as the number of issued and outstanding Common Shares increases. At no time will more than 10% of the outstanding Common Shares be subject to grant under the Stock Option Plan. If a stock option expires, is exercised or otherwise terminates for any reason, the number of Common Shares in respect of that expired, exercised or terminated stock option shall again be available for the purpose of the Stock Option Plan. The principal features of the Stock Option Plan are described in more detail below in the section entitled "*Statement of Executive Compensation – Stock Option Plan and other Incentive Plans*".

The Stock Option Plan was last approved and confirmed by the shareholders of the Company at the annual and special meeting of shareholders held on June 17, 2019.

The Stock Option Plan is a "rolling" stock option plan and under Policy 4.4 of the TSX Venture Exchange (the "**TSXV**"), a listed company on the TSXV is required to obtain the approval of its shareholders for a "rolling" stock option plan at each annual meeting of shareholders. Accordingly, shareholders will be asked to approve the following resolution:

"BE IT RESOLVED THAT:

1. the stock option plan of the Company as described in the management information circular dated August 24, 2020, be and it is hereby confirmed and approved."

In accordance with the policies of the TSXV, the Stock Option Plan must be approved by the majority of votes cast at the Meeting on the resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE STOCK OPTION PLAN RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

5. APPROVAL OF DEBT SETTLEMENT

On July 30, 2020, the Company announced the settlement of an aggregate of \$33,400 of indebtedness of the Company (the "**Debt Amount**") through the issue of an aggregate of 417,500 Common Shares to an insider creditor of the Company (the "**Insider Creditor**") at a price of \$0.08 per Common Share (the "**Debt Settlement**"). The Debt amount represents management fees payable by the Company to the Insider Creditor for the period of 2.5 months starting on November 1, 2019 and ending mid January, 2020.

The purpose of the Debt Settlement is to reduce the debt owing by the Company. Under the debt settlement agreement, the Insider Creditor agreed to subscribe for Common Shares. No other benefits will accrue to the Insider Creditor as a consequence of the transaction except for those associated with ownership of the securities received.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the Debt Settlement may be classified as a "related party transaction" as an insider of the Company has subscribed for Common Shares in settlement of debt owing to such insider. Accordingly, pursuant to MI 61-101, the Debt Settlement may be subject to the minority shareholder approval and the formal valuation requirements (as such terms are defined in MI 61-101).

The Company has determined that an exemption from the minority shareholder approval requirement of MI 61-101 is available under section 5.7(a) of MI 61-101 and that an exemption from the formal valuation requirement of MI 61-101 is available under section 5.5(a) of MI 61-101 because neither the fair market value of the Common Shares to be issued in connection with, nor the fair market value of the consideration for, the Debt Settlement, insofar as it involves an interested party, exceeds 25% of the market capitalization of the Company.

The TSXV has conditionally approved the Debt Settlement, subject to receiving disinterested shareholder approval. Accordingly, at the Meeting, shareholders, other than the Insider Creditor, are being asked to approve the Debt Settlement.

In order for the Debt Settlement to proceed, shareholders will be asked to consider, and if deemed advisable, approve and pass the following resolution (the "**Debt Settlement Resolution**"):

"BE IT RESOLVED THAT:

1. the Company be and it is hereby authorized to issue up to 417,500 common shares of the Company at a price of \$0.08 per common share to an insider of the Company to settle up to an aggregate of \$33,400 of outstanding indebtedness as described in the management information circular dated August 24, 2020 of the Company; and
2. any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such acts and things, as may in the opinion of such director or officer of the Company be necessary or desirable to give effect to the foregoing resolution."

Management does not have any alternative plans in the event shareholder approval is not obtained for the Debt Settlement. In order to confirm and approve the Debt Settlement Resolution, the majority of the votes cast at the Meeting, without taking into consideration the 3,236,000 Common Shares held by the Insider Creditor or his associates, must be voted in favour of the Debt Settlement Resolution. In the event approval is not obtained, the Company will continue to be indebted to the Insider Creditor.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR APPROVING THE DEBT SETTLEMENT RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

STATEMENT OF EXECUTIVE COMPENSATION

Under applicable securities legislation, the Company is required to disclose certain financial and other information relating to the compensation of the Chief Executive Officer, the Chief Financial Officer and the most highly compensated executive officer of the Company as at December 31, 2019 whose total compensation was more than \$150,000 for the financial year of the Company ended December 31, 2019 (collectively the "Named Executive Officers") and for the directors of the Company.

Summary Compensation Table

The following table provides a summary of compensation paid, directly or indirectly, for each of the two most recently completed financial years to the Named Executive Officers and the directors of the Company:

| TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES ⁽¹⁾ | | | | | | | |
|--|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| 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 (\$) |
| Thomas Layton Croft ⁽²⁾⁽⁴⁾ President, Chief Executive Officer and Director | 2019 | 158,400 | nil | nil | nil | nil | 158,400 |
| | 2018 | 128,394 | nil | nil | nil | nil | 128,394 |
| Mark McMurdie ⁽³⁾ Chief Financial Officer | 2019 | 84,000 | nil | nil | nil | nil | 84,000 |
| | 2018 | 84,000 | nil | nil | nil | nil | 84,000 |
| Richard Mark ⁽²⁾ Director | 2019 | nil | nil | nil | nil | nil | nil |
| | 2018 | nil | nil | nil | nil | nil | nil |
| David Mosher Director | 2019 | nil | nil | nil | nil | nil | nil |
| | 2018 | nil | nil | nil | nil | nil | nil |
| David Petroff Director | 2019 | nil | nil | nil | nil | nil | nil |
| | 2018 | nil | nil | nil | nil | nil | nil |
| Donald Whalen Director | 2019 | nil | nil | nil | nil | nil | nil |
| | 2018 | nil | nil | nil | nil | nil | nil |

Notes:

- (1) This table does not include any amount paid as reimbursement for expenses.
- (2) None of the compensation paid to Mr. Croft was paid for being a director of the Company.
- (3) Fees paid in accordance with the management agreement of Mr. McMurdie described under the heading "Employment, Consulting and Management Agreements". Commencing on October 1, 2019, Mr. McMurdie began receiving an administrative fee in the amount of \$500 per month.
- (4) In addition to the amounts set out in this table, Mr. Croft received in 2018 an amount of \$11,736 for office rental fees.

Stock Options and Other Compensation Securities

The following table provides a summary of all compensation securities granted or issued to each Named Executive Officer and to each director of the Company during the most recently completed financial year of the Company for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries:

| COMPENSATION SECURITIES ⁽⁴⁾ | | | | | | | |
|---|-------------------------------|---|------------------------|--|--|---|------------------|
| Name and position | Type of compensation security | Number of compensation securities, number of underlying securities, and % of class ⁽³⁾ | Date of issue or grant | Issue, conversion or exercise price (\$) | Closing price of security or underlying security on the date immediately prior to the date of grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry date |
| Thomas Layton Croft ⁽⁴⁾ President, Chief Executive Officer and Director | Stock Options ⁽¹⁾ | 500,000 exercisable for 500,000 Common Shares representing 0.28% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |
| | Stock Options ⁽²⁾ | 300,000 exercisable for 300,000 Common Shares representing 0.17% of the outstanding number of Common Shares | August 30, 2019 | 0.100 | 0.035 | 0.025 | August 30, 2024 |
| Mark McMurdie ⁽⁵⁾ Chief Financial Officer | Stock Options ⁽¹⁾ | 50,000 exercisable for 50,000 Common Shares representing 0.03% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |
| | Stock Options ⁽²⁾ | 75,000 exercisable for 75,000 Common Shares representing 0.04% of the outstanding number of Common Shares | August 30, 2019 | 0.100 | 0.035 | 0.025 | August 30, 2024 |
| Richard Mark ⁽⁶⁾ Director | Stock Options ⁽¹⁾ | 50,000 exercisable for 50,000 Common Shares representing 0.03% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |

| COMPENSATION SECURITIES ⁽⁴⁾ | | | | | | | |
|--|-------------------------------|---|------------------------|--|--|---|------------------|
| Name and position | Type of compensation security | Number of compensation securities, number of underlying securities, and % of class ⁽³⁾ | Date of issue or grant | Issue, conversion or exercise price (\$) | Closing price of security or underlying security on the date immediately prior to the date of grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry date |
| David Mosher ⁽⁷⁾ Director | Stock Options ⁽¹⁾ | 100,000 exercisable for 100,000 Common Shares representing 0.06% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |
| | Stock Options ⁽²⁾ | 25,000 exercisable for 25,000 Common Shares representing 0.01% of the outstanding number of Common Shares | August 30, 2019 | 0.100 | 0.035 | 0.025 | August 30, 2024 |
| David Petroff ⁽⁸⁾ Director | Stock Options ⁽¹⁾ | 50,000 exercisable for 50,000 Common Shares representing 0.03% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |
| Donald Whalen ⁽⁹⁾ Director | Stock Options ⁽¹⁾ | 50,000 exercisable for 50,000 Common Shares representing 0.03% of the outstanding number of Common Shares | January 18, 2019 | 0.080 | 0.040 | 0.025 | January 18, 2024 |
| | Stock Options ⁽²⁾ | 25,000 exercisable for 25,000 Common Shares representing 0.01% of the outstanding number of Common Shares | August 30, 2019 | 0.100 | 0.035 | 0.025 | August 30, 2024 |

Notes:

- (1) The fair value of each stock option at the date of grant was estimated using the Black-Scholes option pricing model to be consistent with the audited consolidated financial statements of the Company and included the following assumptions: share price \$0.04, dividend yield nil, expected volatility 240% (based on the historical price history of the Common Shares), risk-free interest rate 1.96% and an expected life of five years.
- (2) The fair value of each stock option at the date of grant was estimated using the Black-Scholes option pricing model to be consistent with the audited consolidated financial statements of the Company and included the following assumptions: share price \$0.035, dividend yield nil, expected volatility 237% (based on the historical price history of the Common Shares), risk-free interest rate 1.38% and an expected life of five years.
- (3) Calculated on a partially diluted basis as at December 31, 2019.
- (4) As at December 31, 2019, Mr. Croft held 2,900,000 stock options exercisable to purchase 2,900,000 Common Shares.
- (5) As at December 31, 2019, Mr. McMurdie held 1,075,000 stock options exercisable to purchase 1,075,000 Common Shares.
- (6) As at December 31, 2019, Mr. Mark held 650,000 stock options exercisable to purchase 650,000 Common Shares.
- (7) As at December 31, 2019, Mr. Mosher held 1,975,000 stock options exercisable to purchase 1,975,000 Common Shares.
- (8) As at December 31, 2019, Mr. Petroff held 1,000,000 stock options exercisable to purchase 1,000,000 Common Shares.
- (9) As at December 31, 2019, Mr. Whalen held 1,425,000 stock options exercisable to purchase 1,425,000 Common Shares.

None of the Named Executive Officers or directors of the Company exercised any compensation securities during the most recently completed financial year of the Company.

Stock Option Plan and other Incentive Plans

The Company has in place the Stock Option Plan which was last approved by the shareholders of the Company on June 17, 2019.

The Company currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Stock Option Plan. The purpose of the Stock Option Plan is to, among other things, encourage Common Share ownership in the Company by directors, officers, employees and consultants of the Company and its affiliates and other designated persons. Stock options may be granted under the Stock Option Plan only to directors, officers, employees and consultants of the Company and its subsidiaries and other designated persons as designated from time to time by the Board.

The number of Common Shares which may be reserved for issue under the Stock Option Plan is limited to 10% of the issued and outstanding number of Common Shares as at the date of the grant of stock options. As at the date hereof, 21,684,729 stock options may be reserved for issue pursuant to the Stock Option Plan, 21,450,000 stock options have been issued and 234,729 stock options are still available for issue.

Any Common Shares subject to a stock option which is exercised, or for any reason is cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan. The option price of any Common Shares cannot be less than the market price of the Common Shares at the time of grant. Stock options granted under the Stock Option Plan may be exercised during a period not exceeding 10 years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer, director or consultant of the Company or any of its subsidiaries or ceasing to have a designated relationship with the Company, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The stock options are non-transferable. The Stock Option Plan contains provisions for adjustment in the number of Common Shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of stock options granted under the Stock Option Plan.

The Company has no equity compensation plans other than the Stock Option Plan.

Employment, Consulting and Management Agreements

The only management agreement the Company has in place between the Company or any subsidiary or affiliate thereof and its Named Executive Officers is as follows:

Mark McMurdie

The Company entered into a management agreement with Mark McMurdie and Rustle Woods Capital Inc., a corporation controlled by an associate of Mr. McMurdie, for his services as the Chief Financial Officer of the Company on June 5, 2006, as amended (the "**McMurdie Management Agreement**"). Pursuant to the McMurdie Management Agreement, Mr. McMurdie receives remuneration in the amount of \$7,000 per month and an administrative fee in the amount of \$500 per month. The McMurdie Management Agreement is automatically renewed on a monthly basis, continues from year to year and may be terminated by the Company upon 30 days written notice and a lump-sum payment of \$7,000.

There are no employment, consulting or management agreements in place with any of the other executive officers or directors of the Company.

Oversight and Description of Director and Named Executive Officer Compensation

Compensation of Directors

The Board believes that directors should be provided with incentives to focus on long-term shareholder value. The Board believes that including equity options as part of director compensation helps align the interest of directors with those of the Company's shareholders. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors competitively relative to comparable companies. The Company's management will, from time to time, present a report to the Board comparing the Company's director compensation with that of comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairmen of the committees, if not members of management, to receive additional compensation for their additional duties in these positions. Directors who are also management of the Company may receive additional compensation for Board or committee service if they are not already compensated at full industry rates in their capacities as employees.

The Company compensates its independent directors for pre-approved corporate activities as per diem of \$1,000 and reimburses its directors for any documented reasonable expenses or incidentals related to the performance of corporate activities. Other than as set out herein, there are no other arrangements pursuant to which directors were compensated by the Company or its subsidiaries. During the most recently completed financial year, no compensation was paid by the Company or its subsidiaries to the Company's independent directors.

Compensation of Named Executive Officers

Principles of Executive Compensation

When determining the compensation of the Named Executive Officers, the Board considers the limited resources of the Company and the objectives of: (i) recruiting and retaining the executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. In order to achieve these objectives, the compensation paid to the Named Executive Officers consists of the following three components:

- (a) base fee;
- (b) bonuses and other incentives; and
- (c) long-term incentive in the form of stock options.

The Board is responsible for the Company's compensation policies and practices. The Board has the responsibility to review and make recommendations concerning the compensation of the directors of the Company and the Named Executive Officers within the constraints of the agreements described above in the section entitled "*Statement of Executive Compensation – Employment, Consulting and Management Agreements*". The Board also has the responsibility to make recommendations concerning bonuses and other incentives and grants to eligible persons under the stock option plan of the Company. The Board and the nominating committee review and approve the hiring of executive officers.

Base Fees

The Board approves the base fee ranges for the Named Executive Officers. The review of the base fee component of each Named Executive Officer compensation is based on assessment of factors such as executive's performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive played in such corporate performance. As of the date of this Circular, the Board had not, collectively, considered the implications of any risks associated with policies and practices regarding compensation of its directors or executive officers.

Bonuses and Other Incentives

The Company has not awarded any bonuses or other incentives. However, the Company, in its discretion, may award such bonuses or other incentives in order to motivate executives to achieve short-term corporate goals. The Board approves such bonuses or other incentives.

The success of the Named Executive Officers in achieving their individual objectives and their contribution to the Company in reaching its overall goals are factors in the determination of their bonuses or other incentives. The Board assesses each Named Executive Officers' performance on the basis of his or her respective contribution to the achievement of the predetermined corporate objectives, as well as to needs of the Company that arise on a day to day basis. This assessment is used by the Board in developing its recommendations with respect to the determination of bonuses or other incentives for the Named Executive Officers.

Compensation and Measurements of Performance

It is the intention of the Board to approve targeted amounts of bonuses or other incentives for each Named Executive Officer during each financial year. The targeted amounts will be determined by the Board based on a number of factors, including comparable compensation of similar companies.

Achieving predetermined individual and/or corporate targets and objectives, as well as general performance in day to day corporate activities, will trigger the award of a bonus or other incentive to the Named Executive Officers. The Named Executive Officers will receive a partial or full bonus payment or other incentive payment depending on the number of the predetermined targets met and the Board's assessment of overall performance. The determination as to whether a target has been met is ultimately made by the Board and the Board reserves the right to make positive or negative adjustments to any bonus or other incentive payment if they consider them to be appropriate.

Long Term Compensation

The Company currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Stock Option Plan.

Pension Disclosure

There are no pension or retirement plan in place for the Named Executive Officers or the directors of the Company.

Termination and Change of Control Benefits

The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as a Named Executive Officer or director of the Company in connection with or related to the retirement, termination or resignation of such person. The Company has not provided any compensation to such persons as a result of a change of control of the Company, its subsidiaries or affiliates. Except as set forward above in the section entitled "*Statement of Executive Compensation – Employment, Consulting and Management Agreements*", the Company is not party to any compensation plan or arrangement with Named Executive Officers or directors of the Company resulting from the resignation, retirement or the termination of employment of such person.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information with respect to all compensation plans of the Company under which equity securities are authorized for issue as of December 31, 2019:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (#) | Weighted-average exercise price of outstanding options, warrants and rights (\$) | Number of securities remaining available for future issuance under equity compensation plans (#) |
|---|---|--|--|
| Equity compensation plans approved by securityholders | 15,350,000 | 0.10 | 2,419,729 |
| Equity compensation plans not approved by securityholders | n/a | n/a | n/a |
| Total | 15,350,000 | 0.10 | 2,419,729 |

Note:

(1) *The Stock Option Plan is a "rolling" stock option plan whereby the maximum number of Common Shares that may be reserved for issue pursuant to the Stock Option Plan will not exceed 10% of the outstanding Common Shares at the time of the stock option grant. As at the date of this Circular, 21,684,729 stock options may be issued under the Stock Option Plan, 21,450,000 stock options are outstanding and an additional 234,729 Common Shares are reserved for issue and remain available for future issue under the Stock Option Plan.*

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as otherwise disclosed in this Circular, no director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year end or in any proposed transaction that has materially affected or will materially affect the Company.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Company or person who acted in such capacity in the last financial year of the Company, or any other individual who at any time during the most recently completed financial year of the Company was a director of the Company or any associate of the Company, is indebted to the Company, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

AUDIT COMMITTEE INFORMATION REQUIRED IN THE INFORMATION CIRCULAR OF A VENTURE ISSUER

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") requires that certain information regarding the Audit Committee of a "venture issuer" (as that term is defined in NI 52-110) be included in the management information circular sent to shareholders in connection with the issuer's annual meeting. The Company is a "venture issuer" for the purposes of NI 52-110.

Audit Committee Charter

The full text of the charter of the Company's Audit Committee is attached hereto as appendix A (the "**Audit Committee Charter**").

Composition of the Audit Committee

The Audit Committee members are currently Donald Whalen (Chair), David Mosher and David Petroff, each of whom is a director and financially literate. Each of the members of the Audit Committee is independent in accordance with NI 52-110.

Relevant Education and Experience

The following is a description of the education 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:

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

Donald Whalen, Director – Mr. Whalen is a graduate of the University of Toronto (B. Comm, 1964). Mr. Whalen joined the board of directors of High River Gold Mines Ltd., a former TSX-listed gold mining company, in 1991 and became the Executive Chairman in 1994 until he resigned in 2008. Mr. Whalen is past Co-Chair of the Canada Russia Business Council and is past Chairman of the Canada Eurasia Russia Business Association (CERBA – Toronto Chapter). In addition, Mr. Whalen serves or has served on various public company boards.

David Mosher, Director – Mr. Mosher holds a Bachelor of Science degree in Geology from Acadia University, Nova Scotia. Mr. Mosher is currently an independent director. Mr. Mosher was President, Chief Executive Officer and a Director of High River Gold Mines Ltd. from June 1992 to November 2008. Mr. Mosher, has over 35 years of experience as a mining executive and geologist with direct experience in Australia, Canada, the United States, Russia, Asia and Africa. Mr. Mosher was Project Manager of Pancontinental Mining Limited, where he led the team that discovered one of the world's largest uranium deposit, Jabiluka, in the Northern Territory of Australia. Over the past 15 years, Mr. Mosher has been active in the restructuring and refinancing of a number of junior resource companies, both private and public.

David Petroff, Director – Mr. Petroff holds a Bachelor of Mathematics from the University of Waterloo and a Master of Business Administration from Schulich School of Business, York University. Since September 2012 to April 2014, he was the President and Chief Executive Officer and a Director of Jaguar Mining Inc., a TSX listed company. From November 2009 through August 2011 he was President, Chief Executive Officer and Director of Breakwater Resources and from May 2004 through June 2008 he was Executive Vice President and Chief Financial Officer of Centerra Gold Inc. In addition, from February 1997 through September 2004, Mr. Petroff was the Chief Financial Officer and Senior Vice-President, Finance and Administration, for Cameco Corporation. Mr. Petroff serves or has served on various public company boards.

Audit Committee Oversight

Since the commencement of the Company's most recently completed 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

Since the commencement of the Company's most recently completed 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 subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*) of NI 52-110 (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if a circumstance arises that affects the business or operations of the Company and a reasonable person would conclude that the circumstance can be best addressed by a member of the Audit Committee becoming an executive officer or employee of the Company);
3. the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*) (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if an Audit Committee member becomes a control person of the Company or of an affiliate of the Company for reasons outside the member's reasonable control);
4. the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*) (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if a vacancy on the Audit Committee arises as a result of the death, incapacity or resignation of an Audit Committee member and the Board was required to fill the vacancy); 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.

The Company is a "venture issuer" for the purposes of NI 52-110. Accordingly, the Company is relying upon the exemption in section 6.1 of NI 52-110 providing that the Company is exempt from the application of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) 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 the Audit Committee Charter.

Audit Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the external auditor of the Company for professional services rendered to the Company during the fiscal years ended December 31, 2019 and December 31, 2018:

| | Audit Fees (\$) | Audit-Related Fees (\$) | Tax Fees (\$) | All Other Fees (\$) |
|-------------------------------------|----------------------------|------------------------------------|--------------------------|--------------------------------|
| Year ended December 31, 2019 | 32,100 | nil | 4,200 | nil |
| Year ended December 31, 2018 | 32,100 | nil | 2,625 | 7,800 |

Audit Fees – aggregate fees billed for professional services rendered by the auditor for the audit of the Company's annual financial statements as well as services provided in connection with statutory and regulatory filings.

Audit-Related Fees – aggregate fees billed for professional services rendered by the auditor and were comprised primarily of audit procedures performed related to the review of quarterly financial statements and related documents.

Tax Fees – aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

All Other Fees – aggregate fees billed for professional services which included non-audit services.

REPORT ON CORPORATE GOVERNANCE

The Company believes that adopting and maintaining appropriate governance practices is fundamental to a well-run company, to the execution of its chosen strategies and to its successful business and financial performance. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* (collectively the "**Governance Guidelines**") of the Canadian Securities Administrators set out a list of non-binding corporate governance guidelines that issuers are encouraged to follow in developing their own corporate governance guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. The Company will continue to review and implement corporate governance guidelines as the business of the Company progresses and becomes more active in operations.

The following disclosure is required by the Governance Guidelines and describes the Company's approach to governance and outlines the various procedures, policies and practices that the Company and the Board have implemented.

In order to assist the Board in the exercise of its duties and responsibilities, the Company has implemented a Corporate Governance Policies and Procedures Manual (the "**Corporate Governance Manual**") which is attached hereto as appendix B.

Board of Directors

The Board is currently composed of five directors. Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)* ("**Form 58-101F2**") requires disclosure regarding how the Board facilitates its exercise of independent supervision over management of the Company by providing the identity of directors who are independent and the identity of directors who are not independent and the basis for that determination. NI 52-110 provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. In addition, under NI 52-110, an individual who is, or has been within the last three years, an employee or executive officer of an issuer, is deemed to have a "material relationship" with the issuer. Accordingly, of the proposed nominees, Mr. Richard Mark, who was the President and Chief Executive Officer of the Company until April 7, 2017 and Mr. Thomas Layton Croft, the current President and Chief Executive Officer of the Company since April 7, 2017, are each considered not to be "independent". The remaining three proposed directors are considered by the Board to be "independent" within the meaning of NI 52-110. In assessing Form 58-101F2 and making the foregoing determinations, the Board has examined the circumstances of each director in relation to a number of factors.

Directorships

The following table sets forth the directors, and proposed directors, of the Company who currently hold directorships with other reporting issuers:

| Name of Director | Reporting Issuer |
|---------------------|--|
| Thomas Layton Croft | Erdene Resource Development Corporation |
| Richard Mark | Harvest Gold Corporation |
| David Mosher | Erdene Resources Development Corporation and Pelangio Exploration Inc. |
| David Petroff | Foran Mining Corporation |
| Donald Whalen | BacTech Environmental Corporation |

Orientation and Continuing Education

The Corporate Governance Manual provides that the Board and the Company's senior management will conduct orientation programs for new directors. The orientation programs will include presentations by management to familiarize new directors with the Company's projects, strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation program will include a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities.

To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Company will provide the directors with suggestions to undertake continuing director education, the cost of which will be borne by the Company.

Ethical Business Conduct

The Board has not adopted guidelines or attempted to quantify or stipulate steps to encourage and promote a culture of ethical business conduct, but does promote ethical business conduct designed to promote integrity and to deter wrongdoing through the nomination of Board members it considers ethical, through avoiding or minimizing conflicts of interest, and by having a majority of its Board members independent of corporate matters.

Nomination of Directors

The recruitment of directors has generally resulted from recommendations made by directors and shareholders. The assessment of the contributions of individual directors has principally been the responsibility of the Nominating Committee. Prior to standing for election, new nominees to the Board are reviewed by the entire Board.

Diversity of the Board and Senior Management

To date, the Company has not adopted a formal written diversity policy and has not established targets with respect to the appointment of individuals to the Board or senior management who are women, Indigenous peoples (First Nations, Inuit and Metis), persons with disabilities, members of visible minorities or otherwise self-represent as being within designated groups (as that term is defined in the *Employment Equity Act* (Canada)).

While the Company believes that nominations to the Board and appointments to senior management should be based on merit, the Company recognizes that diversity supports balanced debate and discussion which, in turn, enhances decision-making and the level of representation of women, Indigenous peoples, persons with disabilities and members of visible minorities is one factor taken into consideration during the search process for directors and members of the executive and senior management.

In assessing potential directors and members of the executive or senior management, the Company focuses on the skills, expertise, experience and independence which the Company requires to be effective. Due to the small size of the Board and the management team, and the stage of development of the Company's business, the Board believes that the qualifications and experience of proposed new directors and members of senior management should remain the primary consideration in the selection process. The Company will include diversity (including the level of

representation of members of designated groups) as a factor in its future decision-making when identifying and nominating candidates for election or re-election to the Board and for senior management positions.

Other Board Committees

In addition to the Audit Committee, the Company has established a Nominating Committee.

Assessments

Currently the Board has not implemented a formal process for assessing the Board or its committees. As provided under the Corporate Governance Manual, the Board will review each director's continuation on the Board annually. The Board believes that this will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Company to replace directors where the Board makes a determination in that regard.

OTHER MATTERS

The management of the Company knows of no other matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to management should properly come before the Meeting, the accompanying form of proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.**

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Shareholders may contact the Company in order to request copies of: (i) this Circular; and (ii) the Company's consolidated financial statements and the related management's discussion and analysis (the "MD&A") which will be sent to the shareholder without charge upon request. Financial information is provided in the Company's consolidated financial statements and MD&A for its financial year ended December 31, 2019.

APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Circular have been approved, and the delivery of it to each shareholder entitled thereto and to the appropriate regulatory agencies has been authorized by the Board.

DATED this 24th day of August, 2020.

BY ORDER OF THE BOARD

"Thomas Layton Croft" (signed)

President, Chief Executive Officer and Director

APPENDIX A

PANCONTINENTAL RESOURCES CORPORATION

(the "Company")

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(the "Charter")

1. Mandate

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

2. Composition

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

2.1 Independence

A majority of the members of the audit committee must not be an executive officer, employee or control person of the Company or an affiliate thereof (the "**Independence Requirement**"), provided that:

- (a) If a circumstance arises that affects the business or operations of the Company and a reasonable person would conclude that the circumstance can be best addressed by a member of the audit committee becoming an executive officer or employee of the Company, the Independence Requirement does not apply to the audit committee in respect of the member until the later of: (i) the next annual meeting of the shareholders of the Company; and (ii) the date that is six months after the date on which the circumstance arose.
- (b) If an audit committee member becomes a control person of the Company or an affiliate thereof for reasons outside the member's reasonable control, the Independence Requirement does not apply to the audit committee in respect of that member until the later of: (i) the next annual meeting of the shareholders of the Company; and (ii) the date that is six months after the event which caused the member to become a control person.
- (c) If a vacancy on the audit committee arises as a result of the death, incapacity or resignation of an audit committee member and the board of directors is required to fill the vacancy, the Independence Requirement does not apply to the audit committee, in respect of the member appointed to fill the vacancy, until the later of: (i) the next annual meeting of the shareholders of the Company; and (ii) the date that is six months after the day the vacancy was created.

2.2 Expertise of Committee Members

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

3. **Meetings**

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

4. **Roles and Responsibilities**

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

4.1 *External Audit*

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

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and approve the Company's hiring policies regarding partners and employees of the external auditor;
- (e) review and recommend to the Board the compensation to be paid to the external auditors; and
- (f) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 *Internal Control*

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

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

4.3 *Financial Reporting*

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

General

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

Annual Financial Statements

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

Interim Financial Statements

- (f) review the draft interim financial statements and provide a recommendation to the Board with respect to the approval of the financial statements; and
- (g) review management's discussion & analysis respecting the interim reporting period and provide a recommendation to the Board with respect to approval.

Release of Financial Information

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

4.4 Non-Audit Services

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

Delegation of Authority

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

De-Minimis Non-Audit Services

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided;
 - (ii) the Company or its subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

- (iii) the services are promptly brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated by the audit committee.

Pre-Approval Policies and Procedures

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

4.5 Other Responsibilities

The audit committee shall:

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

4.6 Reporting Responsibilities

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

5. Resources and Authority of the Audit Committee

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

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

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the audit committee members with additional guidance on fulfillment of their roles and responsibilities on the committee:

6.1 *Internal Control*

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

6.2 *Financial Reporting*

General

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

Annual Financial Statements

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

Interim Financial Statements

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:

- (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
- (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the company's operations and financing practices;
- (iii) generally accepted accounting principles have been consistently applied;
- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 Compliance with Laws and Regulations

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

6.4 Other Responsibilities

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

APPENDIX B

PANCONTINENTAL RESOURCES CORPORATION

Corporate Governance Policies and Procedures Manual (the "Manual")

Adopted effective January 20, 2006

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CORPORATE GOVERNANCE OVERVIEW AND GUIDELINES

1. Introduction

The Board of Directors of Pancontinental Resources Corporation (the "**Company**") has adopted these Corporate Governance Guidelines to assist the Board in the exercise of its duties and responsibilities. The Guidelines are to be applied in a manner consistent with applicable laws and the Company's incorporating documents. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with the duties and responsibilities owed to the Company and its shareholders.

2. Director Responsibilities

(a) **Oversee Management of the Company.** The principal responsibilities of the directors are to oversee the management of the Company and, in so doing, serve the best interests of the Company on behalf of its shareholders. These responsibilities require that the directors attend to the following:

- review and approve on a regular basis, and as the need arises, fundamental operating, financial, and other strategic corporate plans which take into account, among other things, the opportunities and risks of the business;
- evaluate the performance of the Company, including the appropriate use of corporate resources;
- evaluate the performance of, and oversee the progress and development of, senior management and take appropriate action, such as promotion, change in responsibility and termination;
- implement senior management succession plans;
- evaluate the Company's compensation programs;
- establish a corporate environment that promotes timely and effective disclosure (including appropriate controls, procedures and incentives), fiscal accountability, high ethical standards and compliance with applicable laws and industry and community standards;
- evaluate the Company's systems to identify and manage the risks faced by the Company;
- review and decide upon material transactions and commitments;
- develop a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;
- provide assistance to the Company's senior management, including guidance on those matters that require Board involvement; and
- evaluate the overall effectiveness of the Board and its committees.

(b) **Exercise Business Judgment.** In discharging their fiduciary duties of care, loyalty and candor, directors are expected to exercise their business judgment to act in what they reasonably and honestly believe to be the best interests of the Company and its shareholders free from personal interests. In discharging their duties, when appropriate, the directors normally are entitled to rely on the Company's senior executives and its outside advisors, auditors and legal counsel but also should consider second opinions where circumstances warrant.

(c) **Understand the Company and its Business.** Directors are expected to become and remain informed about the Company and its business, properties, risks and prospects.

(d) **Establish Effective Systems.** Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company. Directors should also provide for periodic reviews of the integrity of the Company's internal controls and management information systems.

(e) **Protect Confidentiality and Proprietary Information.** Directors are responsible for establishing policies that are intended to protect the Company's confidential and proprietary information from unauthorized or inappropriate disclosure. Likewise, all discussions and proceedings of the Board of Directors must be treated as strictly confidential and privileged to preserve open discussions between directors and to protect the confidentiality of Board discussions.

(f) **Board, Committee and Shareholder Meetings.** Directors are responsible for attending Board meetings and meetings of committees on which they serve. They must devote the time needed, and meet as frequently as necessary, to properly discharge their responsibilities. Directors who reside in or near the city where the Company holds a shareholders' meeting are expected to make a reasonable effort to attend such meeting.

(g) **Indemnification.** The directors are entitled to Company-provided indemnification through corporate articles and by-laws, corporate statutes, indemnity agreements and, when available on reasonable terms, directors' and officers' liability insurance.

3. **Director Qualification Standards**

(a) **Independence.** The Board will ensure it has at all times at least the minimum number of the members of the Board who meet applicable standards of director independence. For members of the Audit Committee, director independence is to be determined in accordance with those legal and stock exchange independence standards applicable to the Company's Audit Committee. Those standards are appended to the Audit Committee Charter. For other purposes, the Board will, from time to time, establish independence standards that (i) comply with applicable legal and stock exchange requirements and (ii) are designed to ensure that the director does not have, directly or indirectly, a financial, legal or other relationship with the Company that would reasonably interfere with the exercise of independent judgment in carrying out the responsibilities of the director.

(b) **Size and Skills of Board.** The Board believes that a Board comprised of 4 to 6 members is an appropriate size given the Company's present circumstances. The Board also believes that a majority of the directors should be independent under the standards currently in effect. The Board will also consider the competencies and skills that the Board, as a whole, should possess and the competencies and skills of each director.

(c) **Other Directorships.** The Board does not believe that its members should be prohibited or discouraged from serving on boards of other organizations, and the Board does not propose any specific policies limiting such activities, providing they do not reduce a director's effectiveness or result in a continuing conflict of interest. However, the Board should take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and in making its recommendations.

(d) **Tenure.** The Board does not believe it should establish director term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, significant insight into the Company and its operations and an institutional memory that benefits the Board as well as management. As an alternative to term limits, the Board will review each director's continuation on the Board annually. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Company to replace directors where the Board makes a determination in that regard.

(e) **Offices of Chairman and CEO.** The Board will select a Chairman of the Board in a manner and upon the criteria that the Board deems appropriate at the time of selection. In circumstances where the Board determines to appoint an executive of the Company as Chairman of the Board, the Board will separately appoint an independent director to serve in the capacity as "lead director", as that role is contemplated by National Policy 58-201.

(f) **Selection of New Director Candidates.** Except where the Company is legally required by contract, law or otherwise to provide third parties with the right to nominate directors, the Board will be responsible for identifying individuals qualified to become Board members, consistent with criteria approved by the Board.

(g) **Extending the Invitation to a New Director Candidate to Join the Board.** An invitation to join the Board will be extended by the Chairman of the Board when authorized by the Board.

4. **Board Meetings**

(a) **Selection of Agenda Items.** The Chairman of the Board shall propose an agenda for each Board meeting. Each Board member is free to request the inclusion of other agenda items and is generally free to request at any Board meeting the consideration of subjects that are not on the agenda for that meeting, although voting on matters so raised may be deferred to another meeting to permit proper preparation for a vote on an unscheduled matter (emergencies excepted).

(b) **Frequency and Length of Meetings.** The Chairman of the Board, in consultation with the members of the Board, will normally determine the frequency and length of Board meetings however, the ultimate power in this regard rests with the plenary Board. Special meetings may be called from time to time as required to address the needs of the Company's business.

(c) **Advance Distribution of Materials.** Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will normally be distributed in writing to the directors reasonably before the meeting (with a goal of 48 hours) and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of a very time-sensitive nature and that the distribution of materials on these matters before the meeting may not be practicable.

5. **Board Committees**

(a) **Key Committees.** The Board will at all times have an Audit Committee. Such committee will have a charter that has been approved by the Board. The charter currently in effect is appended hereto as Appendix 1. The Board may, from time to time, establish or maintain additional committees or subcommittees as it deems necessary.

(b) **Committee Charters.** The charters of the Audit Committee will set forth the purposes, goals and responsibilities of the committee. The Board will, from time to time as it deems appropriate, but at least annually, review and reassess the adequacy of each charter and make appropriate changes. Each charter must address those matters required by applicable laws and stock exchange rules.

(c) **Assignment of Committee Members.** The Audit Committee must meet the independence standards applicable to the Audit Committee. The Audit Committee will have a minimum of three directors. Other committees shall have at least one member or the minimum number of members required by applicable law and the Company's incorporating documents.

(d) **Selection of Agenda Items.** Each committee chairman, in consultation with the committee members, will develop the committee's agenda.

(e) **Frequency of Committee Meetings.** The chairman of each committee, in consultation with the committee members, will determine the frequency of the committee meetings consistent with any requirements set forth in the committee's charter. Special meetings may be called by any member from time to time as required to address the needs of the Company's business and fulfill the responsibilities of the committees.

6. **Director's Access to Management and Independent Advisors**

(a) **Access to Officers and Employees.** All directors have at all reasonable times and on reasonable notice, full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate should normally be arranged through the CEO or the CFO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. The directors are normally expected to provide a copy or otherwise inform the CEO of any communication between a director and an officer or employee of the Company.

(b) **Access to Independent Advisors.** The Board and each committee shall have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such committee, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company. Such independent advisors may be the regular advisors to the Company. The Board or any such committee is empowered, without further action by the Company, to cause the Company to pay the appropriate compensation of such advisors as established by the Board or any such committee.

7. **Director Compensation**

(a) **Role of Board.** The form and amount of director compensation will be approved by the Board in accordance with the general principles set forth herein.

(b) **Form of Compensation.** The Board believes that directors should be provided with incentives to focus on long-term shareholder value. The Board believes that including equity options as part of director compensation helps align the interest of directors with those of the Company's shareholders.

(c) **Amount of Compensation.** The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors competitively relative to comparable companies. The Company's management will, from time to time, present a report to the Board comparing the Company's director compensation with that of comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairmen of the committees, if not members of management, to receive additional compensation for their additional duties in these positions. Directors who are also employees of the Company may receive additional compensation for Board or committee service if they are not already compensated at full industry rates in their capacities as employees.

(d) **Director Stock Ownership.** The Board believes that each director should acquire and hold shares of Company stock in an amount that is meaningful to shareholders and appropriate to each such director.

8. **Director Orientation and Continuing Education**

(a) **Director Orientation.** The Board and the Company's senior management will conduct orientation programs for new directors. The orientation programs will include presentations by management to familiarize new directors with the Company's projects, strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation program will include a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties and visits to Company headquarters and, to the extent practical, certain of the Company's significant facilities.

(b) **Continuing Education.** To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Company will provide the directors with suggestions to undertake continuing director education, the cost of which will be borne by the Company.

9. **Management Evaluation and Succession and Executive Compensation**

(a) **Selection of CEO.** The Board selects the Company's CEO in the manner that it determines to be in the best interests of the Company. The Board, together with the CEO, will develop a clear position description for the CEO. The board will also develop the corporate goals and objectives that the CEO is responsible for meeting.

(b) **Evaluation of Senior Management.** The Board will be responsible for overseeing the evaluation of the CEO. The Board will determine the nature and frequency of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the performance of the CEO. The Board will review the assessment to ensure that the CEO is providing the best leadership for the Company over the long- and short-term. The Board will also consider the recommendations of the CEO with regards to the compensation of the other members of senior management.

(c) **Succession of Senior Management.** The Board will be responsible for overseeing an annual evaluation of senior management succession planning.

(d) **Expectations of Senior Management.** The Board will establish, and review on an annual basis, its expectations for senior management generally.

(e) **Executive Compensation.** Compensation of the CEO must be determined by the Board and the Compensation Committee. The CEO must not be present during voting or deliberations. Compensation for all other members of senior management must be determined by the Board.

10. **Code of Ethics**

The Board of Directors intends to adopt and maintain a Code of Ethics which will apply to the employees, officers and directors of the Company. The Code of Ethics will be in accordance with the guidelines set forth in section 3.8 of National Policy 58-201 and other applicable laws and regulations.

11. **Board Interaction with Shareholders, Institutional Investors, the Press, Customers, etc.**

The Board believes that the CEO and his or her designees should normally speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that Board members would do so with the knowledge of and, absent unusual circumstances or as contemplated by the committee charters, only at the request of the Company's senior executives.

The Board will give appropriate attention to written communications that are submitted by shareholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by the committee charters, the Chairman of the Board monitors communications from shareholders and other interested parties, and will provide copies or summaries of such communications to the other directors as he or she considers appropriate.

12. **Periodic Review of the Corporate Governance Guidelines**

The Board will, from time to time, review and reassess the adequacy of these Guidelines and consider any proposed changes.

