

**NOTICE OF MEETING**  
**AND**  
**MANAGEMENT INFORMATION CIRCULAR**  
**for the Annual General and Special Meeting**  
**of Shareholders of**  
**Kootenay Silver Inc.**



**to be held on September 15, 2021**

**Unless otherwise stated, the information herein is given as of August 12, 2021**

Information has been incorporated by reference in this document from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Kootenay Silver Inc. (the “**Company**”) at Suite 1125 - 595 Howe St., Vancouver, British Columbia, V6C 2T5, Telephone: (604) 601-5650, and are also available electronically on the Company’s website at [www.kootenaysilver.com](http://www.kootenaysilver.com) and under the Company’s profile at [www.SEDAR.com](http://www.SEDAR.com).



August 12, 2021

Dear Shareholders:

You are cordially invited to attend the annual general and special meeting of shareholders of Kootenay Silver Inc. (the “**Company**”) to be held at 10:00 A.M. (Vancouver time) on September 15, 2021 at 910 – 800 West Pender Street, Vancouver, British Columbia.

At the meeting, among other items of business including the annual election of directors, shareholders will be asked to consider and vote on a special resolution to approve a spin-out of 80% of the shares of Kootenay Resources Inc. (“**Spinco**”), a wholly-owned subsidiary of the Company which holds the Company’s Canadian exploration properties (the “**Canadian Properties**”), to its shareholders by way of a share capital reorganization effected through a statutory plan of arrangement (the “**Plan of Arrangement**”). The Plan of Arrangement involves, among other things, the distribution of common shares of Spinco to current Company Shareholders on the basis of 0.04 of a Spinco common share per outstanding common share of the Company. Once the Plan of Arrangement has been completed, Company Shareholders will own shares in two public companies: Spinco, which will focus on the development of the Canadian Properties, and the Company, which will continue with the exploration and development of its Mexican properties.

The Company believes the spin-out will be beneficial to the Company’s shareholders. At the moment, the market attributes little value to the Canadian Properties. By separating the Canadian Properties and the Mexican properties, shareholders will hold shares in two public companies and should receive additional value by having the Canadian Properties valued independently.

**The board of directors of the Company has determined that the Plan of Arrangement is fair and is in the best interests of the Company and its securityholders and unanimously recommends that shareholders vote in favour of the special resolution.**

The accompanying notice of meeting and management information circular provide a full description of the Plan of Arrangement and includes certain additional information to assist you in considering how to vote in respect of the Plan of Arrangement. You are encouraged to consider carefully all of the information in the accompanying management information circular, including the documents incorporated by reference therein. If you require assistance, you should contact your financial, legal, tax or other professional adviser.

Your vote is important regardless of the number of shares of the Company that you own. If you are a registered holder of shares of the Company, we encourage you to complete, sign, date and return the enclosed form of proxy by no later than 10:00 A.M. (Vancouver time) on Monday, September 13, 2021, to ensure that your shares are voted at the meeting in accordance with your instructions, whether or not you are able to attend in person. If you hold your shares through a broker or other intermediary, you should follow the instructions provided by them to vote your shares.

If you are a registered Company shareholder, we also encourage you to complete and return the accompanying letter of transmittal (“**Letter of Transmittal**”) together with the certificate(s) (if any) representing your Company shares and any other required documents and instruments, to Computershare Investor Services Inc., acting as the depository, in the accompanying return envelope in accordance with the instructions set out in the Letter of Transmittal so that, if the Plan of Arrangement is completed, new Company shares and Spinco shares can be sent to you as soon as possible after the Plan of Arrangement becomes effective. The Letter of Transmittal contains other procedural information related to the Plan of Arrangement, and should be reviewed carefully. If you hold your Company shares through a broker or other intermediary, please contact them for instructions and assistance in receiving new Company shares and Spinco shares in exchange for your Company shares. Assuming that all conditions to completion of the

Plan of Arrangement are satisfied, it is anticipated that the Plan of Arrangement will become effective on or about September 30, 2021.

Upon completion of the Plan of Arrangement, Spinco intends to complete an equity financing and seek a listing of the Spinco common shares on a Canadian stock exchange.

On behalf of the Company, we thank all shareholders for their ongoing support.

Yours very truly,

*“Kenneth E. Berry”*

Kenneth E. Berry  
Chairman and Director

## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

To the Shareholders of Kootenay Silver Inc.:

**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the “**Meeting**”) of the holders (the “**Company Shareholders**”) of common shares (“**Company Shares**”) of Kootenay Silver Inc. (the “**Company**”) will be held at 910 – 800 West Pender Street, Vancouver, British Columbia on September 15, 2021 at 10:00 A.M. (Vancouver Time) for the following purposes:

1. to receive the audited financial statements of the Company for the fiscal years ended December 31, 2020 and 2019, together with the report of the auditors thereon;
2. to determine the number of directors at five;
3. to elect the directors of the Company for the ensuing year;
4. to re-appoint the auditor of the Company for the ensuing fiscal year and to authorize the directors of the Company to fix the auditor’s remuneration;
5. to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution, as set out in the accompanying management information circular (the “**Information Circular**”), to ratify, confirm and approve the Company’s stock option plan;
6. to consider, and if thought fit, to pass, with or without variation, an ordinary resolution to approve the adoption of a share unit plan for the Company, as described in the accompanying Information Circular;
7. to consider, and if thought fit, to pass, with or without variation, an ordinary resolution to approve the adoption of a deferred share unit plan for the Company, as described in the accompanying Information Circular;
8. to consider and, if deemed advisable, to approve, with or without variation, a special resolution of the Company Shareholders (the “**Arrangement Resolution**”) approving a statutory plan of arrangement (the “**Plan of Arrangement**”) pursuant to Section 288 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) among the Company, the Company securityholders and Kootenay Resources Inc. (“**Spinco**”), as more fully described in the Information Circular;
9. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving the adoption by Spinco of a rolling 10% stock option plan, as more fully described in the accompanying Information Circular;
10. to consider, and if thought fit, to pass, with or without variation, an ordinary resolution to approve the adoption of a share unit plan for Spinco, as described in the accompanying Information Circular;
11. to consider, and if thought fit, to pass, with or without variation, an ordinary resolution to approve the adoption of a deferred share unit plan for Spinco, as described in the accompanying Information Circular; and
12. to transact such further or other business as may properly come before the Meeting and any adjournment(s) or postponement(s) thereof.

**AND TAKE NOTICE** that registered Company Shareholders have a right of dissent in respect of the proposed Plan of Arrangement and to be paid the fair value of their Company Shares in accordance with the provisions of the Plan of Arrangement governing the Arrangement and sections 237 to 247 of the BCBCA. The dissent rights are described in the accompanying Information Circular (and specifically Schedule “E”). Failure to strictly comply with required procedure may result in the loss of any right of dissent.

Only Company Shareholders of record at the close of business on August 3, 2021 will be entitled to receive notice of and vote at the Meeting. Any adjournment of the Meeting will be held at a time and place to be specified at the Meeting. If you are unable to attend the Meeting in person, please complete, sign and date the enclosed form of proxy and return the same in the enclosed return envelope provided for that purpose within the time and to the location set out in the form of proxy accompanying this notice.

**It is desirable that as many Company Shares as possible be represented at the Meeting. Whether or not you expect to attend the Meeting, please exercise your right to vote. Please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose.** To be valid, all instruments of proxy must be deposited at the office of the Registrar and Transfer Agent of the Company, Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment(s) or postponement(s) thereof. Late instruments of proxy may be accepted or rejected by the Chairman of the Meeting in his discretion and the Chairman is under no obligation to accept or reject any particular late instruments of proxy.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice.

This notice is accompanied by the Information Circular and either a form of proxy for Registered Holders or a voting instruction form for beneficial Company Shareholders.

**THE SECURITIES DESCRIBED IN THE ACCOMPANYING INFORMATION CIRCULAR HAVE NOT BEEN RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES OR ANY CANADIAN SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The New Company Shares, Spinco Shares, Company Replacement Options, Spinco Options and modified Company Warrants to be distributed or deemed to be distributed under the Arrangement have not been registered under the United States *Securities Act of 1933*, as amended (the “**U.S. Securities Act**”), and are being distributed in reliance on the exemption from registration set forth in Section 3(a)(10) thereof on the basis of the approval of the Court as described in this Information Circular. The solicitation of proxies is not subject to the requirements of Section 14(a) of the United States *Securities Exchange Act of 1934*, as amended (the “**U.S. Exchange Act**”). Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act. Likewise, information concerning the properties and operations of the Company, including the Canadian Properties, has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are Canadian mining terms as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects (“**NI 43-101**”), under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIMM**”) Standards on Mineral Resources and Mineral Reserves Definitions and guidelines adopted by the CIMM Council on August 20, 2000, as amended. The disclosure standards under NI 43-101 differ from the disclosure standards that apply to reports filed with the United States Securities and Exchange Commission (the “**SEC**”), including the standards set forth in Subpart 1300 of Regulation S-K for resource companies. As such, certain information contained in this Information Circular concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. **Investors are cautioned not to assume that the information contained in this Information Circular are comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.**

**DATED** at Vancouver, British Columbia this 12th day of August, 2021.

**BY ORDER OF THE BOARD**

*(signed)* “*Kenneth E. Berry*”  
Kenneth E. Berry  
Chairman and Director

**Registered Company Shareholders unable to attend the Meeting are requested to date, sign and return their form of proxy in the enclosed envelope. If you are a non-registered Company Shareholder and receive these materials through your broker or through another Intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other Intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.**

**CAUTION CONCERNING COVID-19 PANDEMIC**

As at the date of this Information Circular, it is the intention of the Company to hold the Meeting at the location specified above. We are continuously monitoring the development of the current coronavirus disease (“**COVID-19**”) pandemic. In light of the rapidly evolving public health guidelines related to COVID-19, we ask shareholders to consider voting their common shares by proxy and not attend the Meeting in person. **Those shareholders wishing to attend the Meeting in person must contact the Company by email at [raj@kootenaysilver.com](mailto:raj@kootenaysilver.com) at least 48 hours prior to the date of the Meeting for further instructions.** Shareholders should carefully consider and follow the instructions of the federal Public Health Agency of Canada available at: <https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/guidance-documents.html>. We ask that shareholders also review and follow the instructions of any regional health authorities of the Province of British Columbia, including the Vancouver Coastal Health Authority, the Fraser Health Authority and any other health authority holding jurisdiction over the areas you must travel through to attend the Meeting. Please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. The Company reserves the right to deny access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has, travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. All shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described in the Information Circular. If public health guidelines regarding physical distancing in British Columbia have changed by the date of the Meeting that require an alternative format for the Meeting, the Company will issue a news release advising of permitted Meeting attendance in accordance with such updated guidelines. The Company reserves the right to take any additional pre-cautionary measures deemed to be appropriate in relation to the Meeting in response to further developments in the COVID-19 pandemic.

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*Capitalized terms used in this Notice of Meeting are defined in the Glossary of Terms or elsewhere in the Information Circular.*

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Information Circular contains “forward-looking statements” or “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information is provided as of the date of this Information Circular or, in the case of documents incorporated by reference herein, as of the date of such documents and neither the Company nor Spinco intend to, nor do they assume any obligation, to update this forward-looking information, except as required by law. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the risk of the Company not obtaining court, shareholder or stock exchange approvals to proceed with the Arrangement; the risk of unexpected tax consequences to the Arrangement; the risk of unanticipated material expenditures required by the Company prior to completion of the Arrangement; risks of the market valuing the Company and/or Spinco in a manner not anticipated by the Company; risks relating to the benefits of the Arrangement not being realized or as anticipated; risks associated with mineral exploration and development; metal and mineral prices; availability of capital, including the ability of Spinco to complete a financing with sufficient proceeds to operate its business and to satisfy the listing requirements of a stock exchange; accuracy of the Company’s projections and estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of activities; government regulation; political or economic developments; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of base and precious metal exploration and development; contests over title to properties; changes and volatility in project parameters as plans continue to be refined; the inherent uncertainties regarding cost estimates, changes in commodity prices, financing, unanticipated resource grades, infrastructure, results of exploration activities, cost overruns, availability of materials and equipment, timeliness of government approvals, taxation, political risk and related economic risk and unanticipated environmental impact on operations; global financial conditions; the market price of the Company’s securities; ability to access capital; changes in interest rates; liabilities and risks inherent in exploration and development operations; uncertainties associated with estimating mineral resources and production; uncertainty as to reclamation and decommissioning liabilities; failure to obtain industry partner and other third party consents and approvals when required; delays in obtaining permits and licenses for development properties; competition for, among other things, capital, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions or dispositions; property title risk; geological, technical and processing problems; the ability of the Company to meet its obligations to its creditors; actions taken by regulatory authorities with respect to mining activities; the potential influence of or reliance upon the Company’s business partners, and the adequacy of insurance coverage; as well as those factors discussed in the sections entitled “*Schedule “F” – Information Concerning Kootenay Silver Inc. Post-Arrangement – Risk Factors*” and “*Schedule “G” – Information Concerning Spinco Post-Arrangement – Risk Factors*” herein. Other documents incorporated by reference in the Information Circular, such as the audited financial statements of the Company as at, and for the financial years ended, December 31, 2020 and 2019 (together with the auditor’s report thereon and the notes thereto) and for the interim periods ended March 31, 2021 and 2020 and related management’s discussion and analysis for the financial years ended December 31, 2020 and 2019 and for the interim periods ended March 31, 2021 and 2020, each include forward-looking information with respect to, among other things, the Company’s corporate development and strategy. Forward-looking information is based on certain assumptions that the Company and Spinco believe are reasonable, including that the required shareholder, court and regulatory and stock exchange approvals for the transactions described in this Information Circular will be obtained; that the transactions described in this Information Circular will be completed as disclosed herein; that the current directors and officers of the Company and Spinco will continue in their respective capacities as directors and officers of the Company and Spinco, as applicable; that sufficient working capital will be available for both the Company and Spinco; that the Spinco Shares will be listed on a stock exchange; and that shareholdings of certain Company

Shareholders will not change prior to the closing of the transactions described herein; the current price of and demand for commodities will be sustained or will improve, the supply of commodities will remain stable, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material labour dispute, accident, or failure of plant or equipment and such other assumptions and factors as set out herein.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The Company does not undertake to update any forward-looking information contained herein or that is incorporated by reference herein, except in accordance with applicable securities laws.

### **DATE OF INFORMATION**

Information contained in this Information Circular is as at August 12, 2021, unless otherwise indicated.

### **REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES**

The historical financial statements of the Company and Spinco contained in this Information Circular are reported in Canadian dollars and have been prepared in accordance with IFRS. All references to dollar amounts in this Information Circular are to Canadian dollars unless stated otherwise or the context otherwise requires.

### **CURRENCY**

Unless otherwise indicated herein, references to “\$”, “Cdn\$” “Canadian dollars” are to Canadian dollars, and references to “US\$” or “U.S. dollars” are to United States dollars.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Information has been incorporated by reference in this Information Circular from documents filed by the Company with the securities commissions or similar authorities in British Columbia, Alberta and Ontario. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at Suite 1125 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5 (Telephone (604) 601-5650). These documents are also available under the Company’s profile on the SEDAR website at [www.SEDAR.com](http://www.SEDAR.com).

The following documents are specifically incorporated by reference into, and form an integral part of, this Information Circular:

1. the audited consolidated financial statements of the Company for the financial years ended December 31, 2020 and 2019, together with the auditor’s report thereon and the notes thereto;
2. the unaudited consolidated interim financial statements of the Company for the period ended March 31, 2021 and March 31, 2020;
3. the management’s discussion and analysis of the Company for the financial years ended December 31, 2020 and 2019;
4. the management’s discussion and analysis of the Company for the three months ended March 31, 2021;
5. the Technical Report; and
6. the Arrangement Agreement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained in this Information Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies, replaces or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

#### NOTE TO UNITED STATES SECURITYHOLDERS

**THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN OF ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The Spinco Shares and New Company Shares to be issued to Company Shareholders in exchange for Company Shares under the Plan of Arrangement, the Spinco Options and Company Replacement Options to be issued to Company Optionholders in exchange for Company Options under the Plan of Arrangement, and the modification of the Company Warrants pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act, and are being issued and exchanged or accomplished in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act (the “**Section 3(a)(10) Exemption**”) on the basis of the approval of the Court, and similar exemptions from registration under applicable state securities laws. The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the substantive and procedural fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the substantive and procedural fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on August 10, 2021 and, subject to the approval of the Arrangement by the Company Shareholders, a hearing of the application for the Final Order will be held on September 21, 2021 at 9:45 a.m. (Pacific Time) at the Courthouse, at 800 Smithe Street, Vancouver, British Columbia, Canada. All Securityholders are entitled to appear and be heard at this hearing. The Final Order will constitute a basis for the Section 3(a)(10) Exemption with respect to the Spinco Shares and New Company Shares to be issued to in exchange for their Company Shares pursuant to the Arrangement, with respect to the Spinco Options and Company Replacement Options to be issued to Company Optionholders in exchange for their Company Options pursuant to the Arrangement and with respect to the modification of the Company Warrants pursuant to the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. “*U.S. Securities Laws*” and “*Approval of the Arrangement - Court Approval of the Arrangement*”.

The solicitation of proxies hereby is not subject to the proxy requirements of section 14(a) of the U.S. Exchange Act. Furthermore, this Information Circular has been prepared in accordance with the applicable disclosure requirements in Canada, and the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with applicable Canadian corporate and securities laws. U.S. Securityholders should be aware that such requirements are different than those of the United States.

Likewise, information concerning the properties and operations of the Company and Spinco has been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies. In particular, disclosure of scientific or technical information regarding mineral prospects in this Information Circular has been made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning

mineral projects. The disclosure standards under NI 43-101 differ from the disclosure standards that apply to reports filed with the United States Securities and Exchange Commission (the “SEC”), including the standards set forth in Subpart 1300 of Regulation S-K for resource companies. As such, certain information contained in this Information Circular concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. **Investors are cautioned not to assume that the information contained in this Information Circular are comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.**

Certain financial statements and information included or incorporated by reference herein have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), and are subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles and United States auditing and auditor independence standards.

U.S. Securityholders should be aware that the issue and exchange of the securities described herein may have tax consequences both in the United States and in the Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

**Each U.S. Securityholder should consult its own tax adviser regarding the proper treatment of the Arrangement and the ownership and disposition of securities of the Company or Spinco for United States federal income tax purposes.**

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company and Spinco are incorporated or organized outside the United States, that most of their officers and directors and the experts named herein may be residents of a country other than the United States, and that all or a substantial portion of the assets of the Company, Spinco and said persons are located outside the United States. As a result, it may be difficult or impossible for U.S. Securityholders to effect service of process within the United States upon the Company or Spinco, their respective directors or officers, or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, U.S. Securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

The Spinco Shares and New Company Shares to be issued to Company Shareholders in exchange for their Company Shares pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are “affiliates” (as defined in Rule 144 under the U.S. Securities Act) of Spinco or the Company, respectively, after the Effective Date, or were “affiliates” of Spinco or the Company, respectively, within 90 days prior to the Effective Date. Persons who may be deemed to be “affiliates” of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Spinco Shares or New Company Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See “*U.S. Securities Laws*”.

The Section 3(a)(10) Exemption does not exempt the issuance of securities issued upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Spinco Shares issuable upon the exercise of the Spinco Options or Company Warrants following the Effective Date, and the New Company Shares issuable upon the exercise of the Company Replacement Options or Company Warrants following the Effective Date, may not be issued in reliance upon the Section 3(a)(10) Exemption and may be exercised only pursuant to an available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

## SUMMARY

The following is a summary of the principal features of the Arrangement and certain other matters and should be read together with the more detailed information and financial data and statements contained elsewhere in the Information Circular, including the schedules hereto. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. The information contained herein is as of August 12, 2021 unless otherwise indicated.

Capitalized terms used in this Summary are defined in the Glossary of Terms.

### **The Meeting**

#### *Time, Date and Place of Meeting*

The Meeting of the Company Shareholders will be held on September 15, 2021 at 10:00 A.M. (Vancouver time) at 910 – 800 West Pender Street, Vancouver, British Columbia.

#### *The Record Date*

The Record Date for determining the Registered Holders (as herein defined) entitled to receive notice of and to vote at the Meeting is August 3, 2021.

#### *Purpose of the Meeting*

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company for use at the Meeting which will be held for the following purposes:

#### *Election of Directors*

The Company Shareholders will be asked to elect the directors of the Company. See “*Particulars of Matters to be Acted Upon – Election of Directors*” in this Information Circular.

#### *Appointment of the Auditor*

The Company Shareholders will be asked to appoint the auditor of the Company and to authorize the directors of the Company to fix the remuneration of the auditor. See “*Particulars of Matters to be Acted Upon – Appointment of Auditor*” in this Information Circular.

#### *Company Stock Option Plan*

The Company Shareholders will be asked to approve, by ordinary resolution, the continuing use of the Company Stock Option Plan (as defined herein) pursuant to applicable TSXV policies. See “*Particulars of Matters to be Acted Upon – Approval of Company Stock Option Plan*” in this Information Circular.

#### *Company Share Unit Plan*

The Company Shareholders will be asked to approve, by ordinary resolution, the adoption of the Company Share Unit Plan (as defined herein) pursuant to applicable TSXV policies. See “*Particulars of Matters to be Acted Upon – Approval of Company Share Unit Plan*” in this Information Circular.

#### *Company DSU Plan*

The Company Shareholders will be asked to approve, by ordinary resolution, the adoption of the Company DSU Plan (as defined herein) pursuant to applicable TSXV policies. See “*Particulars of Matters to be Acted Upon – Approval of Company DSU Plan*” in this Information Circular.

### The Arrangement

The Company Shareholders will be asked to approve, by Special Resolution, the Arrangement involving the Company, the Company Securityholders and Spinco, a wholly-owned subsidiary of the Company. Under the Arrangement, the Company will distribute 80% of the shares of its wholly-owned subsidiary, Spinco which will hold an interest in the Canadian Properties, to the Company Shareholders. See “*Particulars of Matters to be Acted Upon – Approval of the Arrangement*” in this Information Circular.

### Spinco Stock Option Plan

The Company Shareholders will also be asked to approve, by ordinary resolution, the adoption of the Spinco Stock Option Plan (as defined herein). See “*Particulars of Matters to be Acted Upon – Approval of Spinco Stock Option Plan*” in this Information Circular.

### Spinco Share Unit Plan

The Company Shareholders will also be asked to approve, by ordinary resolution, the adoption of the Spinco Share Unit Plan (as defined herein). See “*Particulars of Matters to be Acted Upon – Approval of Spinco Share Unit Plan*” in this Information Circular.

### Spinco DSU Plan

The Company Shareholders will also be asked to approve, by ordinary resolution, the adoption of the Spinco DSU Plan (as defined herein). See “*Particulars of Matters to be Acted Upon – Approval of Spinco DSU Plan*” in this Information Circular.

## **Summary of the Arrangement**

The Arrangement will be completed by way of plan of arrangement pursuant to Section 288 of the BCBCA involving the Company, the Company Securityholders and Spinco. The disclosure of the principal features of the Arrangement, as summarized below, is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available on SEDAR under the Company’s profile at [www.SEDAR.com](http://www.SEDAR.com) and is incorporated by reference herein.

### *Reasons for the Arrangement*

The Company believes that the Arrangement is in the best interests of the Company for numerous reasons, including:

- At the moment, the capital markets value the Canadian Properties together with all of the Company’s other properties. By completing the Arrangement, the markets will value the Canadian Properties separately and independently of the Company’s other properties, which should create additional value for Company Shareholders;
- Separating the Canadian Properties from the Company’s other properties is expected to accelerate the development of the Canadian Properties;
- Company Shareholders will benefit by holding shares in two separate public companies;
- Separating the Company and Spinco will expand Spinco’s potential shareholder base and access to development capital by allowing investors that want specific ownership in a company with Canadian Assets to invest directly in Spinco rather than through the Company; and
- The Canadian Properties are not required for the Company’s primary business focus which will remain the acquisition, exploration, development and operation of its Mexican assets.

In the course of its deliberations, the Company Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to, the risks set out under “*Approval of the Arrangement – Arrangement Risk Factors*”.

The foregoing discussion summarizes the material information and factors considered by the Company Board in their consideration of the Plan of Arrangement. The Company Board collectively reached its unanimous decision with respect to the Plan of Arrangement in light of the factors described above and other factors that each member of the Company Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Company Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of the Company Board may have given different weight to different factors.

For further information on the reasons for the Arrangement, see “*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Recommendation of the Directors*” in this Information Circular.

#### *Principal Steps of the Arrangement*

Immediately prior to the Effective Date, Spinco shall subdivide or consolidate the outstanding Spinco Shares into a number of Spinco Shares equal to one-twentieth the number of outstanding Company Shares. 80% of such shares (defined as the “Spinco Spinout Shares”) will be exchanged for Company Class A Shares pursuant to §3.1(f) of the Plan of Arrangement, and 20% of such shares (defined as the “Spinco Remainder Shares”) will be retained by the Company. The following is a summary of the principal steps of the Arrangement:

- (i) the existing Company Shares will be redesignated as Company Class A Shares;
- (ii) Company will create a new class of common shares known as the New Company Shares;
- (iii) each Company Class A Share will be exchanged for one New Company Share and 0.04 of a Spinco Spinout Share;
- (iv) the Company Class A Shares will be cancelled; and
- (v) as part of the Arrangement, all outstanding Company Options and Company Warrants will be adjusted to allow holders to acquire, upon exercise, New Company Shares and Spinco Shares in amounts reflective of the relative fair market values of Company and Spinco at the Effective Time.

As a result of the Arrangement, Company Shareholders will own the 80% of the Spinco Shares, and the Company will own the remaining 20%. Spinco will hold an interest in the Canadian Properties and will focus on the further exploration and development of those properties. The Arrangement is subject to a number of conditions including TSXV acceptance, approval by the Company Shareholders, and Court approval.

Pursuant to Section 288 of the BCBCA and in accordance with the terms of the Arrangement Agreement, the Arrangement Resolution must be approved, with or without variation, by not less than two-thirds of the votes cast at the Meeting in person or by proxy by Company Shareholders.

The Company Board may, in its absolute discretion, determine whether or not to proceed with the Arrangement without further approval, ratification or confirmation by the Company Shareholders.

The foregoing is a summary only. For further details see “*Particulars of Matters to be Acted Upon – Approval of the Arrangement*” in this Information Circular.

#### *Effect of the Arrangement*

As a result of the Arrangement, Company Shareholders will no longer hold their Company Shares and instead, will receive one New Company Share and 0.04 of a Spinco Share for every one Company Share held at the Effective Time, and as a result, will hold shares in two public companies.

Spinco will be a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Upon completion of the Plan of Arrangement, Spinco intends to complete an equity financing by way of rights offering, private placement or other means and seek a listing of the Spinco Shares on a Canadian stock exchange. Interim funding for Spinco operations will be provided by the Company until Spinco completes a financing.

### *Recommendation of the Directors*

**After careful consideration, the Company Board, after receiving legal and financial advice, has unanimously determined that the Arrangement is in the best interests of the Company and is fair to the Company Shareholders. Accordingly, the Company Board unanimously recommends that Company Shareholders vote FOR the Arrangement Resolution.**

Each director and officer of Company who owns Company Shares has indicated his or her intention to vote his or her Company Shares in favour of the Arrangement Resolution. See “*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Recommendation of the Directors*” in this Information Circular.

### *Directors and Officers of Spinco*

The Spinco Board will be comprised of James M. McDonald, Rajwant Kang and Kenneth E. Berry. Executive management of Spinco will consist of James M. MacDonal, President and Chief Executive Officer and Rajwant Kang, Chief Financial Officer and Corporate Secretary. It is the intent of Spinco to add individuals to the Spinco Board and management to ensure Spinco has the appropriate amount of local knowledge and skill sets to advance the Canadian Properties and additional assets Spinco may acquire in the future. Since Company’s focus is primarily as a mineral exploration project generator and Spinco’s focus will be on the Canadian Properties, any common directors on the Spinco Board and the Company Board are not expected to be subject to any conflicts of interest. See “*Schedule “G” – Information Concerning Spinco Post-Arrangement – Directors and Officers*” in this Information Circular.

### *The Companies*

The Company, a company existing under the BCBCA, is listed on the TSXV and is a mining exploration project generator and possesses several mineral exploration projects in Mexico and Canada.

Spinco is a wholly-owned subsidiary of the Company existing under the BCBCA. As of the Effective Date, Spinco will hold an interest in the Canadian Properties. For further information, see “*Canadian Properties*” below.

See “*Schedule “F” – Information Concerning Kootenay Silver Inc. Post-Arrangement*” and “*Schedule “G” – Information Concerning Spinco Post-Arrangement*” attached to this Information Circular for disclosure about each of the Company and Spinco, on a current and post-Arrangement basis.

### *Pro forma Business Objectives*

Upon completion of the Arrangement, the Company will continue to hold all of its Mexican assets. The Company is actively pursuing future growth opportunities, primarily through the acquisition and subsequent sale, farm-out, joint venture or other arrangement of promising mineral exploration properties. Upon completion of the Arrangement, Spinco will hold an interest in the Canadian Properties and intends to concentrate its activities on the exploration and development of those properties.

### **Conditions to the Arrangement**

The Arrangement is subject to a number of conditions, certain of which may only be waived in accordance with the Arrangement Agreement, including receipt by the Company and Spinco of all required approvals, including approval by: not less than two-thirds of the votes cast at the Meeting in person or by proxy by Company Shareholders; approval of the TSXV of the Arrangement, including the listing of the New Company Shares in substitution for the Company Class A Shares; and approval of the Arrangement by the Court (as herein defined). See “*Particulars of Matters To Be Acted Upon – Approval of the Arrangement – Conduct of Meeting and Other Approvals*” and “*Arrangement Agreement – Conditions to the Arrangement Becoming Effective*” in this Information Circular.

### **Conduct of Meeting and Other Approvals**

#### *Shareholder Approval of the Arrangement*

The Arrangement Resolution must be approved, with or without variation, by not less than two-thirds of the votes cast at the Meeting in person or by proxy by the Company Shareholders.

*Court Approval of the Arrangement*

Under the BCBCA, the Company is required to obtain the approval of the Court to the calling and holding of the Meeting and to the Arrangement. On August 10, 2021, prior to mailing the material in respect of the Meeting, the Company obtained an Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and the Notice of Hearing for Final Order are appended as Schedules “C” and “D”, respectively, to this Information Circular. As set out in the Notice of Hearing for Final Order, the Court hearing in respect of the Final Order is scheduled to take place at 9:45 A.M. (Vancouver time) on September 21, 2021, following the Meeting or as soon thereafter as the Court may direct or counsel for the Company may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, subject to the approval of the Arrangement Resolution at the Meeting. **Securityholders who wish to participate in or be represented at the Court hearing should consult with their legal advisors as to the necessary requirements.**

At the Court hearing, any Securityholders who wish to participate or to be represented or to present evidence or argument may do so, subject to the rules of the Court. Although the authority of the Court is very broad under the BCBCA, the Court will consider, among other things, the procedural and substantive fairness and reasonableness of the terms and conditions of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct. The Court’s approval is required for the Arrangement to become effective. In addition, it is a condition of the Arrangement that the Court will have determined, prior to approving the Final Order, that the terms and conditions of the issuance of securities comprising the Arrangement are procedurally and substantively fair to the Securityholders.

Under the terms of the Interim Order, each Securityholder will receive proper notice that they will have the right to appear and make representations at the application for the Final Order. Any person desiring to appear at the hearing to be held by the Court to approve the Arrangement pursuant to the Notice of Hearing for Final Order is required to file with the Court and serve upon the Company, at the address set out below, prior to 4:00 P.M. (Vancouver time) on September 17, 2021, the Response to Petition, including their address for service, together with any evidence or materials which are to be presented to the Court. The Response to Petition and supporting materials must be delivered to:

Whitelaw Twinning LLP  
2400 - 200 Granville St.  
Vancouver, British Columbia  
V6C 1S4  
Attention: Nicole Chang

*Regulatory Approvals*

If the Arrangement Resolution is approved by the requisite two-thirds of the Company Shareholders voting together as a single class, final regulatory approval must be obtained for all the transactions contemplated by the Arrangement before the Arrangement may proceed.

The Company Shares are currently listed and posted for trading on the TSXV. The Company is a reporting issuer in British Columbia, Alberta and Ontario. Approval from the TSXV is required for the completion of the Arrangement, including listing of the New Company Shares in substitution for the Company Shares, conditional acceptance having been obtained on August 10, 2021. Upon completion of the Arrangement, it is expected that Spinco will be a reporting issuer in British Columbia, Alberta and Ontario. Spinco intends to complete an equity financing and seek a listing of the Spinco Shares on a Canadian stock exchange. There can be no assurances that Spinco will be able to complete a financing or attain a listing on any stock exchange.

Company Shareholders should be aware that certain of the foregoing approvals, including a listing on a Canadian stock exchange or a determination that Spinco will be a reporting issuer in the specified jurisdictions, have not yet been received from the regulatory authorities referred to above. There is no assurance that such approvals will be obtained.

See “Particulars of Matters To Be Acted Upon – Approval of the Arrangement – Conduct of Meeting and Other Approvals” in this Information Circular. There is no assurance that Spinco and the Company will receive the required approvals.

## Dissent Rights to the Arrangement

Registered Holders have the right to dissent to the Arrangement. Dissenting Shareholders who strictly comply with Sections 237-247 of the BCBCA, as modified by the Interim Order, the Final Order and the Plan of Arrangement, are entitled to be paid the fair value of their Company Shares by the Company if the Plan of Arrangement becomes effective. See the Interim Order appended as Schedule “C” to this Information Circular. In addition, the Dissent Rights applicable to the Arrangement are summarized under the heading “*Rights of Dissenting Company Shareholders*” and the provisions of the BCBCA with regard to the Dissent Rights are set out in Schedule “E” to this Information Circular. A Registered Holder is not entitled to dissent with respect to such holder’s shares if such holder votes any of those shares in favour of the Arrangement Resolution.

Dissenting Shareholders should note that the exercise of dissent rights can be a complex, time-sensitive and expensive procedure. Dissenting Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement and the dissent rights.

## Procedure for Receipt of New Company Shares and Spinco Shares

Company Shareholders on the Share Distribution Record Date will be entitled to receive New Company Shares and Spinco Shares pursuant to the Arrangement.

Each registered Company Shareholder will receive a Letter of Transmittal containing instructions with respect to the deposit of certificates for Company Shares for use in exchanging their Company Shares for Certificates or Direct Registration System (“DRS”) statements representing New Company Shares and Spinco Shares, to which they are entitled under the Arrangement. Upon return of a properly completed Letter of Transmittal, together with certificates formerly representing Company Shares and such other documents as Computershare Investor Services Inc., acting as the depository (the “**Depository**”), may require, certificates or DRS statements for the appropriate number of New Company Shares and Spinco Shares will be distributed.

## Company Selected Financial Information

The following table sets out selected financial information in respect of the Company for the dates or periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of the Company for the fiscal years ended December 31, 2020 and 2019 and the three months ended March 31, 2021 incorporated by reference in this Information Circular and filed on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

	March 31, 2021 (\$)	December 31, 2020 (\$)
Cash and cash equivalents	\$9,066,164	\$10,439,643
Exploration and evaluation assets	\$80,578,308	\$80,293,610
Total Assets	\$93,238,803	\$94,403,123
Current Liabilities	\$279,613	\$366,933
Shareholders’ equity	\$92,959,190	\$94,036,190

	Three Months Ended March 31, 2021 (\$)	Year Ended December 31, 2020 (\$)
Loss before exploration and other items	\$465,799	\$2,069,694
Exploration	\$44,225	\$167,824
Loss for the year	\$626,583	\$2,033,745
Basic and diluted loss per share	(0.002)	(0.007)

### Company Selected *Pro Forma* Financial Information

The following table sets out selected *pro forma* financial information in respect of the Company as at March 31, 2021, as if the Arrangement had been completed as of March 31, 2021 and should be considered in conjunction with the more complete information contained in the *pro forma* balance sheet of the Company appended as Schedule “J” to this Information Circular.

	March 31, 2021 (\$)
Cash and cash equivalents	\$9,066,164
Exploration and evaluation assets	\$77,862,869
Total Assets	\$90,403,636
Current Liabilities	\$273,033
Shareholders’ equity	\$90,130,603

### Spinco Selected Financial Information

The following table sets out selected financial information in respect of Spinco for the dates or periods indicated and should be considered in conjunction with the more complete information contained in the carve-out financial statements of Spinco for the fiscal years ended December 31, 2020 and 2019 and the three months ended March 31, 2021, appended as Schedules “H” and “I” to this Information Circular..

	March 31, 2021 (\$)	December 31, 2020 (\$)
Current Assets	\$10,000	\$10,000
Exploration and evaluation assets	\$2,715,439	\$2,679,794
Total Assets	\$2,835,167	\$2,801,588
Current Liabilities	\$6,580	\$47,530
Shareholders’ equity	\$2,828,587	\$2,754,058

	Three Months Ended March 31, 2021 (\$)	Year Ended December 31, 2020 (\$)
Loss before exploration and other items	\$18,482	\$85,805
Exploration	\$1,500	\$65,085
Loss for the year	\$19,982	\$150,890

### Certain Canadian Federal Income Tax Considerations

Securityholders should consult their own tax advisors about the applicable Canadian federal, provincial, and local tax consequences of the Arrangement. A summary of the principal Canadian federal income tax considerations of the Arrangement is included under “*Certain Canadian Federal Income Tax Considerations*” in this Information Circular.

### Certain United States Federal Income Tax Considerations

Securityholders should consult their own tax advisors about the applicable United States federal, state and local tax consequences of the Arrangement. A summary of certain United States federal income tax considerations of the Arrangement is included under “*Certain United States Federal Income Tax Considerations*” in this Information Circular.

## Securities Laws Information for Securityholders

The following disclosure is provided as general information only. Each Company Shareholder should consult his, her or its own professional advisors to determine the conditions and restrictions applicable to trades in the New Company Shares and Spinco Shares.

The issuance and distribution of the New Company Shares and the Spinco Shares pursuant to the Arrangement will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The New Company Shares and the Spinco Shares issued pursuant to the Arrangement may be resold in each of the provinces and territories of Canada, provided the holder is not a 'control person' as defined in the applicable legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

Each Company Shareholder is urged to consult its own professional advisors to determine the conditions and restrictions applicable to trades in such securities.

See "*Securities Law Considerations – Canadian Securities Laws and Resale of Securities*" in this Information Circular.

See "*Securities Law Considerations – U.S. Securities Laws*" for a summary of U.S. securities laws applicable to the Arrangement.

## Risk Factors

The securities of the Company and Spinco should be considered highly speculative investments and the transactions contemplated herein should be considered of a high-risk nature. Company Shareholders should carefully consider all of the information disclosed in this Information Circular prior to voting on the matters being put before them at the Meeting.

There are risks associated with the Arrangement that should be considered by the Company Shareholders, including but not limited to: (i) market reaction to the Arrangement and the future trading prices of the Company Shares and of the Spinco Shares, if listed, cannot be predicted; (ii) the transactions may give rise to significant adverse tax consequences to Company Shareholders and each Company Shareholder is urged to consult his, her or its own tax advisor; (iii) uncertainty as to whether the Arrangement will have a positive impact on the entities involved in the transactions; and (iv) there is no assurance that required regulatory, stock exchange or court approvals will be received or that the Spinco Shares will be listed or quoted on any stock exchange.

There are risks associated with the businesses of the Company and Spinco that should be considered by the Company Shareholders, including but not limited to: (i) the need for additional capital by the Company and Spinco, through financings and the risk that such funds may not be raised or that funds raised may not raise sufficient proceeds to fund Spinco's operations or enable it to obtain a listing on stock exchange; (ii) the speculative nature of exploration and the stages of the properties or assets of the Company and Spinco; (iii) the effect of changes in commodity prices; (iv) regulatory risks that development will not be acceptable for social, environmental or other reasons; (v) reliance on management; (vi) the potential for conflicts of interest; and (vii) other risks associated with either the Company or Spinco as described in greater detail elsewhere in this Information Circular.

Company Shareholders should review carefully the risk factors set forth under "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Arrangement Risk Factors*", "*Schedule "F" – Information Concerning Kootenay Silver Inc. Post-Arrangement – Risk Factors*" and "*Schedule "G" – Information Concerning Spinco Post-Arrangement – Risk Factors*".

## GLOSSARY OF TERMS

*In this Information Circular, the following capitalized words and terms shall have the following meanings:*

<b>ACB</b>	Adjusted cost base, as defined in the <i>Tax Act</i> .
<b>Arrangement</b>	The arrangement pursuant to the Arrangement Provisions as contemplated by the provisions of the Arrangement Agreement and the Plan of Arrangement.
<b>Arrangement Agreement</b>	The arrangement agreement dated as of August 12, 2021 between the Company and Spinco, as may be supplemented or amended from time to time.
<b>Arrangement Provisions</b>	Part 9, Division 5 of the BCBCA.
<b>Arrangement Resolution</b>	The special resolution of the Company Shareholders to approve the Arrangement, as required by the Interim Order and the BCBCA, in the form attached as Schedule "A" hereto.
<b>Audit Committee</b>	The audit committee of the Company.
<b>BCBCA</b>	The <i>Business Corporations Act</i> , S.B.C. 2002, c. 57, as amended.
<b>Business Day</b>	A day which is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia.
<b>Canadian Properties</b>	The Canadian mineral exploration properties owned or under option by the Company or Spinco which include the Sweet Spot, Silver Fox, Mark, Meachen Bend, Moyie Anticline, Lady Slipper, Kenco, Down Dip, Leaky Pipe and Hazels Yahk properties.
<b>Carve-Out Financial Statements</b>	Audited carve-out financial statements of Spinco for the years ended December 31, 2020 and 2019 and the three months ended March 31, 2021 and 2020 in respect of Spinco.
<b>Company</b>	Kootenay Silver Inc., a company incorporated pursuant to the laws of British Columbia.
<b>Company Board</b>	The duly appointed board of directors of the Company.
<b>Company Class A Shares</b>	The renamed and redesignated Company Shares as described in section 3.1(b)(i) of the Plan of Arrangement
<b>Company DSU Plan</b>	The deferred share unit plan of the Company.
<b>Company Optionholders</b>	The holders of Company Options on the Effective Date
<b>Company Options</b>	Options to acquire Company Shares that are outstanding immediately prior to the Effective Time
<b>Company Replacement Option</b>	An option to acquire a New Company Share to be issued by the Company to a holder of a Company Option pursuant to section 3.1(d) of the Plan of Arrangement
<b>Company Shareholder</b>	A holder of Company Shares.
<b>Company Shares</b>	The common shares without par value which the Company is authorized to issue as the same are constituted on the date hereof.
<b>Company Share Unit Plan</b>	The share unit plan of the Company.
<b>Company Stock Option Plan</b>	The stock option plan of the Company dated effective August 18, 2004, as amended from time to time.
<b>Company Warrantholders</b>	The holders of Company Warrants on the Effective Date

<b>Company Warrants</b>	The share purchase warrants of the Company exercisable to acquire Company Shares that are outstanding immediately prior to the Effective Time
<b>Court</b>	The Supreme Court of British Columbia.
<b>CRA</b>	Canada Revenue Agency, the federal agency that administers tax laws for the Government of Canada.
<b>Dissent Rights</b>	The rights of dissent granted in favour of registered holders of Company Shares in accordance with Article 5 of the Plan of Arrangement.
<b>Dissenting Share</b>	Has the meaning given in section 3.1(a) of the Plan of Arrangement.
<b>Dissenting Shareholder</b>	A registered holder of Company Shares who dissents in respect of the Arrangement in strict compliance with the dissent procedures and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.
<b>Effective Date</b>	Shall be the date of the closing of the Arrangement.
<b>Effective Time</b>	12:01 a.m. (Vancouver time) on the Effective Date or such other time on the Effective Date as agreed to in writing by the Company and Spinco.
<b>Final Order</b>	The final order of the Court approving the Arrangement.
<b>IFRS</b>	International Financial Reporting Standards as adopted by the International Accounting Standards Board or a successor entity, as amended from time to time.
<b>In the Money Amount</b>	At a particular time with respect to a Company Option, Company Replacement Option or Spinco Option means the amount, if any, by which the fair market value of the underlying security exceeds the exercise price of the relevant option at such time.
<b>Information Circular</b>	This management information circular of the Company, including all schedules thereto, to be sent to the Company Shareholders in connection with the Meeting, together with any amendments or supplements thereto.
<b>Interim Order</b>	The interim order of the Court providing advice and directions in connection with the Meeting and the Arrangement.
<b>Intermediary</b>	Banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, among others, that the Non- Registered Holder deals with in respect of their Company Shares.
<b>Letter of Transmittal</b>	The letter of transmittal in respect of the Arrangement to be sent to Company Shareholders together with the Information Circular.
<b>Management</b>	Management of the Company.
<b>Meeting</b>	The annual general and special meeting of the Company Shareholders scheduled to be held at 10:00 A.M. (Vancouver time) on September 15, 2021 and any adjournment(s) or postponement(s) thereof, to be called and held in accordance with the Interim Order to consider and to vote on the Arrangement Resolution and any other matters set out in the Notice of Meeting.
<b>Meeting Materials</b>	The Notice of Meeting, the Information Circular, and the form of proxy together with any other materials required to be sent to shareholders in respect of the Meeting.
<b>New Company Shares</b>	A new class of voting common shares without par value which the Company will create and issue as described in section 3.1(b)(ii) of the Plan of Arrangement and for which the Company Class A Shares are, in part, to be exchanged under the Plan of Arrangement and which, immediately after completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the Company Shares

<b>NI 43-101</b>	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> .
<b>NI 54-101</b>	National Instrument 54-101 – <i>Communication with Beneficial Owners of Securities of Reporting Issuers</i> .
<b>NOBOs</b>	Non-Objecting Beneficial Owners are beneficial owners who do not object to their name being made known to the issuers of securities which they own.
<b>Non-Registered Holders</b>	Company Shareholders, being NOBOs and OBOs, whose shares are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.
<b>Notice of Meeting</b>	The notice of the Meeting to be sent to the Company Shareholders, which notice will accompany the Information Circular.
<b>OBOs</b>	Beneficial owners of the Company Shares who object to their name being made known to the issuers of securities which they own.
<b>Person or person</b>	Is and includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, trustee, executor, administrator or other legal representative and the Crown or any agency or instrumentality thereof.
<b>Plan of Arrangement</b>	The plan of arrangement attached as Exhibit I to the Arrangement Agreement, as the same may be amended from time to time.
<b>Record Date</b>	August 3, 2021, being the date determined by the Company Board for the determination of which the Company Shareholders are entitled to receive notice of and vote at the Meeting
<b>Registered Holder</b>	A holder of record of Company Shares
<b>Regulation S</b>	Regulation S promulgated under the U.S. Securities Act.
<b>Response to Petition</b>	The response to petition filed with the Court and served upon the Company if any Company Shareholder desires to appear at the hearing to be held by the Court to approve the Arrangement as detailed in the Notice of Hearing for Final Order.
<b>SEC</b>	United States Securities Exchange Commission.
<b>Securities Legislation</b>	The securities legislation of the provinces and territories of Canada, the U.S. Exchange Act and the U.S. Securities Act, each as now enacted or as amended, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such statutes, as well as the rules, regulations, by-laws and policies of the TSXV.
<b>Securityholder</b>	A Company Shareholder, Company Optionholder or Company Warrantholder.
<b>SEDAR</b>	System for Electronic Document Analysis and Retrieval at <a href="http://www.SEDAR.com">www.SEDAR.com</a> .
<b>Share Distribution Record Date</b>	The close of business on the Business Day immediately preceding the Effective Date for the purpose of determining the Company Shareholders entitled to receive New Company Shares and Spinco Shares pursuant to the Plan of Arrangement or such other date as the Board of Directors may select.
<b>Share Exchange</b>	The exchange of Company Shares for New Company Shares and Spinco Shares pursuant to the Plan of Arrangement.
<b>Special Resolution</b>	A resolution required to be approved under the BCBCA by not less than two-thirds of the votes cast by those Company Shareholders who vote in person or by proxy at the Meeting for which appropriate notice has been given.
<b>Spinco</b>	Kootenay Resources Inc., a company incorporated pursuant to the laws of British Columbia, which is a wholly-owned subsidiary of the Company.

<b>Spinco Board</b>	The duly appointed board of directors of Spinco.
<b>Spinco DSU Plan</b>	The deferred share unit plan of Spinco.
<b>Spinco Options</b>	The share purchase options issued pursuant to the Spinco Stock Option Plan, including the Spinco Options pursuant to section 3.1(d) of the Plan of Arrangement.
<b>Spinco Remainder Shares</b>	19.9999% of the outstanding Spinco Shares held by the Company immediately prior to the Effective Date, calculated in accordance with §4.7 of the Arrangement Agreement hereof, to be retained by the Company.
<b>Spinco Shareholder</b>	A holder of Spinco Shares.
<b>Spinco Shares</b>	The common shares without par value in the capital of Spinco.
<b>Spinco Share Unit Plan</b>	The share unit plan of Spinco.
<b>Spinco Spinout Shares</b>	The 80% of the outstanding Spinco Shares held by the Company immediately prior to the Effective Date, calculated in accordance with §4.7 of the Arrangement Agreement hereof, and to be exchanged for Company Class A Shares pursuant to §3.1(f) of the Plan of Arrangement.
<b>Spinco Stock Option Plan</b>	The stock option plan to be adopted by Spinco pursuant to the Arrangement Agreement and the Plan of Arrangement, in substantially similar terms as the Company Stock Option Plan and may otherwise be modified, amended or restated as more particularly set forth in this Information Circular.
<b>Subsidiary</b>	Is, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which such specified body corporate exercises direction or control or which is in a like relation to a subsidiary.
<b>Tax Act</b>	The <i>Income Tax Act</i> (Canada) and the regulations made thereunder, as promulgated or amended from time to time.
<b>Technical Report</b>	The NI 43-101 technical report dated December 31, 2020, prepared by R.I. Thompson, PhD Peng of RIT Minerals (RITM) Corp., titled “Technical Report on the Sweet Spot Property, British Columbia, Canada”, with an effective date of December 31, 2020.
<b>Transfer Agent</b>	Computershare Investor Services Inc. or such other trust company or transfer agent as may be designated by the Company.
<b>TSXV</b>	TSX Venture Exchange Inc.
<b>U.S.</b>	United States.
<b>U.S. Exchange Act</b>	The United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated from time to time thereunder.
<b>U.S. Securities Act</b>	The United States Securities Act of 1933, as amended, and the rules and regulations promulgated from time to time thereunder.
<b>U.S. Securityholder</b>	A Securityholder who is subject to the securities laws of the United States.

In addition, words and phrases used herein and defined in the BCBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the BCBCA unless the context otherwise requires.

**KOOTENAY SILVER INC.**

Suite 1125 - 595 Howe Street  
Vancouver, British Columbia V6C 2T5  
Tel: (604) 601-5650 Fax: (604) 683-2249

**MANAGEMENT INFORMATION CIRCULAR**

(As at August 12, 2021, except as indicated)

**GENERAL PROXY INFORMATION****Solicitation of Proxies**

This Information Circular is provided to registered and beneficial owners of the Company Shares in connection with the solicitation of proxies by the management of the Company for use at the Meeting to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment(s) or postponement(s) thereof. This Information Circular and other proxy-related materials are not provided to registered or beneficial owners of the Company Shares under the notice and access provisions of NI 54-101.

**Persons or Companies Making the Solicitation**

**The enclosed instrument of proxy is solicited by management.** Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse Company Shareholders' nominees or agents (including brokers holding Company Shares on behalf of clients) for the cost incurred in obtaining authorization from their principals to execute the instrument of proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company. None of the directors of the Company have advised management in writing that they intend to oppose any action intended to be taken by management as set forth in this Information Circular.

**Appointment and Revocation of Proxies**

This Information Circular is accompanied by a management instrument of proxy that permits registered shareholders (a "**Registered Holder**") who do not attend the Meeting in person to have their Company Shares voted at the Meeting by a proxyholder appointed by the Registered Holder. The persons named in the accompanying instrument of proxy are directors or officers of the Company. **A Company Shareholder has the right to appoint a person to attend and act for him on his behalf at the Meeting other than the persons named in the enclosed instrument of proxy. To exercise this right, the Company Shareholder must strike out the names of the persons named in the instrument of proxy and insert the name of his nominee in the blank space provided or complete another instrument of proxy.**

**The completed instrument of proxy must be dated and signed and the duly completed instrument of proxy must be deposited at the Company's transfer agent, Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, at least 48 hours before the time of the Meeting or any adjournment(s) or postponement(s) thereof, excluding Saturdays, Sundays and holidays.**

The instrument of proxy must be signed by the Company Shareholder or by his duly authorized attorney. If signed by a duly authorized attorney, the instrument of proxy must be accompanied by the original power of attorney or a notarially certified copy thereof. If the Company Shareholder is a corporation, the instrument of proxy must be signed by a duly authorized attorney, officer, or corporate representative, and must be accompanied by the original power of attorney or document whereby the duly authorized officer or corporate representative derives his power, as the case may be, or a notarially certified copy thereof. The Chairman of the Meeting has discretionary authority to accept proxies that do not strictly conform to the foregoing requirements.

In addition to revocation in any other manner permitted by law, a Company Shareholder may revoke a proxy by (a) signing a proxy bearing a later date and depositing it at the place and within the time aforesaid, (b) signing and dating a written notice of revocation (in the same manner as the instrument of proxy is required to be executed as set out in the notes to the instrument of proxy) and either depositing it at the place and within the time aforesaid or with the Chairman of the Meeting on the day of the Meeting or on the day of any adjournment(s) or postponement(s) thereof, or (c) registering with the scrutineer at the Meeting as a Company Shareholder present in person, whereupon such proxy shall be deemed to have been revoked.

### **Voting of Shares and Exercise of Discretion of Proxies**

On any poll, the persons named as proxyholder in the enclosed instrument of proxy will vote the Company Shares in respect of which they are appointed and, where directions are given by the Company Shareholder in respect of voting for or against any resolution, will do so in accordance with such direction.

**In the absence of any direction in the instrument of proxy, it is intended that such Company Shares will be voted in favour of the resolutions placed before the Meeting by management and for the election of the management nominees for directors and auditor, as stated under the headings in this Information Circular.** The instrument of proxy enclosed, when properly completed and deposited, confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to any other matters that may be properly brought before the Meeting. At the time of printing of this Information Circular, the management of the Company is not aware that any such amendments, variations or other matters are to be presented for action at the Meeting. However, if any such amendments, variations or other matters should properly come before the Meeting, the proxies hereby solicited will be voted thereon in accordance with the best judgement of the nominee.

### **Advice to Beneficial Holders of Company Shares**

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

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

Intermediaries are required to seek voting instructions from beneficial shareholders in advance of Company Shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions to clients. There are two kinds of beneficial owners - those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for "Objecting Beneficial Owners") and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for "Non-Objecting Beneficial Owners").

The Company is taking advantage of the provisions of NI 54-101, which permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form (a "**VIF**") from Computershare. These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare provides both telephone and internet voting options, as described in the VIF. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions with respect to the Company Shares represented by the VIFs they receive.

These Meeting Materials are being sent to both Registered Holders and certain Non-Registered Holders of the Company Shares. If you are a Non-Registered Holder and the Company or its agent has sent these Meeting Materials directly to you, your name and address and information about your holdings of Company Shares have been obtained

in accordance with applicable securities regulatory requirements from the Intermediary holding Company Shares on your behalf.

By choosing to send these Meeting Materials to you directly, Company (and not the Intermediary holding on your behalf) has assumed responsibility for delivering these Meeting Materials to you and executing your proper voting instructions. Please return your voting instructions by completing and returning the enclosed VIF in accordance with the instructions contained in the VIF.

Beneficial shareholders who are OBOs will not receive the materials unless their Intermediary assumes the costs of delivery. In the event that voting instructions are requested from OBOs, such instructions will typically be sought by the Company Shareholder receiving either a form of proxy or a voting instruction form. If a form of proxy is supplied to you by your broker, it will be similar to the proxy provided to Registered Holders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada and the United States. Broadridge obtains voting instructions by mailing a voting instruction form (the “**Broadridge VIF**”) which appoints the same persons as the Company’s proxy to represent you at the Meeting. You have the right to appoint a person (who need not be a beneficial shareholder of the Company), other than the persons designated in the Broadridge VIF, to represent you at the Meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided in the Broadridge VIF. The completed Broadridge VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

If you plan to vote in person at the Meeting:

- nominate yourself as the appointee to attend and vote at the Meeting by printing your name in the space provided on the enclosed voting instruction form. Your vote will be counted at the Meeting so do NOT complete the voting instructions on the form;
- sign and return the form, following the instructions provided by your nominee; and
- register with the Scrutineer when you arrive at the Meeting.

You may also nominate yourself as appointee online, if available, by typing your name in the “Appointee” section on the electronic ballot.

If you bring your voting instruction form to the Meeting, your vote will not count. Your vote can only be counted if you have completed, signed and returned your voting instruction form in accordance with the instructions above and attend the Meeting and vote in person.

### **Voting Securities and Principal Holders of Voting Securities**

On August 3, 2021, 320,554,936 Company Shares without par value were issued and outstanding, each Company Share carrying the right to one vote. At a general meeting of the Company, on a show of hands, every shareholder present in person has one vote and, on a poll, every Company Shareholder has one vote for each Company Share of which he is the holder. Quorum for the Meeting is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued Company Shares entitled to be voted at the Meeting. Only Company Shareholders of record at the close of business on August 3, 2021, will be entitled to have their Company Shares voted at the Meeting or any adjournment(s) or postponement(s) thereof. All such holders of record of Company Shares are entitled either to attend and vote thereat in person the Company Shares held by them or, provided a completed and executed proxy shall have been delivered to the Transfer Agent within the time specified in the attached Notice of Annual General and Special Meeting of Company Shareholders, to attend and vote by proxy the Company Shares held by them.

To the best of the knowledge of the directors and executive officers of the Company, no persons, beneficially own, directly or indirectly, or exercise control or direction over, Company Shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company.

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

No person who has been a director or executive officer of the Company at any time since the commencement of the Company's last completed financial year and no associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting, other than directors and executive officers of the Company having an interest in the resolution regarding the approval of the Company Stock Option Plan, Company Share Unit Plan, Company DSU Plan, Spinco Stock Option Plan, Spinco Share Unit Plan and Spinco DSU Plan as such persons will be eligible to participate in such plans as directors and executive officers of Spinco.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth elsewhere in this Information Circular, no informed person of the Company, no proposed nominee for election as a director of the Company and no associate or affiliate of any such informed person or proposed nominee has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that, in either case, has materially affected or would materially affect the Company or any of its subsidiaries.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Election of Directors

#### *Number of Directors to be elected at the Meeting*

The Company Board presently consists of six directors and Management intends to propose for adoption an ordinary resolution to fix the number of directors at five for the ensuing year, subject to such increase as may be permitted by the articles of the Company.

#### *Term*

The term of office of each of the present directors expires at the Meeting. The persons named below will be presented for election at the Meeting as Management's nominees and the persons proposed by Management as proxyholders in the accompanying form of proxy intend to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the articles of incorporation of the Company or the provisions of the BCBCA.

Pursuant to the Advance Notice Policy adopted by the Board of Directors on May 16, 2013, which was ratified and confirmed by shareholders at the Annual and Special Meeting of shareholders held on July 24, 2013 and is filed on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com), any additional director nominations for the Meeting must have been received by the Company, in compliance with the Advance Notice Policy, on or before the close of business on July 22, 2021. No additional director nominations were received by the Company.

#### *Nominees*

The following table and notes thereto sets out the name of each person proposed to be nominated by Management for election as a director (each a "**proposed director**"), the province and country in which he is ordinarily resident, all offices of the Company now held by him, his principal occupation, the period of time for which he has been a director of the Company, and the number of Company Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof:

Name, Province or State and Country of Residence <sup>(1)</sup> of Proposed Directors and Present Positions Held	Principal Occupation <sup>(1)</sup>	Director Since	Number of Company Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
<b>Kenneth E. Berry</b> <sup>(3)(4)</sup> British Columbia, Canada <i>Chairman and Director</i>	Chairman of the Corporation, formerly President; self-employed consultant, providing finance and corporate communications services to various public companies; former Director, President and CEO of Northern Vertex Mining Corp.	November 27, 2002	643,500
<b>James M. McDonald</b> <sup>(3)(4)</sup> Alberta, Canada <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Officer of the Company; President of Makwa Exploration Ltd. (“ <b>Makwa</b> ”), a private geological consulting company; Director of Aldebaran Resources Inc. and former Director of Northern Vertex Mining Corp..	March 7, 2005	3,028,200 <sup>(2)</sup>
<b>Brian Groves</b> <sup>(4) (5)</sup> British Columbia, Canada <i>Director</i>	Consultant. Former Director, President & Chief Executive Officer of Genesis Metals Corp., a mineral exploration company, from February 2016 to June 2019. Former President and Chief Executive Officer of Spanish Mountain Gold Ltd.; and Director of Riverside Resources Inc.	June 25, 2009	Nil
<b>Jon Morda</b> <sup>(5)</sup> Ontario, Canada <i>Director</i>	Director of Besra Gold Inc., Retired in 2011 having been Chief Financial Officer for several mineral exploration and gold producing companies, including Alamos Gold Inc.	December 12, 2011	25,000
<b>Antonio Reda</b> <sup>(5)</sup> British Columbia, Canada <i>Director</i>	Director, President & CEO of Tectonic Metals Inc. 2018 to present. Former Vice President, Corporate Development for Kaminak Gold Corp., a TSX-V listed junior natural resource mining company, from November 2005 to July 2016.	April 21, 2016	35,000

(1) The information as to province or state and country of residence, principal occupation and number of Company Shares beneficially owned by the nominees (directly or indirectly or over which control or direction is exercised) is not within the knowledge of management of the Company and has been furnished by the respective nominees.

(2) Of these Company Shares, 814,700 are held by Makwa Exploration, a private company controlled by Mr. McDonald.

(3) Member of the Governance Committee.

(4) Member of the Nominating and Compensation Committee.

(5) Member of the Audit Committee

A Company Shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees. **Unless otherwise indicated, the named proxyholders will vote FOR the election of each of the proposed nominees set forth above as directors of the Company.**

*Corporate Cease Trade Orders or Bankruptcies*

Except as set out below, no proposed director of the Company is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company), that:

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

Except as set out below, no proposed director of the Company:

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

Mr. Jon Morda has been a director of Besra Gold Inc. (“**Besra**”) from August 16, 2005 to the present date. Besra was formerly listed on the Toronto Stock Exchange and the Australian Stock Exchange. On December 29, 2014, the Ontario Securities Commission (the “**OSC**”) issued a cease trade order (“**CTO**”) ceasing all trading in securities of Besra which superseded a temporary order issued by the OSC on December 17, 2014, in connection with Besra’s failure to file its financial statements, management’s discussion and analysis and certifications of the foregoing filings for the financial year ended June 30, 2014 and for the three-month interim period ended September 30, 2014. Similar CTOs were subsequently issued against Besra by the British Columbia Securities Commission, the Autorité des Marchés Financiers and the Alberta Securities Commission.

On October 19, 2015, Besra filed a Notice of Intention to Make a Proposal pursuant to section 50.4(1) of the Bankruptcy and Insolvency Act (Canada) and MNP Ltd. was appointed as proposal trustee. Besra subsequently filed a proposal on January 29, 2016. The amended proposal was considered and approved by Besra creditors during a meeting on April 7, 2016. Creditors of Besra need to prove their claims by November 7, 2016. On November 16, 2016, the OSC issued an order amending an order it made on October 14, 2016, which partially revoked the CTO it issued on December 29, 2014. A Certificate of Full Performance under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), effectively releasing the Company from the BIA proceedings was issued in May 2017

In September 2018 Besra filed the required continuous disclosure documents that would enable a revocation of the cease trade orders imposed by the Canadian securities regulators due to the failure of the Company to file required

filings by the filing deadlines. Subsequently in November 2018 a full revocation of the CTOs was granted. A further CTO was issued by the OSC on November 1, 2019 and revoked on April 20, 2020.

None of the proposed directors (or any of their personal holding companies) has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

**The Company Board recommends a vote FOR the election of each of the nominated directors.** Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote FOR the election of the individuals set forth in the tables above. Management does not contemplate that any of such nominees will be unable to serve as a director of the Company but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

See “*Schedule “F” – Information Concerning Kootenay Silver Inc. Post-Arrangement – Statement of Executive Compensation*”.

#### **Appointment of the Auditor**

The persons named in the accompanying proxy intend to vote for the re-appointment of MNP LLP, Chartered Professional Accountants (“MNP”), as auditor of the Company and to authorize the directors to fix their remuneration.

The Company Board recommends a vote FOR the re-appointment of MNP as auditor of the Company to hold office until the next annual meeting of shareholders and to authorize the directors of Company to fix their remuneration. Unless another choice is specified, the persons named in the enclosed form of proxy intend to vote FOR the re-appointment of MNP as the auditor of the Company to hold office until the next annual meeting of the Company Shareholders and to authorize the directors of the Company to fix their remuneration.

#### **Ratification of Company Stock Option Plan**

At the annual and special meeting of shareholders of the Company held on November 28, 2019, the Company Shareholders ratified, confirmed and approved the Company Stock Option Plan which reserves a rolling maximum of 10% of the number of Company Shares issued and outstanding on the applicable date of grant. On August 12, 2021, the Company Board approved, subject to the acceptance of the TSXV, amendments to the Company Stock Option Plan in connection with the adoption by the Company Board of the Company DSU Plan and the Company Share Unit Plan, and certain other amendments of a housekeeping nature. These amendments do not require shareholder approval, as the amendments clarify existing provisions of the Company Stock Option Plan that do not have the effect of altering the scope, nature and intent of such provisions.

The TSXV requires all TSXV-listed companies who have adopted a stock option plan which reserves a rolling maximum of 10% of the number of Company Shares issued and outstanding on the applicable date of grant, to obtain shareholder ratification to the stock option plan on an annual basis. As at the date of this Information Circular, the Company had 320,554,936 Company Shares issued and outstanding so that a maximum of 32,055,493 Company Shares would be available for issuance pursuant to the stock options granted under the Company Stock Option Plan. Currently there are 13,835,000 Company Options outstanding under the Company Stock Option Plan, leaving 18,220,493 Company Shares available for grant of further Company Options. Accordingly, the Company requests that the Company Shareholders ratify, confirm and approve the Company Stock Option Plan.

The rules of the TSXV require that the annual shareholder ratification of the Company Stock Option Plan be approved by the affirmative vote of a majority of the votes of shareholders cast at the Meeting. Accordingly, the Company

Shareholders will be asked at the Meeting to pass the following ordinary resolution (the “**Stock Option Plan Resolution**”):

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the stock option plan, as amended, (the “**Plan**”) of Kootenay Silver Inc. (the “**Company**”) ratified, confirmed and approved by the shareholders of the Company at the Annual and Special Meeting held on November 28, 2019 is hereby ratified, confirmed and approved:
2. the Company is authorized to grant stock options pursuant and subject to the terms and conditions of the Plan entitling all of the option holders in aggregate to purchase up to such number of common shares of the Company as is equal to 10% of the number of common shares of the Company issued and outstanding on the applicable grant date; and
3. the board of directors of the Company (the “**Board**”) or any committee created pursuant to the Plan is authorized to make such amendments to the Plan from time to time as the Board may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of all applicable regulatory authorities and in certain cases, in accordance with the terms of the Plan, the shareholders.”

An ordinary resolution is a resolution passed by greater than 50% of the votes cast by those shareholders, who being entitled to do so, vote in person or by proxy in respect of that resolution at the Meeting.

See “*Schedule ‘F’ – Information Concerning Kootenay Silver Inc. Post-Arrangement – Statement of Executive Compensation for the Company – Stock Option Plans and Other Incentive Plans*” for a summary of the material terms of the Plan. A complete copy of the Plan will be available for inspection at the Meeting.

**Management of the Company recommends that Shareholders vote FOR the Stock Option Plan Resolution, and the persons named in the enclosed Form of Proxy intend to vote FOR the approval of the Stock Option Plan Resolution at the Meeting unless the Company Shareholder has specified that the Company Shares represented by such proxy are to be voted against such resolution.**

#### **Approval of Company Share Unit Plan**

On August 12, 2021, the Company Board approved the adoption of the Company Share Unit Plan, subject to the final acceptance of the TSXV and to the approval of the Company Shareholders, excluding all votes of those eligible to receive grants pursuant to the Company Share Unit Plan and their affiliates and associates (the “**Disinterested Shareholders**”). The Company Share Unit Plan was conditionally accepted by the TSXV on July 29, 2021, and is subject to the approval of the Disinterested Shareholders of the Company. The purposes of the Company Share Unit Plan are: (a) to promote a further alignment of interests between officers, employees and consultants and the shareholders of the Company; (b) to associate a portion of officers’, employees’ and consultants’ compensation with the returns achieved for the Company Shareholders over the medium term; and (c) to attract and retain officers, employees and consultants with the knowledge, experience and expertise required by the Company.

A summary of certain provisions of the Company Share Unit Plan is set out below. This summary is qualified in its entirety by the full text of the Company Share Unit Plan, which is attached hereto as Schedule “O”.

#### *Eligibility*

Restricted share units (“**RSUs**”) and performance share units (“**PSU**”, together with RSUs, “**Share Units**”) issued under the Company Share Unit Plan may be granted to officers, employees and consultants of the Company or an affiliate of the Company, excluding any persons who perform investor relations activities on behalf of the Company or an affiliate of the Company (collectively, “**Eligible Participants**”).

### *Administration*

The Company Share Unit Plan will be administered by the Company Board or a committee thereof and permits the Company Board to grant awards of Share Units to Eligible Participants in respect of services rendered or to be rendered by the Eligible Participant. Subject to the terms of the Company Share Unit Plan, the Company Board may determine terms and conditions of any Share Units, including the number of RSUs or PSUs subject to a grant; the form of payout; the payment date of vested Share Units; whether and the extent to which any performance conditions and criteria applicable to the vesting of RSUs and PSUs have been satisfied or shall be waived and any other terms and conditions with respect to vesting or acceleration of vesting. Subsequent to the grant of a Share Unit, the Company Board may, in its discretion, waive any such term or condition or determine that such term or condition has been satisfied, subject to applicable law.

### *Number of Company Shares Issuable*

Subject to adjustment, the maximum number of Company Shares that may be reserved for issuance under the Company Share Unit Plan is 3,500,000 Company Shares. All Company Shares that are reserved for issuance pursuant to Share Units that terminate or are cancelled prior to settlement are available for future grants. To the extent that any Share Units that may be paid out in cash or Company Shares or a combination thereof are paid out in cash, then the Company Shares that were potentially issuable in respect of such Share Units shall again be available under the Company Share Unit Plan.

### *Limits on Participation*

The Share Unit Plan provides for the following limits on grants, for so long as the Company is subject to the requirements of the TSXV, unless disinterested shareholder approval is obtained (or unless otherwise permitted by the rules of the TSXV):

- the maximum number of Company Shares reserved for issuance to insiders (as a group) at any time under the Company Share Unit Plan, together with any other Company Shares issued under all other security-based compensation arrangement of the Company, may not exceed 10% of the issued and outstanding Company Shares;
- the maximum number of Company Shares that may be issued to insiders (as a group) within any 12-month period under the Company Share Unit Plan, together with any other Company Shares issued under all other security-based compensation arrangement of the Company, may not exceed 10% of the issued and outstanding Company Shares on the grant date; and
- the maximum number of Company Shares that may be issued to any one Eligible Participant (and companies wholly-owned by that Eligible Participant) within any 12-month period under the Company Share Unit Plan, together with any other Company Shares issued under all other security-based compensation arrangement of the Company, may not exceed 5% of the issued and outstanding Company Shares calculated on the grant date.

For so long as the Company is subject to the requirements of the TSXV (unless otherwise permitted by the rules of the TSXV), the maximum number of Company Shares which may be issuable pursuant to all security-based compensation arrangements of the Company in any 12 month period to any one consultant must not exceed two percent (2%) of the issued and outstanding Company Shares calculated as at a date any security-based compensation is granted or issued to the consultant.

Any Share Units that may only be paid out in cash will not be subject to the foregoing limits on participation.

### *Settlement of Vested Share Units*

Each Eligible Participant who continues in employment or service with the Company or an affiliate of the Company on a vesting date will receive a payout of their respective vested Share Units in cash, Company Shares, or a

combination of both, as determined by the Company Board, in an amount equal to the fair market value of their respective vested Share Units on the payment date, less any withholding taxes. For the purposes of the Share Unit Plan, “fair market value” means, with respect to any particular date, the average closing price for a Company Share on the TSXV for the five trading days prior to that date.

Such payout will be made to each Eligible Participant as soon as practicable following the applicable payment date and in any event prior to the applicable expiry date. The expiry date of the Share Units will be the later of the date specified in the agreement granting the Share Units and December 31 of the third calendar year following the end of the year in which the services to which the grant of such Share Units relates (or where such services straddle two calendar years, the first calendar year in which the services to which the grant of such Share Units relates).

#### *Termination of Employment or Services*

Unless otherwise determined by the Company Board in its sole discretion:

- upon the voluntary resignation of an Eligible Participant, all of the Eligible Participant’s Share Units which remain unvested will be forfeited and cancelled, and any vested Share Units shall be paid out as soon as practicable;
- upon the termination without cause, termination by the Eligible Participant for good reason, or due to the disability, retirement, or death of a Eligible Participant, the Eligible Participant (or, if applicable, his or her beneficiary) will receive a payout in respect of PSUs which have vested as of such termination date and all unvested PSUs will be forfeited and cancelled. A portion of the unvested RSUs will immediately vest in accordance with a prescribed formula as set out in the Company Share Unit Plan and will be paid out as soon as practicable. Notwithstanding the foregoing, upon the death of an Eligible Participant that occurred while the Eligible Participant was performing his or her duties as an officer, employee, or consultant of the Company or an affiliate of the Company, all of the unvested Share Units will immediately vest and be paid out.
- upon the termination for cause of an Eligible Participant, all of the Eligible Participant’s vested and unvested Share Units will be forfeited and cancelled; and
- in certain circumstances following a change of control, all of the Eligible Participant’s unvested Share Units will immediately vest and be paid out.

#### *Amendment, Suspension or Termination of the Company Share Unit Plan*

The Company Share Unit Plan may be amended, suspended or terminated at any time by the Company Board in whole or in part, provided that no amendments can adversely affect the rights of Eligible Participants without their consent or unless required under applicable law. Upon termination of the Company Share Unit Plan, all unvested Share Units will continue to vest and be settled in accordance with the Company Share Unit Plan. The Company Share Unit Plan will terminate on the date no further Share Units remain outstanding.

Shareholder approval is required in accordance with the requirements of the TSXV for the following amendments to the Company Share Unit Plan:

- an increase in the maximum number of Company Shares issuable under the Company Share Unit Plan;
- an amendment to the individuals designated as Eligible Participants under the Company Share Unit Plan;
- an extension of the expiry date for Share Units granted under the Company Share Unit Plan;
- an amendment that would permit Share Units to be transferable or assignable, other than by will or the laws of descent and distribution; or

- an amendment to the amendment provisions contained in the Company Share Unit Plan.

#### *Company Share Unit Plan Resolution*

At the Meeting, the Disinterested Shareholders of the Company will be asked to consider and approve an ordinary resolution, in substantially the following form, in order to approve the Company Share Unit Plan, which resolution requires approval of greater than 50% of the votes cast by Disinterested Shareholders who, being entitled to do so, vote, in person or by proxy, on the ordinary resolution at the Meeting, excluding an aggregate of 4,221,577 Company Shares beneficially owned by those eligible to receive grants pursuant to the Company Share Unit Plan and their affiliates and associates as at the Record Date:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH ALL THOSE ELIGIBLE TO RECEIVE GRANTS PURSUANT TO THE SHARE UNIT PLAN ABSTAINING FROM VOTING, THAT:

- subject to final acceptance of the TSX Venture Exchange (the “**TSXV**”), the Company’s Share Unit Plan (the “**Share Unit Plan**”), substantially in the form attached as Schedule “O” to the management information circular of Kootenay Silver Inc. (the “**Company**”) dated August 12, 2021, is hereby approved;
- the directors of the Company or any committee of the board of directors of the Company are hereby authorized to grant performance share units (“**PSUs**”) and restricted share units (“**RSUs**”) pursuant to the Share Unit Plan to those eligible to receive PSUs and RSUs thereunder;
- any one director or officer of the Company is hereby authorized to execute and deliver on behalf of the Company all such documents and instruments and to do all such other acts and things as in such director’s opinion may be necessary to give effect to the matters contemplated by these resolutions; and
- notwithstanding that this resolution be passed by the shareholders of the Company, the adoption of the proposed Share Unit Plan is conditional upon receipt of final approval of the TSXV, and the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable to the directors.”

#### *Recommendation of the Company Board*

The Company Board has determined that the Company Share Unit Plan is in the best interests of the Company and the Company Shareholders and unanimously recommends that Disinterested Shareholders vote in favour of approving the Company Share Unit Plan.

The Company Board reserves the right to amend any terms of the Company Share Unit Plan or not to proceed with the Company Share Unit Plan at any time prior to the Meeting if the Company Board determines that it would be in the best interests of the Company and the Company Shareholders and to do so in light of any subsequent event or development occurring after the date of the Information Circular.

#### **Approval of Company DSU Plan**

On August 12, 2021, the Company Board approved the adoption of the Company DSU Plan, subject to the final acceptance of the TSXV and to the approval of the Company Shareholders, excluding all votes of those eligible to receive grants pursuant to the Company DSU Plan and their affiliates and associates (the “**DSU Disinterested Shareholders**”). The Company DSU Plan was conditionally accepted by the TSXV on July 29, 2021 and is subject to the approval of the DSU Disinterested Shareholders of the Company. The purposes of the Company DSU Plan are: (a) to promote a greater alignment of long-term interests between Eligible Directors (as defined below) and the Company Shareholders; and (b) to provide a compensation system for Eligible Directors that, together with the other

compensation mechanisms of the Company, reflects the responsibility, commitment and risk accompanying Company Board membership and the performance of the duties required of Eligible Directors.

A summary of certain provisions of the Company DSU Plan is set out below. This summary is qualified in its entirety by the full text of the Company DSU Plan, which is attached hereto as Schedule “P”.

#### *Eligibility*

Deferred Share Units (“**DSUs**”) may be granted to directors of the Company who are not employees or officers of the Company or any affiliate of the Company, including any non-executive chair of the Company Board (collectively, “**Eligible Directors**”).

If an Eligible Director should become an officer (other than a non-executive chair of the Company Board) or employee of the Company while remaining as a director, such director’s eligibility for the Company DSU Plan shall be suspended effective the date of the commencement of his employment and shall resume upon termination of such employment, provided such director continues as a director of the Company. During the period of such ineligibility, such individual shall not be entitled to receive or be credited with any DSUs under the Company DSU Plan, other than additional DSUs credited in connection with the payment of dividends on the Company Shares, as outlined below under “*Dividends*”.

#### *Administration*

The Company DSU Plan provides that Eligible Directors may elect to receive all or a portion of their annual remuneration amount, which would otherwise be payable in cash, in DSUs, subject to such conditions as the Company Board may impose. The number of DSUs to be credited to the account maintained by the Company in its books to record DSUs credited to such Eligible Director under the Company DSU Plan (the “**Eligible Director’s Account**”) is calculated by dividing the portion of the annual remuneration amount the Eligible Director has elected to be satisfied in DSUs by the fair market value on the particular conversion date. For the purposes of the Company DSU Plan “fair market value” means, with respect to any particular date, the average closing price for a Company Share on the TSXV for the five trading days prior to that date. DSUs credited to an Eligible Director’s Account, together with any DSUs granted in respect of dividend equivalents, will be fully vested upon being credited to the Eligible Director’s Account, and the Eligible Director’s entitled to payment of such DSUs following his Termination Date (as defined below) will not be subject to satisfaction of any requirements as to any minimum period of membership on the Company Board.

Additionally, the Company Board may award such number of DSUs to an Eligible Director as the Company Board deems advisable to provide such Eligible Director with appropriate equity-based compensation for the services he or she renders to the Company. The Company Board may specify whether such DSUs will be settled in cash or Company Shares, or a combination thereof. The Company Board shall determine the date on which such DSUs may be granted and the date as of which such DSUs shall be credited to the Eligible Director’s Account, together with any terms of conditions with respect to the vesting of such DSUs. The Company and an Eligible Director who receives such an award of DSUs shall enter into a DSU award agreement to evidence the award and the terms applicable thereto. Notwithstanding any other provision under the Company DSU Plan, at the discretion of the Company Board, Eligible Directors may receive a grant of DSUs under the Company DSU Plan upon such Eligible Director’s first election or appointment to the Company Board.

DSUs credited to an Eligible Director’s Account, together with any DSUs granted in respect of dividend equivalents, will vest in accordance with terms and conditions determined by the Company Board and set out in the DSU award agreement. Notwithstanding the foregoing, upon a change of control of the Company, all outstanding DSUs will become fully vested despite any vesting conditions that the Company Board may have established in respect of such DSUs.

#### *Number of Company Shares Issuable*

Subject to adjustment, the maximum number of Company Shares which may be reserved for issuance under the Company DSU Plan at any time is 1,500,000 Company Shares. All Company Shares that are subject to DSUs that

terminate or are cancelled prior to settlement are available for future grants. To the extent that any DSUs that may be paid out in cash or Company Shares or a combination thereof are paid out in cash, then the Company Shares that were potentially issuable in respect of such DSUs shall again be available under the Company DSU Plan.

#### *Limitations on Participation*

The Company DSU Plan provides that for the following limits on grants, for so long as the Company is subject to the requirements of the TSXV, unless disinterested shareholder approval is obtained (or unless otherwise permitted by the rules of the TSXV):

- the maximum number of Company Shares that may be reserved for issuance to insiders (as a group) at any time under the Company DSU Plan, together with any other Company Shares issued under all other security-based compensation arrangement of the Company, may not exceed 10% of the issued and outstanding Company Shares;
- the maximum number of Company Shares that may be issued to insiders (as a group) within any 12-month period under the Company DSU Plan, together with any other Company Shares issued under all other security-based compensation arrangement of the Company, may not exceed 10% of the issued and outstanding Company Shares on the grant date; and
- the maximum number of Company Shares that may be issued to any one Eligible Director (and companies wholly-owned by that Eligible Director) within any 12-month period under the Company DSU Plan, together with Company Shares issued to such Eligible Directors (and companies wholly-owned by that Eligible Director) within any 12-month period under all of the Company's other security based compensation arrangements, may not exceed 5% of the issued Company Shares calculated on the grant date of the DSU.

The Company's obligation to issue and deliver Company Shares in respect of any DSUs is subject to satisfaction of all requirements under applicable law and obtaining all regulatory approvals necessary or advisable. For greater certainty, any DSUs that may be paid out in cash will not be subject to the above mentioned limits on participation.

#### *Redemption and Settlement of DSUs*

Generally an Eligible Director in the Company DSU Plan shall be entitled to elect, by filing a notice with the Chief Financial Officer, up to two dates (each an "**Entitlement Date**") as of which all or a portion of the vested DSUs credited to such Eligible Director shall be redeemed. An Eligible Director's elected Entitlement Date(s) shall not be later than December 15 of the calendar year following the year in which the Eligible Director's Termination Date occurs, or earlier than 3 months after such Termination Date. For the purposes of the Company DSU Plan, the "Termination Date" means the date of the Eligible Director's death, or retirement from, or loss of office or employment with the Company or an affiliate of the Company. Where an Eligible Director is eligible to file one or more election notices to redeem his or her DSUs but fails to do so, such Eligible Director's Entitlement Date shall be deemed to be December 15 of the year following the year in which the Eligible Director's Termination Date occurs.

An Eligible Director whose DSUs are redeemed as of an Entitlement Date shall be entitled to receive from the Company a cash payment, Common Shares or any combination of cash and Common Shares, as determined by the Board, subject to the DSU award agreement applicable to such DSUs. Settlement in Common Shares shall be made by way of the issuance by the Company of one Common Share for each DSU being settled in Common Shares as of the relevant Entitlement Date. Settlement of DSUs in cash shall be made by way of the lump sum payment of an amount equal to the fair market value on the relevant Entitlement Date multiplied by the number of DSUs being settled in cash as of such Entitlement Date. No fractional Common Shares will be issued under the DSU Plan.

#### *Dividends*

On any payment date for dividends paid on Company Shares, an Eligible Director who is a participant in the Company DSU Plan will be credited with dividend equivalents in respect of any DSUs credited to such Eligible Director's Account as of the record date for payment of dividends. Such dividend equivalents shall be converted into additional

DSUs (including fractional DSUs) based on the fair market value as of the date on which the dividends on the Company Shares are paid.

*Amendments, Suspension, and Termination of the Company DSU Plan*

The Company Board may without shareholder approval amend, suspend or terminate the Company DSU Plan or DSUs granted thereunder as it deems necessary or appropriate, provided that it does not adversely impair any DSUs previously granted, except as permitted by the Company DSU Plan or applicable laws. The Company will be required to obtain shareholder approval for any amendment related to the following (provided that it is a requirement of the TSXV): (a) the eligibility of an Eligible Director under the Company DSU Plan; (b) removing or exceeding the limits of participation in the Company DSU Plan; (c) increasing the Company DSU Plan limit, otherwise than in accordance with the terms of the Company DSU Plan; and (d) granting additional powers to the Company Board to amend the Company DSU Plan without shareholder approval. If the Company Board terminates or suspends the Company DSU Plan, previously credited DSUs may, at the Company Board's election, be distributed to Eligible Directors or may remain outstanding and in effect in accordance with the terms of the Company DSU Plan.

*Company DSU Plan Resolution*

At the Meeting, the DSU Disinterested Shareholders of the Company will be asked to consider and approve an ordinary resolution, in substantially the following form, in order to approve the Company DSU Plan, which resolution requires approval of greater than 50% of the votes cast by DSU Disinterested Shareholders who, being entitled to do so, vote, in person or by proxy, on the ordinary resolution at the Meeting, excluding an aggregate of 953,500 Company Shares beneficially owned by those eligible to receive grants pursuant to the Company DSU Plan and their affiliates and associates as at the Record Date:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH ALL THOSE ELIGIBLE TO RECEIVE GRANTS PURSUANT TO THE DSU PLAN ABSTAINING FROM VOTING, THAT:

- (a) subject to final acceptance of the TSX Venture Exchange (the “TSXV”), the Company’s Deferred Unit Plan (the “**DSU Plan**”), substantially in the form attached as Schedule “P” to the management information circular of Kootenay Silver Inc. (the “**Company**”) dated August 12, 2021, is hereby approved;
- (b) the directors of the Company or any committee of the board of directors of the Company are hereby authorized to grant deferred share units (“**DSUs**”) pursuant to the DSU Plan to those eligible to receive DSUs thereunder;
- (c) any one director or officer of the Company is hereby authorized to execute and deliver on behalf of the Company all such documents and instruments and to do all such other acts and things as in such director’s opinion may be necessary to give effect to the matters contemplated by these resolutions; and
- (d) notwithstanding that this resolution be passed by the shareholders of the Company, the adoption of the proposed DSU Plan is conditional upon receipt of final approval of the TSXV, and the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable to the directors.”

*Recommendation of the Company Board*

The Company Board has determined that the Company DSU Plan is in the best interests of the Company and the Company Shareholders and unanimously recommends that DSU Disinterested Shareholders vote in favour of approving the Company DSU Plan.

The Company Board reserves the right to amend any terms of the Company DSU Plan or not to proceed with the Company DSU Plan at any time prior to the Meeting if the Company Board determines that it would be in the best interests of the Company and the Company Shareholders and to do so in light of any subsequent event or development.

### APPROVAL OF THE ARRANGEMENT

The Arrangement will become effective on the Effective Date, subject to satisfaction of the applicable conditions. The disclosure of the principal features of the Arrangement among the Company, the Company Shareholders and Spinco, as summarized below, is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

#### Reasons for the Arrangement

The Company believes that the Arrangement is in the best interests of the Company for numerous reasons, including:

- At the moment, the capital markets value the Canadian Properties together with all of the Company's other properties. By completing the Arrangement, the markets will value the Canadian Properties separately and independently of the Company's other properties, which should create additional value for Company Shareholders;
- Separating the Canadian Properties from the Company's other properties is expected to accelerate the development of the Canadian Properties;
- Company Shareholders will benefit by holding shares in two separate public companies;
- Separating the Company and Spinco will expand Spinco's potential shareholder base and access to development capital by allowing investors that want specific ownership in a company with Canadian Assets to invest directly in Spinco rather than through the Company; and
- The Canadian Properties are not required for the Company's primary business focus which will remain the acquisition, exploration, development and operation of its Mexican assets.

In the course of its deliberations, the Company Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to, the risks set out under "*Approval of the Arrangement – Arrangement Risk Factors*".

The foregoing discussion summarizes the material information and factors considered by the Company Board in their consideration of the Plan of Arrangement. The Company Board collectively reached its unanimous decision with respect to the Plan of Arrangement in light of the factors described above and other factors that each member of the Company Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Company Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of the Company Board may have given different weight to different factors.

#### Principal Steps of the Arrangement

Immediately prior to the Effective Date, Spinco shall subdivide or consolidate the outstanding Spinco Shares into a number of Spinco Shares equal to one-twentieth the number of outstanding Company Shares. 80% of such shares (defined as the "Spinco Spinout Shares") will be exchanged for Company Class A Shares pursuant to §3.1(f) of the Plan of Arrangement, and 20% of such shares (defined as the "Spinco Remainder Shares") will be retained by the Company. The following are the principal steps of the Arrangement:

- (a) each Company Share outstanding in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights (each, a "**Dissenting Share**") shall be directly transferred and assigned by such Dissenting Shareholder to the Company, without any further act or formality and free and

clear of any liens, charges and encumbrances of any nature whatsoever, and will be cancelled and cease to be outstanding and such Dissenting Shareholders will cease to have any rights as Company Shareholders other than the right to be paid the fair value for their Company Shares by the Company;

- (b) the authorized share structure of the Company shall be altered by:
  - (i) renaming and redesignating all of the issued and unissued Company Shares as “Class A common shares without par value” and amending the special rights and restrictions attached to those shares to provide the holders thereof with two votes in respect of each share held, being the “Company Class A Shares”; and
  - (ii) creating a new class consisting of an unlimited number of “common shares without par value” with terms and special rights and restrictions identical to those of the Company Shares immediately prior to the Effective Time, being the “New Company Shares”;
- (c) the Company’s Notice of Articles shall be amended to reflect the alterations in §1.1(b);
- (d) each Company Option then outstanding to acquire one Company Share shall be transferred and exchanged for:
  - (i) one Company Replacement Option to acquire one New Company Share having an exercise price equal to the product of the original exercise price of the Company Option multiplied by the fair market value of a New Company Share at the Effective Time divided by the total of the fair market value of a New Company Share and the fair market value of 0.04 of a Spinco Share at the Effective Time; and
  - (ii) one Spinco Option to acquire 0.04 of a Spinco Share, each whole Spinco Option having an exercise price equal to the product of the original exercise price of the Company Option multiplied by the fair market value of 0.04 of a Spinco Share at the Effective Time divided by the total of the fair market value of one New Company Share and 0.04 of a Spinco Share at the Effective Time,

provided that the aforesaid exercise prices shall be adjusted to the extent, if any, required to ensure that the aggregate In the Money Amount of the Company Replacement Option and the Spinco Option immediately after the exchange does not exceed the In the Money Amount immediately before the exchange of the Company Option so exchanged. It is intended that subsection 7(1.4) of the Tax Act apply to the exchange of Company Options;

- (e) each Company Warrant then outstanding shall be deemed to be amended to entitle the Company Warrant holder to receive, upon due exercise of the Company Warrant, for the original exercise price:
  - (i) one New Company Share for each Company Share that was issuable upon due exercise of the Company Warrant immediately prior to the Effective Time; and
  - (ii) 0.04 of a Spinco Share for each Company Share that was issuable upon due exercise of the Company Warrant immediately prior to the Effective Time;
- (f) each issued and outstanding Company Class A Share outstanding on the Share Distribution Record Date shall be exchanged for: (i) one New Company Share; and (ii) 0.04 of a Spinco Spinout Share, the holders of the Company Class A Shares will be removed from the central securities register of Company as the holders of such and will be added to the central securities register of Company as the holders of the number of New Company Shares that they have received on the exchange set forth in this §1.1(f), and the Spinco Spinout Shares transferred to the then holders of the Company Class A Shares will be registered in the name of the former holders of the Company Class A Shares and

Company will provide Spinco and its registrar and transfer agent notice to make the appropriate entries in the central securities register of Spinco; and

- (g) the Company Class A Shares, none of which will be issued or outstanding once the exchange in §1.1(f) is completed, will be cancelled and the appropriate entries made in the central securities register of Company and the authorized share structure of Company will be amended by eliminating the Company Class A Shares, and the aggregate paid-up capital (as that term is used for purposes of the Tax Act) of the New Company Shares will be equal to that of the Company Shares immediately prior to the Effective Time less the fair market value of the Spinco Spinout Shares distributed pursuant to §1.1(f).

### **Effect of the Arrangement**

As a result of the Arrangement, the Company Shareholders will no longer hold their Company Shares and instead, will receive one New Company Share and 0.04 of a Spinco Spinout Share for every one Company Share held at the Effective Time, and as a result, will hold shares in two public companies.

Spinco will be a reporting issuer in the provinces of British Columbia, Alberta and Ontario. Upon completion of the Plan of Arrangement, Spinco intends to complete an equity financing by way of rights offering, private placement or other means and seek a listing of the Spinco Shares on a Canadian stock exchange. Interim funding for Spinco operations will be provided by the Company until Spinco completes a financing.

### **Directors and Officers of Spinco**

The Spinco Board will be comprised of Kenneth E. Berry, James M. McDonald and Rajwant Kang and one or more additional directors to be chosen by the Company. Executive management of Spinco will consist of James M. McDonald, President and Chief Executive Officer and Rajwant Kang, Chief Financial Officer and Corporate Secretary. It is the intent of Spinco to add individuals to the Spinco Board and management to ensure Spinco has the appropriate amount of local knowledge and skill sets to advance the Canadian Properties and additional assets Spinco may acquire in the future.

### **Recommendation of the Directors**

The Company has reviewed the terms and conditions of the proposed Arrangement and has concluded that the Arrangement is fair and reasonable to the Company Shareholders and in the best interests of the Company.

In arriving at this conclusion, the Company Board considered, among other matters:

1. the financial condition, business and operations of the Company, on both a historical and prospective basis, and information in respect of Spinco on a *pro forma* basis;
2. the procedures by which the Arrangement is to be approved, including the requirement for approval of the Arrangement by the Court after a hearing at which fairness to Securityholders will be considered;
3. the availability of Dissent Rights to Registered Holders with respect to the Arrangement;
4. the assets to be held by each of the Company and Spinco after completion of the Arrangement and the unrealized value of the Canadian Properties within the Company;
5. historical information regarding the price of the Company Shares;
6. the tax treatment to the Company Shareholders under the Arrangement;
7. Company Shareholders will own securities of two publicly-listed companies, if the intended listing of the Spinco Shares is obtained; and

8. Spinco will be able to concentrate its efforts on developing the Canadian Properties and the Company will be able to concentrate its efforts on the advancement of the Company's other mineral project(s) and business.

The Company Board did not assign a relative weight to each specific factor and each director may have given different weights to different factors. Based on its review of all the factors, the Company Board considers the Arrangement to be advantageous to the Company and fair and reasonable to the Company Shareholders. The Company Board also identified disadvantages associated with the Arrangement including the fact that there will be the additional costs associated with running two companies and there is no assurance that the proposed Arrangement will result in positive benefits to the Company Shareholders. See "*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Arrangement Risk Factors*", "*Schedule "F" – Information Concerning Kootenay Silver Inc. Post-Arrangement – Risk Factors*" and "*Schedule "G" – Information Concerning Spinco Post-Arrangement – Risk Factors*".

The Arrangement Resolution is set out in Schedule "A" to this Information Circular. In order to be approved, the Arrangement Resolution requires the votes in favour of 66 2/3% of the votes cast at the Meeting.

The Company Board recommends that the Company Shareholders vote in favour of the Arrangement Resolution. Each director and officer of the Company who owns Company Shares has indicated his or her intention to vote his or her Company Shares in favour of the Arrangement Resolution.

### **Arrangement Risk Factors**

The Company and Spinco should each be considered as highly speculative investments and the transactions contemplated herein should be considered of a high-risk nature. Company Shareholders should carefully consider all of the information disclosed in this Information Circular prior to voting on the matters being put before them at the Meeting.

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of the Company and Spinco, including receipt of Company Shareholder approval at the Meeting and receipt of the Final Order. There can be no certainty, nor can the Company or Spinco provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

In addition to the other information presented in this Information Circular (without limitation, see also "*Schedule "F" – Information Concerning Kootenay Silver Inc. Post-Arrangement – Risk Factors*" and "*Schedule "G" – Information Concerning Spinco Post-Arrangement – Risk Factors*"), the following risk factors should be given special consideration:

1. The trading price of the Company Shares on the Effective Date may vary from the price as at the date of execution of the Arrangement Agreement, the date of this Information Circular and the date of the Meeting and may fluctuate depending on investors' perceptions of the merits of the Arrangement.
2. The number of Spinco Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of the Company Shares. Many of the factors that affect the market price of the Company Shares are beyond the control of the Company. These factors include fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.
3. There is no assurance that the Arrangement will be completed or that, if completed, the Spinco Shares will be listed and posted for trading on any stock exchange.
4. There is no assurance that Spinco will complete a financing sufficient to enable it to meet the listing requirements of any stock exchange.

5. There is no assurance that the Arrangement can be completed as proposed or without Company Shareholders exercising their dissent rights in respect of a substantial number of Company Shares.
6. There is no assurance that the businesses of the Company or Spinco, after completing the Arrangement, will be successful.
7. While the Company believes that the Spinco Spinout Shares to be distributed to Company Shareholders pursuant to the Arrangement will not be subject to any resale restrictions save securities held by control persons and save for any restrictions flowing from current restrictions associated with a Company Shareholder's Company Shares, there is no assurance that this is the case and each Company Shareholder is urged to obtain appropriate legal advice regarding applicable securities legislation.
8. The transactions may give rise to significant adverse tax consequences to Company Shareholders and each such Company Shareholder is urged to consult his, her or its own tax advisor.
9. Certain costs related to the Arrangement, such as legal and accounting fees, must be paid by the Company even if the Arrangement is not completed.
10. If the Arrangement Resolution is not approved by the Company Shareholders or, even if the Arrangement Resolution is approved, the market price of the Company Shares may decline to the extent that the current market price of the Company Shares reflects a market assumption that the Plan of Arrangement will be completed or to the extent the current market price of the Company Shares reflects the value associated with the Canadian Properties, as applicable.

### **Effects of the Arrangement on Shareholders' Rights**

As a result of the Arrangement, Company Shareholders will continue to be shareholders of the Company and will also be shareholders of Spinco. Shareholders of the Company and Spinco will have the same rights afforded to them as Company Shareholders of each respective entity, as both the Company and Spinco are governed by the BCBCA.

### **Conduct of Meeting and Other Approvals**

#### *Shareholder Approval of the Arrangement*

The Arrangement Resolution must be approved, with or without variation, by not less than two-thirds of the votes cast at the Meeting in person or by proxy by Company Shareholders.

#### *Court Approval of the Arrangement*

Under the BCBCA, the Company is required to obtain the approval of the Court to the calling and holding of the Meeting and to the Arrangement. On August 10, 2021, prior to mailing the material in respect of the Meeting, the Company obtained an Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and the Notice of Hearing for Final Order are appended as Schedules "C" and "D", respectively, to this Information Circular. As set out in the Notice of Hearing for Final Order, the Court hearing in respect of the Final Order is scheduled to take place at 9:45 A.M. (Vancouver time) on September 21, 2021, following the Meeting or as soon thereafter as the Court may direct or counsel for the Company may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, subject to the approval of the Arrangement Resolution at the Meeting. **Securityholders who wish to participate in or be represented at the Court hearing should consult with their legal advisors as to the necessary requirements.**

At the Court hearing, any Securityholders who wish to participate or to be represented or to present evidence or argument may do so, subject to the rules of the Court. Although the authority of the Court is very broad under the BCBCA, the Court will consider, among other things, the procedural and substantive fairness and reasonableness of the terms and conditions of the Arrangement and the rights and interests of every person affected. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct. The Court's approval is

required for the Arrangement to become effective. In addition, it is a condition of the Arrangement that the Court will have determined, prior to approving the Final Order, that the terms and conditions of the issuance of securities comprising the Arrangement are procedurally and substantively fair to the Securityholders.

Under the terms of the Interim Order, each Securityholder will receive proper notice that they will have the right to appear and make representations at the application for the Final Order. Any person desiring to appear at the hearing to be held by the Court to approve the Arrangement pursuant to the Notice of Hearing for Final Order is required to file with the Court and serve upon Company, at the address set out below, prior to 4:00 P.M. (Vancouver time) on September 17, 2021, the Response to Petition, including his address for service, together with any evidence or materials which are to be presented to the Court. The Response to Petition and supporting materials must be delivered to:

Whitelaw Twinning LLP  
2400 - 200 Granville St.  
Vancouver, British Columbia  
V6C 1S4  
Attention: Nicole Chang

### *Regulatory Approvals*

If the Arrangement Resolution is approved by the requisite two-thirds of the Company Shareholders voting together as a single class, final regulatory approval must be obtained for all the transactions contemplated by the Arrangement before the Arrangement may proceed.

The Company Shares are currently listed and posted for trading on the TSXV. The Company is a reporting issuer in British Columbia, Alberta and Ontario. Approval from the TSXV is required for the completion of the Arrangement, including listing of the New Company Shares in substitution for the Company Shares, conditional acceptance having been obtained on August 10, 2021. Upon completion of the Arrangement, it is expected that Spinco will be a reporting issuer in British Columbia, Alberta and Ontario. Spinco intends to complete an equity financing and seek a listing of the Spinco Shares on a Canadian stock exchange. There can be no assurances that Spinco will be able to complete a financing or attain a listing on any stock exchange.

Company Shareholders should be aware that certain of the foregoing approvals, including a listing on a Canadian stock exchange or a determination that Spinco will be a reporting issuer in the specified jurisdictions, have not yet been received from the regulatory authorities referred to above. There is no assurance that such approvals will be obtained.

### **Procedure for Receipt of New Company Shares and Spinco Spinout Shares**

Company Shareholders on the Share Distribution Record Date will be entitled to receive New Company Shares and Spinco Spinout Shares pursuant to the Arrangement.

Each registered Company Shareholder will receive a Letter of Transmittal containing instructions with respect to the deposit of certificates for Company Shares for use in exchanging their Company Shares for Certificates or Direct Registration System (“**DRS**”) statements representing New Company Shares and Spinco Spinout Shares, to which they are entitled under the Arrangement. Upon return of a properly completed Letter of Transmittal, together with certificates formerly representing Company Shares and such other documents as the Depositary may require, certificates or DRS statements for the appropriate number of New Company Shares and Spinco Spinout Shares will be distributed.

### **Fees and Expenses**

The Company will pay the costs, fees and expenses of the Arrangement.

### **Effective Date of Arrangement**

If:

1. the Arrangement Resolution is approved by Special Resolution of the Company Shareholders;
2. the Final Order of the Court is obtained approving the Arrangement;
3. the required TSXV approvals to the completion of the Arrangement are obtained;
4. every requirement of the BCBCA relating to the Arrangement has been complied with; and
5. all other conditions disclosed under “*Arrangement Agreement – Conditions to the Arrangement Becoming Effective*” are met or waived,

the Arrangement will become effective on the Effective Date.

The full particulars of the Arrangement are contained in the Plan of Arrangement appended as Schedule “B” to this Information Circular. See also “*Arrangement Agreement*” below.

Notwithstanding receipt of the above approvals, the Company may abandon the Arrangement without further approval from the Company Shareholders.

### **Arrangement Agreement**

The Arrangement will be carried out pursuant to the provisions of the BCBCA and will be effected in accordance with the Arrangement Agreement, the Interim Order and the Final Order. The steps of the Arrangement, as set out in the Arrangement Agreement, are summarized under “*Particulars of Matters to be Acted Upon – Approval of the Arrangement – Principal Steps of the Arrangement*” herein.

The general description of the Arrangement Agreement which follows is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is available for review by the Company Shareholders, at the head office of the Company as shown on the Notice of Meeting, during normal business hours prior to the Meeting and under the Company’s profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

### **General**

On August 12, 2021, the Company and Spinco entered into the Arrangement Agreement which includes the Plan of Arrangement. The Plan of Arrangement is reproduced as Schedule “B” to this Information Circular. Pursuant to the Arrangement Agreement, the Company and Spinco agree to effect the Arrangement pursuant to the provisions of Section 288 of the BCBCA on the terms and subject to the conditions contained in the Arrangement Agreement.

In the Arrangement Agreement, the Company and Spinco provide representations and warranties to one another regarding certain customary commercial matters, including corporate, legal and other matters, relating to their respective affairs.

Under the Arrangement Agreement, the Company agrees to call the Meeting for the purpose of, among other matters, the Company Shareholders approving the Arrangement Resolution, and that, if the approval of the Company Shareholders of the Arrangement Resolution as set forth in the Interim Order is obtained by the Company, as soon as reasonably practicable thereafter, the Company will take the necessary steps to submit the Arrangement to the Court and apply for the Final Order.

### **Conditions to the Arrangement Becoming Effective**

The respective obligations of the Company and Spinco to complete the transactions contemplated by the Arrangement Agreement are subject to the satisfaction, on or before the Effective Date, of a number of conditions precedent, certain of which may only be waived in accordance with the Arrangement Agreement. The mutual conditions precedent, among others, are as follows:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Company;
- (b) the Arrangement Resolution, with or without amendment, shall have been approved and adopted at the Meeting in accordance with the Arrangement Provisions, the Constating Documents of the Company, the Interim Order and the requirements of any applicable regulatory authorities;
- (c) the Final Order shall have been obtained in form and substance satisfactory to each of the Company and Spinco;
- (d) the TSXV shall have conditionally approved the Arrangement, including the listing of the New Company Shares issuable under the Arrangement in substitution for the Company Class A Shares and the delisting of the Company Class A Shares, as of the Effective Date, subject to compliance with the requirements of the TSXV;
- (e) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required or necessary or desirable for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received from the Persons, authorities or bodies having jurisdiction in the circumstances each in form acceptable to the Company and Spinco;
- (f) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement and the Plan of Arrangement;
- (g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Arrangement and Plan of Arrangement, including any material change to the income tax laws of Canada, which would reasonably be expected to have a material adverse effect on any of the Company, the Company Shareholders or Spinco if the Arrangement is completed;
- (h) notices of dissent pursuant to Article 5 of the Plan of Arrangement shall not have been delivered by Company Shareholders holding greater than 5% of the outstanding Company Shares; and
- (i) the Agreement shall not have been terminated under Article 6 of the Arrangement Agreement.

### **Amendment and Termination of Arrangement Agreement**

Subject to any mandatory applicable restrictions under the Arrangement Provisions or the Final Order, the Arrangement Agreement, including the Plan of Arrangement, may at any time and from time to time before or after the holding of the Meeting, but prior to the Effective Date, be amended by the written agreement of the Company and Spinco without, subject to applicable law, further notice to or authorization on the part of the Company Shareholders.

Subject to Section 6.3 of the Arrangement Agreement, the Arrangement Agreement may at any time before or after the holding of the Meeting, and before or after the granting of the Final Order, but in each case prior to the Effective Date, be terminated by direction of the Company Board without further action on the part of the Company Shareholders and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the Company Board to elect to terminate the Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

## **RIGHTS OF DISSENTING COMPANY SHAREHOLDERS**

As indicated in the Notice of Meeting, any Registered Holder is entitled to be paid the fair value of his, her or its Company Shares in accordance with Sections 242 to 247 of the BCBCA if such holder dissents to the Plan of Arrangement and the Plan of Arrangement becomes effective.

A Registered Holder is not entitled to dissent with respect to such holder's Company Shares if such holder votes any of their Company Shares in favour of the Arrangement Resolution. For greater certainty, a Proxy submitted by a Registered Holder that does not contain voting instructions will, unless revoked, be voted in favour of the Arrangement. A brief summary of the provisions of Sections 237 to 247 of the BCBCA is set out below.

### **Strict Compliance with Dissent Provisions Required**

The following summary does not purport to provide a comprehensive statement of the procedures to be followed by a dissenting Shareholder who seeks payment of the fair value of his Company Shares. Section 244 of the BCBCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenter's rights. Accordingly, each Shareholder who might desire to exercise the dissenter's rights should carefully consider and comply with the provisions of the section, the full text of which is set out in Schedule "E" to this Information Circular, and consult such holder's legal advisor.

The statutory provisions dealing with the right of dissent are technical and complex. Any Dissenting Shareholder should seek independent legal advice, as failure to comply strictly with the provisions of Sections 237 to 247 of the BCBCA, as modified by the Plan of Arrangement and the Interim Order, may result in the loss of all Dissent Rights.

### **Dissent Provisions of the BCBCA**

A written notice of dissent from the Arrangement Resolution pursuant to Section 242 of the BCBCA, must be received by the Company, from a dissenting Company Shareholder, by 4:00 p.m., Vancouver time, on September 13, 2021 or prior to the second last business day preceding the Meeting or any adjournment(s) or postponement(s) thereof. The notice of dissent should be delivered by registered mail to the Company at the address for notice described below. After the Arrangement Resolution is approved by Company Shareholders and within one month after the Company notifies the dissenting Company Shareholder of Company's intention to act upon the Arrangement Resolution pursuant to Section 243 of the BCBCA, the dissenting Company Shareholder must send to the Company, a written notice that such Company Shareholder requires the purchase of all of the Company Shares in respect of which such holder has given notice of dissent, together with the share certificate or certificates representing those Company Shares (including a written statement prepared in accordance with Section 244(1)(c) of the BCBCA if the dissent is being exercised by the Company Shareholder on behalf of a beneficial holder). A dissenting Company Shareholder who does not strictly comply with the dissent procedures or, for any other reason, is not entitled to be paid fair value for his, her or its Dissenting Shares will be deemed to have participated in the Plan of Arrangement on the same basis as non-dissenting Company Shareholders.

Any dissenting Company Shareholder who has duly complied with Section 244(1) of the BCBCA or the Company may apply to the Court, and the Court may determine the fair value of the Dissenting Shares and make consequential orders and give directions as the Court considers appropriate. There is no obligation on the Company to apply to the Court. The dissenting Company Shareholder will be entitled to receive the fair value that the Dissenting Shares had immediately before the passing of the Arrangement Resolution.

### **Address for Notice**

All notices of dissent to the Arrangement pursuant to Section 242 of the BCBCA should be sent, within the time specified, to:

Kootenay Silver Inc.  
 Suite 1125 - 595 Howe Street  
 Vancouver, British Columbia  
 V6C 2T5  
 Attention: Rajwant Kang  
 Chief Financial Officer and Corporate Secretary

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

**THE TAX CONSEQUENCES OF THE ARRANGEMENT MAY VARY DEPENDING UPON THE PARTICULAR CIRCUMSTANCES OF EACH COMPANY SHAREHOLDER AND OTHER FACTORS. ACCORDINGLY, COMPANY SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE ARRANGEMENT.**

The following fairly summarizes the principal Canadian federal income tax consequences under the Tax Act generally applicable to Company Shareholders in respect of the disposition of Company Shares pursuant to the Arrangement, and the acquisition, holding, and disposition of New Company Shares and Spinco Spinout Shares acquired pursuant to the Arrangement.

In this summary, an otherwise undefined term that first appears in quotation marks has the meaning ascribed to it in the Tax Act.

Comment is restricted to Company Shareholders who, for purposes of the Tax Act, (i) hold their Company Shares, and will hold their New Company Shares and Spinco Spinout Shares solely as capital property, and (ii) deal at arm's length with and are not affiliated with Spinco and Company (each such Company Shareholder, a "**Holder**").

Generally a Holder's Company Share, New Company Share or Spinco Spinout Share will be considered to be capital property of the Holder provided that the Holder does not hold the share in the course of carrying on a business of buying and selling securities and has not acquired the share in one or more transactions considered to be an adventure in the nature of trade.

A Resident Holder (as defined below under "*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada*") whose Company Shares, New Company Shares or Spinco Spinout Shares might not otherwise be capital property may in certain circumstances irrevocably elect under subsection 39(4) of the Tax Act to have those shares, and all other "Canadian securities" held by the Resident Holder in the taxation year of the election or in any subsequent taxation year treated as capital property. Resident Holders should consult their own tax advisers regarding the advisability of making such an election.

This summary does not apply to a Holder that:

- (a) is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act or a "specified financial institution";
- (b) has elected to report its Canadian federal income tax results in a currency other than Canadian currency;
- (c) has entered or will enter into a "derivative forward agreement", a "synthetic disposition arrangement", or a "synthetic equity arrangement";
- (d) has acquired Company Shares, or will acquire New Company Shares or Spinco Spinout Shares, on the exercise of an employee stock option;
- (e) holds one or more Company Options, in respect of those Company Options; or

- (f) is a person or partnership an interest in which is a “tax shelter investment”.

Each such Holder should consult the Holder’s own tax advisers with respect to the consequences of the Arrangement.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and counsel’s understanding of the current published administrative practices and policies of the CRA. This summary takes into account all specific proposals to amend the Tax Act and Regulations (the “**Proposed Amendments**”) announced by the Minister of Finance (Canada) prior to the date. It is assumed that the Proposed Amendments will be enacted as currently proposed and that there will be no other change in law or administrative or assessing practice, whether by legislative, governmental, or judicial action or decision, although no assurance can be given in these respects. This summary does not take into account provincial, territorial or foreign income tax considerations, which may differ materially from the Canadian federal income tax considerations discussed below.

Additional considerations, not discussed in this summary, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes, or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of New Company Shares or Spinco Spinout Shares, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Such Holders should consult their Canadian tax advisers with respect to the consequences of the Arrangement.

**This summary is of a general nature only and is not and should not be construed as legal or tax advice to any particular person. Each person who may be affected by the Arrangement should consult the person’s own tax advisers with respect to the person’s particular circumstances.**

#### **Holders Resident in Canada**

This portion of this summary applies solely to Holders each of whom is or is deemed to be resident solely in Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (each a “**Resident Holder**”).

#### **Exchange of Company Shares for New Company Shares and Spinco Shares**

A Resident Holder who exchanges his, her or its Company Shares for New Company Shares and Spinco Spinout Shares pursuant to the Arrangement (the “**Share Exchange**”) will be deemed to have received a taxable dividend equal to the amount, if any, by which the fair market value of the Spinco Spinout Shares distributed to the Resident Holder pursuant to the Share Exchange at the time of the Share Exchange exceeds the “paid-up capital” (“**PUC**”) of the Resident Holder’s Company Shares determined at that time. Any such taxable dividend will be taxable as described below under “*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada - Taxation of Dividends*”. Company expects that the fair market value of all Spinco Spinout Shares distributed to Company Shareholders pursuant the Share Exchange under the Arrangement will not exceed the PUC of the Company Shares. Accordingly, Company does not expect that any Resident Holder will be deemed to receive a taxable dividend on the Share Exchange.

A Resident Holder who exchanges his, her or its Company Shares for New Company Shares and Spinco Spinout Shares on the Share Exchange will realize a capital gain equal to the amount, if any, by which the fair market value of those Spinco Spinout Shares at the time of the Share Exchange, less the amount of any taxable dividend deemed to be received by the Resident Holder as described in the preceding paragraph, exceeds the “adjusted cost base” (“**ACB**”) of the Resident Holder’s Company Shares determined immediately before the Share Exchange. Any capital gain so realized will be taxable as described below under “*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada - Taxation of Capital Gains and Losses*”.

The Resident Holder will acquire the Spinco Spinout Shares received on the Share Exchange at a cost equal to their fair market value at that time, and the New Company Shares received on the Share Exchange at a cost equal to the amount, if any, by which the ACB of the Resident Holder’s Company Shares immediately before the Share Exchange exceeds the fair market value of the Spinco Spinout Shares at the time of the Share Exchange.

## **Disposition of New Company Shares or Spinco Spinout Shares after the Arrangement**

A Resident Holder who disposes or is deemed to dispose of a New Company Share or Spinco Spinout Share generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition therefor are greater (or less) than the ACB of the share to the Resident Holder, less reasonable costs of disposition. Any such capital gain or capital loss will be taxable or deductible as described below under “*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*”.

### **Taxation of Dividends**

A Resident Holder who is an individual (other than certain trusts) and receives or is deemed to receive a taxable dividend in a taxation year on the Resident Holder’s Company Shares, New Company Shares, or Spinco Spinout Shares will be required to include the amount of the dividend in income for the year, subject to the dividend gross-up and tax credit rules applicable to taxable dividends received by a Canadian resident individual from a “taxable Canadian corporation”, including the enhanced dividend gross-up and tax credit applicable to the extent that Company or Spinco, as the case may be, designates the taxable dividend to be an “eligible dividend” in accordance with the Tax Act.

A Resident Holder that is a corporation and receives or is deemed to receive a taxable dividend in a taxation year on its Company Shares, New Company Shares, or Spinco Spinout Shares must include the amount in its income for the year, but generally will be entitled to deduct an equivalent amount from its taxable income. A Resident Holder that is a “private corporation” or a “subject corporation” may be liable under Part IV of the Tax Act to pay a tax of 38 1/3% (refundable in certain circumstances) on any such dividends to the extent that the dividend is deductible in computing the corporation’s taxable income.

### **Taxation of Capital Gains and Capital Losses**

A Resident Holder who realizes a capital gain or capital loss in a taxation year on the actual or deemed disposition of a Company Share, New Company Share or Spinco Spinout Share generally will be required to include one half of any such capital gain (a “**taxable capital gain**”) in income for the year, and entitled to deduct one half of any such capital loss (an “**allowable capital loss**”) against taxable capital gains realized in the year and, to the extent not so deductible, in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances specified in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the actual or deemed disposition of a Company Share, New Company Share or Spinco Spinout Share may be reduced by the amount of dividends received or deemed to have been received by it on the share (or on a share substituted therefor) to the extent and in the circumstances described in the Tax Act. Similar rules may apply where the corporation is a member or beneficiary of a partnership or trust that held the share, or where a partnership or trust of which the corporation is a member or beneficiary is itself a member of a partnership or a beneficiary of a trust that held the share.

A Resident Holder that is a “Canadian-controlled private corporation” throughout the relevant taxation year may be liable to pay an additional tax of 10 2/3% (refundable in certain circumstances) on its “aggregate investment income”, which includes taxable capital gains, for the year.

### **Alternative Minimum Tax on Individuals**

A Resident Holder who is an individual (including certain trusts) and receives a taxable dividend on, or realizes a capital gain on the disposition of, a Company Share, New Company Share or Spinco Spinout Share may thereby be liable for alternative minimum tax to the extent and within the circumstances set out in the Tax Act.

### **Dissenting Company Shareholders**

A Dissenting Company Shareholder to whom Company consequently pays the fair value of his, her or its Company Shares will be deemed to receive a taxable dividend in the taxation year of payment equal to the amount, if any, by

which the payment (excluding interest) exceeds the PUC of the Dissenting Company Shareholder's Company Shares determined immediately before the Arrangement. Any such taxable dividend will be taxable as described above under "*Canadian Federal Income Tax Considerations - Holders Resident in Canada – Taxation of Dividends*". The Dissenting Company Shareholder will also realize a capital gain (or capital loss) equal to the amount, if any, by which the payment (excluding interest), less any such deemed taxable dividend, exceeds (is exceeded by) the ACB of the Dissenting Company Shareholder's Company Shares determined immediately before the Arrangement. Any such capital gain or loss will generally be taxable or deductible as described above under "*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

The Dissenting Company Shareholder will be required to include any portion of the payment that is on account of interest in income in the year the interest is received or becomes receivable, depending on the method regularly followed by the Dissenting Company Shareholder in computing income. **Resident Holders who are contemplating exercising their Dissent Rights should consult their own tax advisers.**

### **Eligibility for Investment – New Company Shares and Spinco Spinout Shares**

A New Company Share will be a "qualified investment" for a trust governed by an RRSP, RRIF, deferred profit sharing plan, RESP, RDSP or TFSA (collectively, "**Registered Plans**") at any time at which the New Company Shares are listed on a "designated stock exchange" (which includes the TSX-V), or Company is a "public corporation".

A Spinco Spinout Share will be a qualified investment for a Registered Plan at any time at which the Spinco Spinout Shares are listed on a designated stock exchange (which includes the TSX-V), or Spinco is a public corporation. If the Spinco Spinout Shares are not listed on a designated stock exchange at the time they are distributed pursuant to the Arrangement, but become so listed before Spinco's "filing-due date" for its first taxation year and Spinco makes the appropriate election in its tax return for that year, Spinco will be deemed to be a public corporation from the beginning of the year and the Spinco Spinout Shares consequently will be considered to be qualified investments for Registered Plans from their date of issue. Spinco intends that the Spinco Spinout Shares will be listed on a designated exchange before the filing-due date for its first taxation year, and that Spinco will make the appropriate election in its tax return for that year.

Notwithstanding the foregoing, the "controlling individual" of an RRSP, RRIF, RDSP, RESP or TFSA will be subject to a penalty tax in respect of a New Company Share or a Spinco Spinout Share held in the RRSP, RRIF, RDSP, RESP or TFSA, as applicable, if the share is a "prohibited investment" under the Tax Act. A New Company Share or a Spinco Spinout Share generally will not be a prohibited investment for an RRSP, RRIF, RDSP, RESP or TFSA, as applicable, provided that (i) the controlling individual of the account does not have a "significant interest" in Company or Spinco, as applicable, and (ii) Company or Spinco, as applicable, deals at arm's length with the controlling individual for the purposes of the Tax Act. **Company Shareholders should consult their own tax advisers to ensure that the New Company Shares and Spinco Spinout Shares would not be a prohibited investment for a trust governed by a RRSP, RRIF, RDSP, RESP or TFSA in their particular circumstances.**

### **Holders Not Resident in Canada**

This portion of this summary applies solely to Holders each of whom at all material times for the purposes of the Tax Act (i) has not been and is not resident or deemed to be resident in Canada for purposes of the Tax Act, and (ii) does not and will not use or hold Company Shares, New Company Shares, or Spinco Spinout Shares in connection with carrying on a business in Canada (each a "**Non-resident Holder**").

Special rules, which are not discussed in this summary, may apply to a Non-resident Holder that is an insurer carrying on business in Canada and elsewhere, or an "authorized foreign bank". Such Non-resident Holders should consult their own tax advisers with respect to the Arrangement.

### **Exchange of Company Shares for New Company Shares and Spinco Spinout Shares**

The discussion of the tax consequences of the Share Exchange for Resident Holders under the heading "*Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada - Exchange of Company Shares for New*"

*Company Shares and Spinco Spinout Shares*” generally will also apply to Non-resident Holders in respect of the Share Exchange. The general taxation rules applicable to Non-resident Holders in respect of a deemed taxable dividend or capital gain arising on the Share Exchange are discussed below under the headings “*Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada – Taxation of Dividends*” and “*Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada – Taxation of Capital Gains and Capital Losses*” respectively.

### **Taxation of Dividends**

A Non-resident Holder to whom Company or Spinco pays or credits (or is deemed to pay or credit) an amount as a dividend in respect of the Non-resident Holder’s Company Shares, New Company Shares, or Spinco Spinout Shares will be subject to Canadian withholding tax equal to 25% of the gross amount of the dividend, or such lower rate as may be available under an applicable income tax convention, if any. The rate of withholding tax under *The Canada-US Income Tax Convention* (1980) (the “**Treaty**”) applicable to a Non-resident Holder who is entitled to all of the benefits under the Treaty, and who holds less than 10% of the voting stock of Spinco or Company (as applicable), will be 15%. The payor of the dividend will be required to withhold the Canadian withholding tax from the dividend and remit the withheld amount to the CRA for the Non-resident Holder’s account.

### **Taxation of Capital Gains and Capital Losses**

A Non-resident Holder will not be subject to Canadian federal income tax in respect of any capital gain arising on an actual or deemed disposition of a Company Share, New Company Share or Spinco Spinout Share unless at the time of disposition the share is “taxable Canadian property”, and is not “treaty-protected property”.

Generally, a Company Share, New Company Share, or Spinco Spinout Share, as applicable, of the Non-resident Holder will not be taxable Canadian property of the Non-resident Holder at any time at which the share is listed on a designated stock exchange (which includes the TSXV) unless, at any time during the 60 months immediately preceding the disposition of the share,

- (a) the Non-resident Holder, one or more persons with whom the Non-resident Holder does not deal at arm’s length, partnerships in which the Non-resident Holder or persons with whom the Non-resident Holder does not deal at arm’s length hold a membership interest in directly or indirectly through one or more partnerships, or any combination thereof, owned 25% or more of the issued shares of any class of the capital stock of Company or Spinco, as applicable, and
- (b) the share derived more than 50% of its fair market value directly or indirectly from, or from any combination of, real property situated in Canada, “Canadian resource properties”, “timber resource properties”, and interest, rights or options in or in respect of any of the foregoing.

Shares may also be deemed to be taxable Canadian property under other provisions of the Tax Act.

Generally, a Company Share, New Company Share, or Spinco Spinout Share, as applicable, of the Non-resident Holder will be treaty-protected property of the Non-resident Holder at the time of disposition if at that time any income or gain of the Non-resident Holder from the disposition of the share would be exempt from Canadian income tax under Part I of the Tax Act because of a tax treaty between Canada and another country.

A Non-resident Holder who disposes or is deemed to dispose of a Company Share, New Company Share, or Spinco Spinout Share that, at the time of disposition, is taxable Canadian property and is not treaty-protected property will realize a capital gain (or capital loss) equal to the amount, if any, by which the Non-resident Holder’s proceeds of disposition of the share exceeds (or is exceeded by) the Non-resident Holder’s ACB in the share and reasonable costs of disposition. The Non-resident Holder generally will be required to include one half of any such capital gain (taxable capital gain) in the Non-resident Holder’s taxable income earned in Canada for the year of disposition, and be entitled to deduct one half of any such capital loss (allowable capital loss) against taxable capital gains included in the Non-resident Holder’s taxable income earned in Canada for the year of disposition and, to the extent not so deductible,

against such taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, to the extent and in the circumstances set out in the Tax Act.

### **Dissenting Non-Resident Holders**

The discussion above applicable to Resident Holders under the heading “*Holdings Resident in Canada - Dissenting Company Shareholders*” will generally also apply to a Non-resident Holder who validly exercises Dissent Rights in respect of the Arrangement. The Non-resident Holder generally will be subject to Canadian federal income tax in respect of any deemed taxable dividend or capital gain or loss arising as a consequence of the exercise of Dissent Rights as discussed above under the headings “*Holdings Not Resident in Canada – Taxation of Dividends*” and “*Holdings Not Resident in Canada – Taxation of Capital Gains and Capital Losses*” respectively.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion summarizes certain material U.S. federal income tax consequences to a U.S. Holder (as defined below), as defined below, of the Arrangement and the ownership and disposition of New Company Shares and Spinco Spinout Shares received in the Arrangement. This summary does not address the U.S. federal income tax consequences to holders of Company Options or Company Warrants regarding the Arrangement or the adjustment to such Company Options and Company Warrants to allow the holders thereof to acquire, upon exercise, New Company Shares and Spinco Shares.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations promulgated under the Code (“**Treasury Regulations**”), administrative pronouncements, rulings or practices, and judicial decisions, all as of the date of this Circular. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed in this Circular. No legal opinion from U.S. legal counsel has been or will be sought or obtained regarding the U.S. federal income tax consequences of the Arrangement. In addition, this summary is not binding on the U.S. Internal Revenue Service (the “**IRS**”), and no ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed in this Circular. There can be no assurance that the IRS will not challenge any of the conclusions described in this Circular or that a U.S. court will not sustain such a challenge.

This summary is for general informational purposes only and does not address all possible U.S. federal tax issues that could apply with respect to the Arrangement. This summary does not take into account the facts unique to any particular U.S. Holder that could impact its U.S. federal income tax consequences with respect to the Arrangement. This discussion is not, and should not be, construed as legal or tax advice to a U.S. Holder. Except as provided below, this summary does not address tax reporting requirements. Each U.S. Holder should consult its own tax advisors regarding the U.S. federal income, the Medicare contribution tax on certain net investment income, the alternative minimum, U.S. state and local, and non-U.S. tax consequences of the Arrangement and the ownership and disposition of Company Shares, New Company Shares, or Spinco Spinout Shares.

This summary does not address the U.S. federal income tax consequences to U.S. Holders subject to special rules, including, but not limited to, U.S. Holders that: (i) are banks, financial institutions, or insurance companies; (ii) are regulated investment companies or real estate investment trusts; (iii) are brokers, dealers, or traders in securities or currencies; (iv) are tax-exempt organizations; (v) hold Company Shares (or after the Arrangement, New Company Shares or Spinco Spinout Shares) as part of hedges, straddles, constructive sales, conversion transactions, or other integrated investments; (vi) except as specifically provided below, acquire Company Shares (or after the Arrangement, New Company Shares or Spinco Spinout Shares) as compensation for services or through the exercise or cancellation of employee stock options or warrants; (vii) have a functional currency other than the U.S. dollar; (viii) own or have owned directly, indirectly, or constructively 10% or more of the voting power of all outstanding shares of Company (and after the Arrangement, Company and Spinco); (ix) are U.S. expatriates; (x) are subject to special tax accounting rules as a result of any item of gross income with respect to Company Shares (and after the Arrangement, New Company Shares or Spinco Spinout Shares) being taken into account in an applicable financial statement; (xi) are subject to the alternative minimum tax; (xii) are deemed to sell Company Shares (or after the Arrangement, New Company Shares or Spinco Spinout Shares) under the constructive sale provisions of the Code; or (xiii) own or will own Company Shares, New Company Shares and/or Spinco Spinout Shares that it acquired at different times or at

different market prices or that otherwise have different per share cost bases or holding periods for U.S. tax purposes. In addition, this discussion does not address U.S. federal tax laws other than those pertaining to U.S. federal income tax (such as U.S. federal estate or gift tax and the Medicare contribution tax on certain net investment income), nor does it address any aspects of U.S. state, local or non-U.S. taxes. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of New Company Shares and Spinco Spinout Shares.

For the purposes of this summary, “**U.S. Holder**” means a beneficial owner of Company Shares, Spinco Spinout Shares or New Company Shares (as applicable) that is: (i) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes; (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S., any U.S. state, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (a) is subject to the primary jurisdiction of a court within the U.S. and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a pass-through entity, including a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, holds Company Shares, New Company Shares or Spinco Spinout Shares, the U.S. federal income tax treatment of an owner or partner generally will depend on the status of such owner or partner and on the activities of the pass-through entity. This summary does not address any U.S. federal income tax consequences to such owners or partners of a partnership or other entity taxable as a partnership for U.S. federal income tax purposes holding Company Shares, New Company Shares or Spinco Spinout Shares and such persons are urged to consult their own tax advisors.

For purposes of this summary, “non-U.S. Holder” means a beneficial owner of Company Shares, New Company Shares or Spinco Spinout Shares (as applicable) other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the Arrangement to non-U.S. Holders. Accordingly, non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income, other U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) of the Arrangement.

This summary assumes that the Company Shares, New Company Shares and Spinco Spinout Shares are or will be held as capital assets (generally, property held for investment), within the meaning of the Code, in the hands of a U.S. Holder at all relevant times.

### **U.S. Federal Income Tax Consequences of the Arrangement**

The Arrangement will be effected under applicable provisions of Canadian corporate law, which are technically different from analogous provisions of U.S. corporate law. Accordingly, the U.S. federal income tax consequences of certain aspects of the Arrangement are not certain. Nonetheless, Company believes, and the following discussion assumes, that (a) the renaming and redesignation of the Company Shares as Company Class A Shares and (b) the exchange by the Company Shareholders of the Company Class A Shares for New Company Shares and Spinco Spinout Shares, taken together, will properly be treated for U.S. federal income tax purposes, under the step-transaction doctrine or otherwise, as (i) a tax-deferred exchange by the Company Shareholders of their Company Shares for New Company Shares, either under Section 1036 or Section 368(a)(1)(E) of the Code, combined with (ii) a distribution of the Spinco Spinout Shares to the Company Shareholders under Section 301 of the Code. In addition, except as discussed below, a U.S. Holder should have the same basis and holding period in his, her or its New Company Shares as such U.S. Holder had in its Company Shares immediately prior to the Arrangement.

There can be no assurance that the IRS will not challenge the U.S. federal income tax treatment of the Arrangement or that, if challenged, a U.S. court would not agree with the IRS. Each U.S. Holder should consult its own tax advisors regarding the proper treatment of the Arrangement for U.S. federal income tax purposes.

## Reporting Requirements for Significant Holders

Assuming that the Arrangement qualifies as a reorganization within the meaning of Section 368(a)(1)(E) of the Code, U.S. Holders that are “significant holders” within the meaning of Treasury Regulations Section 1.368-3(c) are required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs and all such U.S. Holders must retain certain records related to the Arrangement. Each U.S. Holder should consult its own tax advisors regarding its information reporting and record retention responsibilities in connection with the Arrangement.

## Receipt of Spinco Spinout Shares pursuant to the Arrangement

Subject to the “passive foreign investment company” (“**PFIC**”) rules discussed below under “*potential Application of the PFIC Rules*”, a U.S. Holder that receives Spinco Spinout Shares pursuant to the Arrangement will be treated as receiving a distribution of property in an amount equal to the fair market value of the Spinco Spinout Shares received on the distribution date (without reduction for any Canadian income or other tax withheld from such distribution). Such distribution would be taxable to the U.S. Holder as a dividend to the extent of Company’s current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the fair market value of the Spinco Spinout Shares distributed exceeds Company’s adjusted tax basis in such shares (as calculated for U.S. federal income tax purposes), the Arrangement can be expected to generate additional earnings and profits for Company in an amount equal to the extent the fair market value of the Spinco Spinout Shares distributed by Company exceeds Company’s adjusted tax basis in those shares for U.S. income tax purposes. Any such dividend generally will not be eligible for the “dividends received deduction” in the case of U.S. Holders that are corporations. To the extent that the fair market value of the Spinco Spinout Shares exceeds the current and accumulated earnings and profits of Company, the distribution of the Spinco Spinout Shares pursuant to the Arrangement will be treated first as a non-taxable return of capital to the extent of a U.S. Holder’s tax basis in the Company Shares, with any remaining amount being taxed as a capital gain. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation.

A dividend paid by Company to a U.S. Holder who is an individual, estate or trust generally will be taxed at the preferential tax rates applicable to long-term capital gains if Company is a “qualified foreign corporation” (“**QFC**”) and certain holding period and other requirements for the Company Shares are met. Company generally will be a QFC as defined under Section 1(h)(11) of the Code if Company is eligible for the benefits of the Treaty or its shares are readily tradable on an established securities market in the U.S. However, even if Company satisfies one or more of these requirements, Company will not be treated as a QFC if Company is a PFIC (as defined below) for the tax year during which it pays a dividend or for the preceding tax year. See the section below under the heading “*potential Application of the PFIC Rules.*”

If a U.S. Holder is not eligible for the preferential tax rates discussed above, a dividend paid by Company to a U.S. Holder generally will be taxed at ordinary income tax rates (rather than the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

## Dissenting U.S. Holders

Subject to the PFIC rules discussed below under “*Potential Application of the PFIC Rules*”, a U.S. Holder that exercises Dissent Rights in connection with the Arrangement (a “**Dissenting U.S. Holder**”) and receives cash for such U.S. Holder’s Company Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for the Company Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the adjusted tax basis of such U.S. Holder in the Company Shares surrendered, provided such U.S. Holder does not actually or constructively own any New Company Shares after the Arrangement. Such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Company Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

If a U.S. Holder that exercises Dissent Rights in connection with the Arrangement and receives cash for such U.S. Holder's Company Shares actually or constructively owns New Company Shares after the Arrangement, all or a portion of the cash received by such U.S. Holder may be taxable as a distribution under the same rules as discussed under *"Receipt of Spinco Spinout Shares pursuant to the Arrangement"* above.

### **Potential Application of the PFIC Rules**

The tax considerations of the Arrangement to a particular U.S. Holder will depend on whether Company was a PFIC during any year in which a U.S. Holder owned Company Shares. In general, a foreign corporation is a PFIC for any taxable year in which either (i) 75% or more of the foreign corporation's gross income is passive income, or (ii) 50% or more of the average quarterly value of the foreign corporation's assets produced are held for the production of passive income. Passive income includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Passive income does not include gains from the sale of commodities that arise in the active conduct of a commodities business by a non-U.S. corporation, provided that certain other requirements are satisfied. In determining whether or not it is classified as a PFIC, a foreign corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest by value.

The determination of PFIC status is inherently factual and generally cannot be determined until the close of the taxable year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. U.S. Holders are urged to consult their own U.S. tax advisors regarding the application of the PFIC rules to the Arrangement. Certain subsidiaries and other entities in which a PFIC has a direct or indirect interest could also be PFICs with respect to a U.S. person owning an interest in the first-mentioned PFIC. Company has not made a determination regarding its PFIC status for any taxable year, including the current taxable year. Although there can be no assurance as to whether Company will or will not be treated as a PFIC during the current taxable year or any prior or future taxable year, and no legal opinion of counsel or ruling from the IRS concerning the status of Company as a PFIC has been obtained or is currently planned to or will be requested, U.S. Holders should be aware that Company may be treated as a PFIC for U.S. federal income tax purposes for its prior, current and future taxable years. U.S. Holders should consult their own tax advisors regarding the PFIC status of Company.

If Company is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for his, her or its Company Shares, the effect of the PFIC rules on a U.S. Holder receiving Spinco Spinout Shares pursuant to the Arrangement will depend on whether such U.S. Holder has made a timely and effective election to treat Company as a qualified electing fund (a "**QEF**") under Section 1295 of the Code (a "**QEF Election**") or has made a mark-to-market election with respect to its Company Shares under Section 1296 of the Code (a "**Mark-to-Market Election**"). In this summary, a U.S. Holder that has made a timely QEF Election or Mark-to-Market Election with respect to its Company Shares is referred to as an "**Electing Company Shareholder**" and a U.S. Holder that has not made a timely QEF Election or a Mark-to-Market Election with respect to its Company Shares is referred to as a "**Non-Electing Company Shareholder**". For a description of the QEF Election and Mark-to-Market Election, U.S. Holders should consult the discussion below under *"U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Spinco Spinout Shares and New Company Shares - Passive Foreign Investment Company Rules - QEF Election"* and *"- Mark-to-Market Election"*.

An Electing Company Shareholder generally would not be subject to the default rules of Section 1291 of the Code discussed below upon the receipt of the Spinco Spinout Shares pursuant to the Arrangement. Instead, the Electing Company Shareholder generally would be subject to the rules described below under *"U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Spinco Spinout Shares and New Company Shares - Passive Foreign Investment Company Rules - QEF Election"* and *"-Mark-to-Market Election"*.

With respect to a Non-Electing Company Shareholder, if Company is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for his, her or its Company Shares, the default rules under Section 1291 of the Code will apply to gain recognized on any disposition of Company Shares and to "excess distributions" from Company (generally, distributions received in the current taxable year that are in excess of 125% of the average distributions received during the three preceding years (or during the U.S. Holder's holding period for the Company Shares, if shorter)). Under Section 1291 of the Code, any such gain recognized on the sale or other disposition of Company

Shares and any excess distribution must be ratably allocated to each day in a Non-Electing Company Shareholder's holding period for the Company Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or receipt of the excess distribution and to years before Company became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year without regard to the Non-Electing Company Shareholder's U.S. federal income tax net operating losses or other attributes and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such prior year. Such Non-Electing Company Shareholders that are not corporations must treat any such interest paid as "personal interest," which is not deductible.

If the distribution of the Spinco Spinout Shares pursuant to the Arrangement constitutes an "excess distribution" or results in the recognition of capital gain as described above under "*Receipt of Spinco Spinout Shares pursuant to the Arrangement*" with respect to a Non-Electing Company Shareholder, such Non-Electing Company Shareholder will be subject to the rules of Section 1291 of the Code discussed above upon the receipt of the Spinco Spinout Shares. In addition, the distribution of the Spinco Spinout Shares pursuant to the Arrangement may be treated, under proposed Treasury Regulations, as the "indirect disposition" by a Non-Electing Company Shareholder of such Non-Electing Company Shareholder's indirect interest in Spinco, which generally would be subject to the rules of Section 1291 of the Code discussed above.

### **U.S. Federal Income Tax Consequences Related to the Ownership and Disposition of Spinco Spinout Shares and New Company Shares**

If the Arrangement is approved by Company Shareholders, each Company Shareholder will ultimately receive 0.04 of a Spinco Spinout Share and one New Company Share for each Company Share held by such Company Shareholder. If the Arrangement is not approved by the Company Shareholders, each Company Shareholder shall retain his, her or its Company Shares. The U.S. federal income tax consequences to a U.S. Holder related to the ownership and disposition of Spinco Spinout Shares or New Company Shares, as the case may be, will generally be the same and are described below.

#### **In General**

The following discussion is subject to the rules described below under the heading "*Passive Foreign Investment Company Rules.*"

#### *Distributions*

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Spinco Spinout Share or New Company Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the distributing company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the distributing company is a PFIC. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the distributing company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the shares of the distributing company and thereafter as gain from the sale or exchange of such shares. See the discussion below under the heading "*Sale or Other Taxable Disposition of Shares.*" However, the distributing company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution with respect to the Spinco Spinout Shares or New Company Shares will constitute ordinary dividend income. Dividends received on Spinco Spinout Shares or New Company Shares generally will not be eligible for the "dividends received deduction." In addition, distributions from Spinco or Company (either on New Company Shares or Spinco Spinout Shares) will not constitute qualified dividend income eligible for the preferential tax rates applicable to long-term capital gains if the distributing company were a PFIC either in the year of the distribution or in the immediately preceding year, or if the distributing company is not eligible for the benefits of the Treaty and its shares are not readily tradable on an established securities market in the U.S. The dividend rules are complex, and each U.S. Holder should consult its own tax adviser regarding the application of such rules.

### *Sale or Other Taxable Disposition of Shares*

Upon the sale or other taxable disposition of Spinco Spinout Shares or New Company Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's adjusted tax basis in such shares sold or otherwise disposed of. A U.S. Holder's tax basis in Spinco Spinout Shares or New Company Shares generally will be such holder's U.S. dollar cost for such shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

### **Passive Foreign Investment Company Rules**

If Spinco or Company were to constitute a PFIC under the meaning of Section 1297 of the Code (as described above under "*US Federal Income Tax Consequences of the Arrangement - Receipt of Spinco Spinout Shares pursuant to the Arrangement*") for any year during a U.S. Holder's holding period, then certain potentially adverse rules will affect the U.S. federal income tax consequences to such U.S. Holder resulting from the acquisition, ownership and disposition of Spinco Spinout Shares or New Company Shares, as applicable. Company has not made a determination regarding its PFIC status for any taxable year, including the current taxable year. Company has also not made a determination regarding whether Spinco should be a PFIC for its initial tax year or whether it may be a PFIC in future tax years. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge whether Company (or a Subsidiary PFIC as defined below) was a PFIC in a prior year or whether Spinco or Company is a PFIC in the current or future years. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of Spinco, Company and any of their Subsidiary PFICs. Neither Spinco nor Company currently intend to provide information to its shareholders concerning whether it is a PFIC for the current or future tax years.

Each U.S. Holder generally must file an IRS Form 8621 reporting distributions received and gain realized with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. In addition, subject to certain rules intended to avoid duplicative filings, U.S. Holders generally must file an annual information return on IRS Form 8621 with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. Each U.S. Holder should consult its own tax advisors regarding these and any other applicable information or other reporting requirements.

Under certain attribution rules, if either Spinco or Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of its direct or indirect equity interest in any subsidiary that is also a PFIC (a "**Subsidiary PFIC**"), and will be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale of the Spinco Spinout Shares or New Company Shares, as applicable, and their proportionate share of (a) any excess distributions on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by Spinco or Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of Spinco Spinout Shares or New Company Shares are made.

### *Default PFIC Rules Under Section 1291 of the Code*

If either Spinco or Company is a PFIC for any tax year during which a U.S. Holder owns Spinco Spinout Shares or New Company Shares, as applicable, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of such shares will depend on whether and when such U.S. Holder makes a QEF Election to treat Spinco or Company, as applicable, and each Subsidiary PFIC, if any, as a QEF under Section 1295 of the Code or makes a Mark-to-Market Election under Section 1296 of the Code. A U.S. Holder that does not make either a timely

QEF Election or a Mark-to-Market Election with respect to its Spinco Spinout Shares or New Company Shares, as applicable, will be referred to in this summary as a “**Non-Electing Shareholder**”.

A Non-Electing Shareholder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of Spinco Spinout Shares or New Company Shares, as applicable, and (b) any excess distribution received on the Spinco Spinout Shares or New Company Shares, as applicable. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the applicable shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Spinco Spinout Shares or New Company Shares, as applicable, (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on such shares, must be ratably allocated to each day in a Non-Electing Shareholder’s holding period for the respective shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year without regard to the shareholder’s net operating losses or other U.S. federal income tax attributes, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing Shareholder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If either Spinco or Company is a PFIC for any tax year during which a Non-Electing Shareholder holds Spinco Spinout Shares or New Company Shares, as applicable, the applicable company will continue to be treated as a PFIC with respect to such Non-Electing Shareholder, regardless of whether that company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing Shareholder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such shares were sold on the last day of the last tax year for which the applicable company was a PFIC.

#### *QEF Election*

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its Spinco Spinout Shares or New Company Shares, as applicable, begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to those shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of Spinco or Company, as applicable, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of Spinco or Company, as applicable, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which Spinco or Company, as applicable, is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder. However, for any tax year in which Spinco or Company, as applicable, is a PFIC and has no net income or gain as determined for U.S. income tax purposes, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to Spinco or Company, as applicable, generally (a) may receive a tax-free distribution from the applicable company to the extent that such distribution represents “earnings and profits” of the distributing company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the shares of the applicable company to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Spinco Spinout Shares or New Company Shares, as applicable.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the Spinco Shares or New Company Shares in which Spinco or Company, as applicable, was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for the Spinco Shares or New Company Shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC in order for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, Spinco or Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which Spinco or Company, as applicable, is not a PFIC. Accordingly, if Spinco or Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which Spinco or Company, as applicable, qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that Spinco or Company will satisfy the record keeping requirements that apply to a QEF for the current or future years, or that Spinco or Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in the event that Spinco or Company is a PFIC. Neither Spinco nor Company commits to provide information to its shareholders that would be necessary to make a QEF Election with respect to Spinco or Company for any year in which it is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Spinco Spinout Shares or New Company Shares (or with respect to any Subsidiary PFIC). Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if Spinco or Company does not provide the required information with regard to Spinco, Company or any of their Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules discussed above that apply to Non-Electing Shareholders with respect to the taxation of gains and excess distributions.

#### *Mark-to-Market Election*

A U.S. Holder may make a Mark-to-Market Election only if the Spinco Spinout Shares or New Company Shares, as applicable, are marketable stock. These shares generally will be “marketable stock” if they are regularly traded on: (i) a national securities exchange that is registered with the Securities and Exchange Commission; (ii) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (iii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that: (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, and together with the rules of such foreign exchange, ensure that such requirements are actually enforced; and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There is no assurance that the Spinco Spinout Shares or New Company Shares will be marketable stock for this purpose.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Spinco Spinout Shares or New Company Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for such shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, those shares.

A U.S. Holder that makes a Mark-to-Market Election with respect to Spinco Spinout Shares or New Company Shares will include in ordinary income, for each tax year in which Spinco or Company, as applicable, is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the applicable shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the applicable shares, over (b) the fair market value of such shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election with respect to Spinco Spinout Shares or New Company Shares generally also will adjust such U.S. Holder's tax basis in the applicable shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of such shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Spinco Spinout Shares or New Company Shares, as applicable, cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Spinco Spinout Shares or New Company Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### *Other PFIC Rules*

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Spinco Spinout Shares or New Company Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which such shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if Spinco or Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Spinco Spinout Shares or New Company Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax adviser regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult with its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Spinco Spinout Shares or New Company Shares.

## **Additional Considerations**

### *Foreign Tax Credit*

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of Spinco Spinout Shares or New Company Shares may elect to deduct or credit such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

### *Receipt of Foreign Currency*

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. A U.S. Holder will generally have a tax basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and converts or disposes of the Canadian dollars after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, which generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting.

Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

### *Information Reporting and Backup Withholding Tax*

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, Section 6038D of the Code generally imposes U.S. return disclosure obligations (and related penalties) on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their shares are held in an account at a domestic financial institution. A U.S. Holder's disclosure of foreign financial assets pursuant to Section 6038D of the Code should be made on IRS Form 8938. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of (a) distributions on the Spinco Spinout Shares or New Company Shares, (b) proceeds arising from the sale or other taxable disposition of Spinco Spinout Shares or New Company Shares, or (c) any payments received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising dissent rights under the Arrangement) generally may be subject to information reporting and backup withholding tax, at the current rate of 24% if a U.S. Holder (i) fails to furnish its correct U.S. taxpayer identification number (generally on IRS Form W-9), (ii) furnishes an incorrect U.S. taxpayer identification number, (iii) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (iv) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. Backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

**THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO SECURITYHOLDERS WITH RESPECT TO THE DISPOSITION OF THOSE SECURITIES PURSUANT TO THE ARRANGEMENT OR THE OWNERSHIP AND DISPOSITION OF THOSE SECURITIES RECEIVED PURSUANT TO THE ARRANGEMENT. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.**

### SECURITIES LAW CONSIDERATIONS

The following is a brief summary of the securities law considerations applicable to the transactions contemplated herein.

#### Canadian Securities Laws and Resale of Securities

Each Company Shareholder is urged to consult such holder's professional advisors to determine the Canadian conditions and restrictions applicable to trades in the Spinco Shares.

Company is a "reporting issuer" in the provinces of British Columbia, Alberta and Ontario. The Company Shares are currently listed and posted for trading on the TSXV.

Upon completion of the Arrangement, it is expected that Spinco will be a reporting issuer in British Columbia, Alberta and Ontario. Spinco intends to complete an equity financing and seek a listing of the Spinco Shares on a Canadian stock exchange. There can be no assurances that Spinco will be able to complete a financing or attain a listing on any stock exchange.

The issuance of the New Company Shares and Spinco Shares pursuant to the Arrangement will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The New Company Shares and Spinco Shares issued to Company Shareholders may be resold in each of the provinces and territories of Canada provided the holder is not a 'control person' as defined in the applicable Securities Legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

Company Options are non-transferable. After the Arrangement, Company Replacement Options and Spinco Options will be non-transferable.

After the Arrangement, Company Warrants will be transferable/non-transferable in accordance with their terms and conditions.

#### U.S. Securities Laws

##### *Status Under U.S. Securities Laws*

Each of Company and Spinco is a "foreign private issuer" as defined in Rule 405 under the U.S. Securities Act. The Spinco Shares are not listed or quoted for trading in the United States, nor does Spinco intend to seek such a listing or quotation at this time.

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to U.S. Securityholders. All U.S. Securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of the New Company Shares and Spinco Shares, or Spinco Options and Company Replacement Options issued to them, or the Company Warrants, as applicable, under the Plan of Arrangement complies with applicable securities legislation. **Further information applicable to U.S. Securityholders is disclosed under the heading "Note to United States Securityholders".**

The following discussion does not address the Canadian securities laws that will apply to the issue or distribution of the New Company Shares and Spinco Shares or the resale of these shares by U.S. Securityholders within Canada. U.S.

Securityholders reselling their New Company Shares and Spinco Shares, or Spinco Options and Company Replacement Options, or Company Warrants, as applicable, in Canada must comply with Canadian securities laws, as outlined elsewhere in this Information Circular.

*Exemption from the Registration Requirements of the U.S. Securities Act*

The New Company Shares and Spinco Shares to be issued to Company Shareholders in exchange for their Company Shares pursuant to the Plan of Arrangement, and the Spinco Options and Company Replacement Options to be issued to Company Optionholders in exchange for their Company Options pursuant to the Plan of Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, but will be issued in reliance upon the Section 3(a)(10) Exemption and exemptions provided under the securities laws of each state of the United States in which U.S. Securityholders reside. The Section 3(a)(10) Exemption exempts from registration the issuance of a security that is issued in exchange for one or more outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear and receive timely and adequate notice thereof, by a court or by a governmental authority expressly authorized by law to grant such approval. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the New Company Shares, Spinco Shares, Spinco Options and Company Replacement Options issued in connection with the Plan of Arrangement. See “*Approval of the Arrangement – Court Approval of the Arrangement*” above.

*Resales of Spinco Shares and New Company Shares after the Effective Date*

The manner in which a Company Shareholder may resell the Spinco Shares and New Company Shares received on completion of the Plan of Arrangement will depend on whether such holder is, at the time of such resale, an “affiliate” of Spinco or Company, as applicable, after the Effective Date, or has been such an “affiliate” at any time within 90 days immediately preceding the Effective Date.

As defined in Rule 144 under the U.S. Securities Act, an “affiliate” of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, that issuer. Typically, persons who are executive officers, directors or 10% (or greater) holders of an issuer are considered to be its “affiliates,” as well as any other person or group that actually controls the issuer.

Persons who are affiliates of Spinco or the Company, as applicable, after the Effective Date, or within 90 days immediately preceding the Effective Date may not sell their Spinco Shares and New Company Shares that they receive in connection with the Plan of Arrangement in the absence of registration under the U.S. Securities Act, unless an exemption from such registration is available, such as the exemptions provided by Rule 144 under the U.S. Securities Act or Rule 904 of Regulation S.

*Rule 144*

In general, Rule 144 under the U.S. Securities Act provides that persons who are affiliates of Spinco or Company, as applicable, after the Effective Date or, at any time during the 90 day period immediately prior to the Effective Date, will be entitled to sell, during any three-month period, a portion of the Spinco Shares and New Company Shares that they receive in connection with the Plan of Arrangement, provided that the number of each such securities sold does not exceed the greater of one percent of the number of then outstanding securities of such class or, if such securities are listed on a United States securities exchange (which neither Spinco nor Company intends to seek at this time), the average weekly trading volume of such securities during the four-week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about Spinco or Company, as applicable. In addition, subject to certain exceptions, Rule 144 will not be available for resales of Spinco Shares or New Company Shares if the issuer of such securities is, or has at any time previously been, a shell company, which means a company with no or nominal operations and no or nominal assets other than cash and cash equivalents.

Regulation S

Subject to certain limitations, all persons who are affiliates of Spinco or Company, as applicable, after the Effective Date or, at any time during the 90-day period immediately prior to the Effective Date, may immediately resell such securities outside the United States, without registration under the U.S. Securities Act, pursuant to Regulation S. Generally, subject to certain limitations, holders of Spinco Shares and New Company Shares who are not affiliates of Spinco or Company, as applicable, or who are its affiliates of Spinco or Company, as applicable, solely by virtue of being an officer and/or director of the applicable corporation and who pay only the usual and customary broker's commission in connection with the transaction, may resell their Spinco Shares or New Company Shares, as applicable, in an "offshore transaction" (which would generally include a sale through the TSXV) if no offer is made to a person in the United States, the sale is not prearranged with a buyer in the United States, neither the seller, any affiliate of the seller, nor any person acting on any of their behalf engages in any "directed selling efforts" in the United States, and subject to certain additional conditions. For the purposes of Regulation S, "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered" in the resale transaction. Under Regulation S, certain additional restrictions and qualifications are applicable to holders of Spinco Shares or New Company Shares who are affiliates of Spinco or Company, as applicable, other than by virtue of being an officer and/or director or the applicable corporation.

**The foregoing discussion is only a general overview of the requirements of United States securities laws for the resale of the Spinco Shares and New Company Shares received pursuant to the Plan of Arrangement. Holders of Spinco Shares and New Company Shares are urged to seek legal advice prior to any resale of such securities to ensure that the resale is made in compliance with the requirements of applicable securities legislation.**

*Resales of Spinco Options and Company Replacement Options after the Effective Date*

The Spinco Options and Company Replacement Options are not generally transferable other than by will or the laws of descent and may be exercised during the lifetime of the optionee only by the optionee.

*Issuance of Spinco Options and Company Replacement Options, and Spinco Shares and New Company Shares upon Exercise of the Spinco Options and Company Replacement Options*

The issuance of the Spinco Options and Company Replacement Options to Company Optionholders will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption, and similar exemptions provided under the securities laws of each state of the United States in which Company Optionholders reside.

The Section 3(a)(10) Exemption does not exempt the issuance of securities issued upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Spinco Shares issuable upon the exercise of the Spinco Options following the Effective Date, and the New Company Shares issuable upon the exercise of the Company Replacement Options following the Effective Date, may not be issued in reliance upon the Section 3(a)(10) Exemption and such options may be exercised only pursuant to an available exemption or exclusion from the registration requirements of the U.S. Securities Act and applicable state securities laws. Prior to the issuance of Spinco Shares or New Company Shares pursuant to any such exercise, Spinco or Company, as applicable, may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Spinco or Company, as applicable, to the effect that the issuance of such New Company Shares or Spinco Shares, as applicable, does not require registration under the U.S. Securities Act or applicable state securities laws. Any Spinco Shares or New Company Shares, as applicable, issued upon exercise of the Spinco Options and Company Replacement Options, as applicable, pursuant to an exemption from the registration requirements of the U.S. Securities Act will be "restricted securities" as defined in Rule 144 under the U.S. Securities Act and will be subject to restrictions on resales imposed by the U.S. Securities Act.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale and exercise of Spinco Options and Company Replacement Options received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale or exercise of their securities complies with applicable securities legislation.**

*Resales of Company Warrants after the Effective Date*

Certain of the Company Warrants are transferable and others are not. After the Arrangement, the Company Warrants will be transferable/non-transferable in accordance with their terms and conditions.

*Modification of Company Warrants, and Issuance of Spinco Shares and New Company Shares upon Exercise of the Company Warrants*

The modification of the Company Warrants pursuant to the Arrangement will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and will be effected in reliance upon the Section 3(a)(10) Exemption, and similar exemptions provided under the securities laws of each state of the United States in which Company Warrantholders reside.

The Section 3(a)(10) Exemption does not exempt the issuance of securities issued upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. Therefore, the Spinco Shares and the New Company Shares issuable upon the exercise of the Company Warrants following the Effective Date may not be issued in reliance upon the Section 3(a)(10) Exemption and the Company Warrants may be exercised only pursuant to an available exemption or exclusion from the registration requirements of the U.S. Securities Act and applicable state securities laws. Prior to the issuance of Spinco Shares or New Company Shares pursuant to any such exercise, Spinco or Company, as applicable, may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Spinco or Company, as applicable, to the effect that the issuance of such New Company Shares or Spinco Shares, as applicable, does not require registration under the U.S. Securities Act or applicable state securities laws. Any Spinco Shares or New Company Shares, as applicable, issued upon exercise of the Company Warrants pursuant to an exemption from the registration requirements of the U.S. Securities Act will be “restricted securities” as defined in Rule 144 under the U.S. Securities Act and will be subject to restrictions on resales imposed by the U.S. Securities Act.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale and exercise of the Company Warrants following completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale or exercise of their securities complies with applicable securities legislation.**

**APPROVAL OF SPINCO STOCK OPTION PLAN**

As the Company Stock Option Plan will not carry forward to Spinco, and in contemplation of the successful completion of the Arrangement, Company Shareholders will be asked to approve the Spinco Stock Option Plan (as defined herein) at the Meeting. A full copy of the Spinco Stock Option Plan will be available at the Meeting for review by Company Shareholders. Company Shareholders may also obtain copies of the Spinco Stock Option Plan from the Company prior to the Meeting on written request.

Spinco Board intends to adopt a 10% rolling incentive stock option plan of Spinco (the “**Spinco Stock Option Plan**”), which provides that the Spinco Board or a committee of the Spinco Board (the “**Committee**”) may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Spinco stock options to purchase up to 10% of the issued and outstanding Spinco Shares, except that prior to the Spinco Shares being listed for trading on the TSXV (or such other trading facility as the Spinco Shares may be listed on) the number of Spinco Shares which will be available for purchase pursuant to options granted pursuant to the Spinco Stock Option Plan may exceed 10% of the number of Spinco Shares which are issued and outstanding on the particular date of grant of options.

The following is a summary of the material terms of the Spinco Stock Option Plan:

- (a) if the Spinco Shares are listed on the TSXV, Spinco must not grant an option to a director, officer, employee, management company employee, consultant, or consultant company in any 12 month period that, together with all of Spinco’s other share compensation arrangements of Spinco, exceeds 5% of the outstanding Spinco Shares, unless Spinco has obtained by a majority of the votes cast by the Spinco

Shareholders eligible to vote at a shareholders' meeting, excluding votes attaching to Spinco Shares beneficially owned by insiders and their associates ("**Spinco Disinterested Shareholder Approval**");

- (b) if the Spinco Shares are listed on the TSXV, Spinco must not grant an option where the aggregate number of Spinco Shares reserved for issuance under options granted to insiders at any point in time under the Spinco Stock Option Plan, together with Spinco Shares reserved for issuance to insiders under all of Spinco's other share compensation arrangements, exceeds 10% of the outstanding Shares, unless Spinco has obtained Spinco Disinterested Shareholder Approval to do so;
- (c) if the Spinco Shares are listed on the TSXV, Spinco must not grant an option where the number of optioned Spinco Shares issued to insiders in any 12 month period under the Spinco Stock Option Plan and all of Spinco's other share compensation arrangements exceeds 10% of the outstanding Spinco Shares, unless Spinco has obtained Spinco Disinterested Shareholder Approval to do so;
- (d) if the Spinco Shares are listed on the TSXV, the aggregate number of options granted to all persons conducting Investor Relations Activities (as defined in the policies of the TSXV) in any 12 month period must not exceed 2% of the outstanding Spinco Shares calculated at the date of the grant and such options must vest in stages over 12 months with no more than 25% of the options vesting in any three month period;
- (e) if the Spinco Shares are listed on the TSXV, Spinco must not grant options under the Spinco Stock Option Plan and all of Spinco's other share compensation arrangements to any one consultant in any 12 month period that exceeds 2% of the outstanding Spinco Shares calculated at the date of the grant of the option;
- (f) the exercise price of an option shall be determined by the Committee and shall not be less than the market value (as defined in the Spinco Stock Option Plan) of the Spinco Shares on the applicable grant date; the exercise price of an option previously granted to an insider must not be reduced, unless Spinco has obtained Spinco Disinterested Shareholder Approval to do so, if required to do so pursuant to the policies of the TSXV;
- (g) options granted under the Spinco Stock Option Plan are non-assignable and non-transferable and, if the Spinco Shares are listed on the TSXV, the expiry date of an option cannot exceed the tenth anniversary of the grant date;
- (h) in the event an optionee ceases to hold office or ceases to be employed or engaged by Spinco, other than by reason of death or disability, the expiry date of the options held by such optionee shall be the 90<sup>th</sup> day following the date the optionee ceases to hold such position, subject to earlier termination in accordance with the Spinco Stock Option Plan or unless otherwise determined by the Committee and set out in the option certificate;
- (i) if an optionee dies, any vested option held by him or her at the date of death will become exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to the option;
- (j) in the case of an optionee being dismissed from employment or service for cause, the optionee's options, whether or not vested at the date of dismissal, will immediately terminate without any right of exercise;
- (k) vesting of options shall be determined by the Committee and may be accelerated at the election of the Committee;
- (l) Spinco may withhold and remit income tax payable upon the exercise of stock options to comply with the Tax Act; and

- (m) subject to any necessary regulatory approvals, the Spinco Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Spinco Stock Option Plan with respect to all Spinco Shares in respect of options granted under the Spinco Stock Option Plan.

The foregoing is only a summary of the salient features of the Spinco Stock Option Plan, which is qualified in its entirety by the full text of the Spinco Stock Option Plan. A copy of the Spinco Stock Option Plan may be inspected at the offices of Company, during normal business hours and at the Meeting. In addition, a copy of the Spinco Stock Option Plan will be mailed, free of charge, to any Company Shareholder who requests a copy, in writing, mailed to Company at Suite 1125 - 595 Howe Street, Vancouver, BC V6C 2T5.

Unless such authority is withheld, the persons named in the enclosed proxy intend to vote for the approval of the Spinco Stock Option Plan.

At the Meeting, Company Shareholders will be asked to pass an ordinary resolution, with or without amendment, in substantially the form set forth below:

“RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. subject to completion of the Arrangement, a stock option plan for Spinco, being a “rolling” stock option plan, as described in Company’s Information Circular dated August 12, 2021, and the grant of options thereunder in accordance therewith, be approved;
2. Spinco is authorized to grant stock options pursuant and subject to the terms and conditions of the Spinco Stock Option Plan entitling all of the optionholders in aggregate to purchase up to such number of Spinco Shares as is equal to 10% (or such other number specified in the Spinco Stock Option Plan) of the number of Spinco Shares issued and outstanding on the applicable grant date;
3. the Spinco Board or any committee created pursuant to the Spinco Stock Option Plan is authorized to make such amendments to the Spinco Stock Option Plan from time to time as the Spinco Board may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of all applicable regulatory authorities and in certain cases, in accordance with the terms of the Spinco Stock Option Plan;
4. any director or officer of Spinco is hereby authorized and directed for and in the name of and on behalf of Spinco to execute or cause to be executed, whether under corporate seal of Spinco or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing resolutions; and
5. notwithstanding that this resolution be passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable to the directors.”

An ordinary resolution is a resolution passed by the Company Shareholders at a general meeting by a simple majority of the votes cast in person or by proxy.

### **Recommendation of the Directors**

The Company Board has reviewed the proposed resolution and concluded that it is fair and reasonable to the Company Shareholders and in the best interests of Company. **The Company Board recommends that the Company Shareholders vote in favour of the above resolution. Unless otherwise directed, or where the instructions are unclear, the persons named in the enclosed proxy intend to vote FOR the approval of the Spinco Stock Option Plan until the next annual meeting of Spinco.**

## APPROVAL OF SPINCO SHARE UNIT PLAN

As the Company Share Unit Plan will not carry forward to Spinco, and in contemplation of the successful completion of the Arrangement, Company Shareholders will be asked to approve the Spinco Share Unit Plan at the Meeting. A full copy of the Spinco Share Unit Plan will be available at the Meeting for review by Company Shareholders. Company Shareholders may also obtain copies of the Spinco Share Unit Plan from the Company prior to the Meeting on written request.

The Spinco Board intends to adopt the Spinco Share Unit Plan, which will be administered by the Spinco Board or a committee thereof and will permit the Spinco Board to grant awards of restricted share units (“**Spinco RSUs**”) and performance share units (“**Spinco PSUs**”, together with Spinco RSUs, “**Spinco Share Units**”) to officers, employees and consultants of Spinco or an affiliate of Spinco (the “**Spinco Eligible Participants**”) in respect of services rendered or to be rendered by the Spinco Eligible Participants.

Subject to the terms of the Spinco Share Unit Plan, the Spinco Board may determine terms and conditions of any Spinco Share Units, including the number of Spinco RSUs or Spinco PSUs subject to a grant; the form of payout; the payment date of vested Spinco Share Units; whether and the extent to which any performance conditions and criteria applicable to the vesting of Spinco RSUs and Spinco PSUs have been satisfied or shall be waived and any other terms and conditions with respect to vesting or acceleration of vesting. Subsequent to the grant of a Spinco Share Unit, the Spinco Board may, in its discretion, waive any such term or condition or determine that such term or condition has been satisfied, subject to applicable law. Each Spinco Eligible Participant who continues in employment or service with Spinco or an affiliate of Spinco on a vesting date will receive a payout of their respective vested Spinco Share Units in cash, Spinco Shares, or a combination of both, as determined by the Spinco Board, in an amount equal to the fair market value of their respective vested Spinco Share Units on the payment date, less any withholding taxes. Subject to adjustment, the maximum number of Spinco Shares that may be reserved for issuance under the Spinco Share Unit Plan will be determined by the Spinco Board within the limits imposed by applicable securities law and stock exchange requirements.

The Spinco Share Unit Plan will be substantially similar to the Company Share Unit Plan, a copy of which is attached as Schedule “O” to this Information Circular and the terms of which are summarized in this Information Circular under the heading “*Particulars of Matters to be Acted Upon – Approval of Company Share Unit Plan*”. A copy of the Spinco Share Unit Plan may be inspected at the offices of Company, during normal business hours and at the Meeting. In addition, a copy of the Spinco Stock Option Plan will be mailed, free of charge, to any Company Shareholder who requests a copy, in writing, mailed to Company at Suite 1125 - 595 Howe St., Vancouver, British Columbia, V6C 2T5.

Unless such authority is withheld, the persons named in the enclosed proxy intend to vote for the approval of the Spinco Share Unit Plan.

At the Meeting, Company Shareholders, excluding all votes of those eligible to receive grants pursuant to the Spinco Share Unit Plan and their affiliates and associates (the “**Spinco Share Unit Disinterested Shareholders**”), will be asked to consider and approve an ordinary resolution, in substantially the following form, in order to approve the Spinco Share Unit Plan. The ordinary resolution requires approval of greater than 50% of the votes cast by Spinco Share Unit Disinterested Shareholders who, being entitled to do so, vote, in person or by proxy, on the ordinary resolution at the Meeting, excluding an aggregate of 4,221,577 Company Shares beneficially owned by those eligible to receive grants pursuant to the Spinco Share Unit Plan and their affiliates and associates as at the Record Date:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH ALL THOSE ELIGIBLE TO RECEIVE GRANTS PURSUANT TO THE SHARE UNIT PLAN ABSTAINING FROM VOTING, THAT:

- (a) subject to the completion of the Arrangement, a performance share unit plan and a restricted share unit plan for Spinco (the “**Spinco Share Unit Plan**”), as described in the management information circular of Kootenay Silver Inc. (the “**Company**”) dated August 12, 2021, is hereby approved;

- (b) the directors of Spinco or any committee of the board of directors of Spinco are hereby authorized to grant performance share units (“**PSUs**”) and restricted share units (“**RSUs**”) pursuant to the Spinco Share Unit Plan to those eligible to receive PSUs and RSUs thereunder;
- (c) any one director or officer of Spinco is hereby authorized to execute and deliver on behalf of Spinco all such documents and instruments and to do all such other acts and things as in such director’s opinion may be necessary to give effect to the matters contemplated by these resolutions; and
- (d) notwithstanding that this resolution be passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable to the directors.”

### **Recommendation of the Directors**

The Company Board has reviewed the proposed resolution and concluded that it is fair and reasonable to the Company Shareholders and in the best interests of Company. **The Company Board recommends that the Company Shareholders vote in favour of the above resolution. Unless otherwise directed, or where the instructions are unclear, the persons named in the enclosed proxy intend to vote FOR the approval of the Spinco Share Unit Plan until the next annual meeting of Spinco.**

### **APPROVAL OF SPINCO DSU PLAN**

As the Company DSU Plan will not carry forward to Spinco, and in contemplation of the successful completion of the Arrangement, Company Shareholders will be asked to approve the Spinco DSU Plan at the Meeting. A full copy of the Spinco DSU Plan will be available at the Meeting for review by Company Shareholders. Company Shareholders may also obtain copies of the Spinco DSU Plan from the Company prior to the Meeting on written request.

The Spinco Board intends to adopt the Spinco DSU Plan, which will be administered by the Spinco Board or a committee thereof and will permit the Spinco Board to grant awards of deferred share units (“**Spinco DSUs**”) to directors of Spinco who are not employees or officers of Spinco or an affiliate of Spinco, including any non-executive chair of the Board (the “**Spinco Eligible Directors**”).

Pursuant to the Spinco DSU Plan, Spinco Eligible Directors may elect to receive all or a portion of their annual remuneration amount, which would otherwise be payable in cash, in Spinco DSUs, subject to such conditions as the Spinco Board may impose. Additionally, the Spinco Board may award such number of Spinco DSUs to a Spinco Eligible Director as the Spinco Board deems advisable to provide such Spinco Eligible Director with appropriate equity-based compensation for the services he or she renders to Spinco. The Spinco Board may specify whether such Spinco DSUs will be settled in cash or Spinco Shares, or a combination thereof. The Spinco Board shall determine the date on which such Spinco DSUs may be granted and the date as of which such Spinco DSUs shall be credited to the Spinco Eligible Director’s Account, together with any terms of conditions with respect to the vesting of such Spinco DSUs. Subject to adjustment, the maximum number of Spinco Shares that may be reserved for issuance under the Spinco DSU Plan will be determined by the Spinco Board within the limits imposed by applicable securities law and stock exchange requirements.

The Spinco DSU Plan will be substantially similar to the Company DSU Plan, a copy of which is attached as Schedule “P” to this Information Circular and the terms of which are summarized in this Information Circular under the heading “*Particulars of Matters to be Acted Upon – Approval of Company DSU Plan*”. A copy of the Spinco DSU Plan may be inspected at the offices of Company, during normal business hours and at the Meeting. In addition, a copy of the Spinco DSU Plan will be mailed, free of charge, to any Company Shareholder who requests a copy, in writing, mailed to Company at Suite 1125 - 595 Howe St., Vancouver, British Columbia, V6C 2T5.

Unless such authority is withheld, the persons named in the enclosed proxy intend to vote for the approval of the Spinco DSU Plan.

At the Meeting, Company Shareholders, excluding all votes of those eligible to receive grants pursuant to the Spinco DSU Plan and their affiliates and associates (the “**Spinco DSU Disinterested Shareholders**”), will be asked to consider and approve an ordinary resolution, in substantially the following form, in order to approve the Spinco DSU Plan. The ordinary resolution requires approval of greater than 50% of the votes cast by Spinco DSU Disinterested Shareholders who, being entitled to do so, vote, in person or by proxy, on the ordinary resolution at the Meeting, excluding an aggregate of 893,500 Company Shares beneficially owned by those eligible to receive grants pursuant to the Spinco DSU Plan and their affiliates and associates as at the Record Date:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH ALL THOSE ELIGIBLE TO RECEIVE GRANTS PURSUANT TO THE DSU PLAN ABSTAINING FROM VOTING, THAT:

- (a) subject to the completion of the Arrangement, a deferred share unit plan for Spinco (the “**Spinco DSU Plan**”), as described in the management information circular of Kootenay Silver Inc. (the “**Company**”) dated August 12, 2021, is hereby approved;
- (b) the directors of Spinco or any committee of the board of directors of Spinco are hereby authorized to grant deferred share units (“**DSUs**”) pursuant to the Spinco DSU Plan to those eligible to receive DSUs thereunder;
- (c) any one director or officer of Spinco is hereby authorized to execute and deliver on behalf of Spinco all such documents and instruments and to do all such other acts and things as in such director’s opinion may be necessary to give effect to the matters contemplated by these resolutions; and
- (d) notwithstanding that this resolution be passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable to the directors.”

#### **Recommendation of the Directors**

The Company Board has reviewed the proposed resolution and concluded that it is fair and reasonable to the Company Shareholders and in the best interests of Company. **The Company Board recommends that the Company Shareholders vote in favour of the above resolution. Unless otherwise directed, or where the instructions are unclear, the persons named in the enclosed proxy intend to vote FOR the approval of the Spinco DSU Plan until the next annual meeting of Spinco.**

#### **INFORMATION CONCERNING KOOTENAY SILVER INC. POST-ARRANGEMENT**

For further information concerning the Company post-Arrangement, see Schedule “F” attached to this Information Circular. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **INFORMATION CONCERNING SPINCO POST-ARRANGEMENT**

For further information concerning Spinco post-Arrangement, see Schedule “G” attached to this Information Circular.

#### **OTHER MATTERS**

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Company Shareholders may contact the Company at 604.601.5650 to request copies of the Company's financial statements and management's discussion and analysis.

**DIRECTOR'S APPROVAL**

The contents of this Information Circular and the sending thereof to the Company Shareholders have been approved by the Company Board.

**DATED** at Vancouver, British Columbia, this 12th day of August, 2021.

**BY ORDER OF THE COMPANY BOARD**

*(signed) "Kenneth E. Berry"*

Chairman and Director

**SCHEDULE "A"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**ARRANGEMENT RESOLUTION**

**(see attached)**

**ARRANGEMENT RESOLUTION****BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE COMPANY SHAREHOLDERS THAT:**

1. The arrangement (the “**Arrangement**”) under section 288 of the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) involving Kootenay Silver Inc., a corporation existing under the laws of the Province of British Columbia (“**Company**”), its securityholders and Kootenay Resources Inc., a corporation existing under the laws of the Province of British Columbia (“**Spinco**”), all as more particularly described and set forth in the management information circular (the “**Information Circular**”) of Company dated August 12, 2021 accompanying the notice of meeting (as the Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”), implementing the Arrangement, the full text of which is appended to the Information Circular (as the Plan of Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
3. The arrangement agreement (the “**Arrangement Agreement**”) between Company and Spinco dated August 12, 2021 and all the transactions contemplated therein, the actions of the directors of Company in approving the Arrangement and the actions of the directors and officers of Company in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement approved and agreed to) by the shareholders of Company or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of Company are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Company:
  - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; or
  - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement).
5. Any one director or officer of Company is hereby authorized and directed, for and on behalf and in the name of the Company, to execute and deliver, whether under the corporate seal of the Company or otherwise, all such deeds, instruments, assurances, agreements, forms, waivers, notices, certificates, confirmations and other documents and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:
  - (a) all actions required to be taken by or on behalf of Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
  - (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Company;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**SCHEDULE "B"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.  
PLAN OF ARRANGEMENT UNDER THE PROVISIONS OF SECTION 288 OF THE BUSINESS  
CORPORATIONS ACT (BRITISH COLUMBIA)**

**(see attached)**

**PLAN OF ARRANGEMENT**  
**UNDER THE PROVISIONS OF SECTION 288 OF THE BUSINESS CORPORATIONS ACT**  
**(BRITISH COLUMBIA)**

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

**1.1**           **Definitions.** In this plan of arrangement, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms shall have the following meanings:

- (a)       **“Arrangement Agreement”** means the arrangement agreement dated as of August 12, 2021 between the Company and Spinco, as may be supplemented or amended from time to time;
- (b)       **“Arrangement Provisions”** means Part 9, Division 5 of the BCBCA;
- (c)       **“Arrangement Resolution”** means the special resolution of the Company Shareholders to approve the Arrangement, as required by the Interim Order and the BCBCA, in the form attached as Schedule “A” hereto;
- (d)       **“Arrangement”** means the arrangement pursuant to the Arrangement Provisions as contemplated by the provisions of the Arrangement Agreement and this Plan of Arrangement;
- (e)       **“BCBCA”** means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended;
- (f)       **“Business Day”** means a day which is not a Saturday, Sunday or statutory holiday in Vancouver, British Columbia;
- (g)       **“Canadian Properties”** means Canadian mineral exploration properties owned or under option by Spinco which include the Sweet Spot, Silver Fox, Mark, Meachen Bend, Moyie Anticline, Lady Slipper, Kenco, Down Dip, Leaky Pipe and Hazels Yahk properties;
- (h)       **“Company”** means Kootenay Silver Inc., a corporation existing under the laws of the Province of British Columbia;
- (i)       **“Company Board”** means the board of directors of the Company;
- (j)       **“Company Class A Shares”** means the renamed and redesignated Company Shares as described in §1.1(b)(i) of this Plan of Arrangement;
- (k)       **“Company Meeting”** means the annual and special meeting of the Company Shareholders and any adjournments thereof to be held to, among other things, consider and, if deemed advisable, approve the Arrangement;
- (l)       **“Company Optionholders”** means the holders of Company Options on the Effective Date;
- (m)       **“Company Options”** means options to acquire Company Shares that are outstanding immediately prior to the Effective Time;
- (n)       **“Company Replacement Option”** means an option to acquire a New Company Share to be issued by the Company to a holder of a Company Option pursuant to §1.1(d) of this Plan of Arrangement;
- (o)       **“Company Shareholder”** means a holder of Company Shares;

- (p) “**Company Shares**” means the common shares without par value in the capital of the Company as the same are constituted on the date hereof;
- (q) “**Company Warrantholders**” means the holders of Company Warrants on the Effective Date;
- (r) “**Company Warrants**” means the share purchase warrants of the Company exercisable to acquire Company Shares that are outstanding immediately prior to the Effective Time;
- (s) “**Court**” means the Supreme Court of British Columbia;
- (t) “**Depository**” means Computershare Investor Services Inc., or such other depository as the Company may determine;
- (u) “**Dissent Procedures**” means the rules pertaining to the exercise of Dissent Rights as set forth in Division 2 of Part 8 of the BCBCA and Article 5 of this Plan of Arrangement;
- (v) “**Dissent Rights**” means the rights of dissent granted in favour of registered holders of Company Shares in accordance with Article 5 of this Plan of Arrangement;
- (w) “**Dissenting Share**” has the meaning given in §1.1(a) of this Plan of Arrangement;
- (x) “**Dissenting Shareholder**” means a registered holder of Company Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;
- (y) “**Effective Date**” shall be the date of the closing of the Arrangement;
- (z) “**Effective Time**” means 12:01 a.m. (Vancouver time) on the Effective Date or such other time on the Effective Date as agreed to in writing by the Company and Spinco;
- (aa) “**Final Order**” means the final order of the Court approving the Arrangement;
- (bb) “**In the Money Amount**” at a particular time with respect to a Company Option, Company Replacement Option or Spinco Option means the amount, if any, by which the fair market value of the underlying security exceeds the exercise price of the relevant option at such time;
- (cc) “**Information Circular**” means the management information circular of the Company, including all schedules thereto, to be sent to the Company Shareholders in connection with the Company Meeting, together with any amendments or supplements thereto;
- (dd) “**Interim Order**” means the interim order of the Court providing advice and directions in connection with the Company Meeting and the Arrangement;
- (ee) “**Letter of Transmittal**” means the letter of transmittal in respect of the Arrangement to be sent to Company Shareholders together with the Information Circular;
- (ff) “**New Company Shares**” means a new class of voting common shares without par value which the Company will create and issue as described in §1.1(b)(ii) of this Plan of Arrangement and for which the Company Class A Shares are, in part, to be exchanged under the Plan of Arrangement and which, immediately after completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the Company Shares;
- (gg) “**Plan of Arrangement**” means this plan of arrangement, as the same may be amended from time to time;

- (hh) “**Share Distribution Record Date**” means the close of business on the Business Day immediately preceding the Effective Date for the purpose of determining the Company Shareholders entitled to receive New Company Shares and Spinco Shares pursuant to this Plan of Arrangement or such other date as the Company Board may select;
- (ii) “**Spinco**” means Kootenay Resources Inc., a corporation existing under the laws of the Province of British Columbia;
- (jj) “**Spinco Board**” means the board of directors of Spinco;
- (kk) “**Spinco Options**” means share purchase options issued pursuant to the Spinco Stock Option Plan, including the Spinco Options pursuant to §1.1(d) of this Plan of Arrangement;
- (ll) “**Spinco Shareholder**” means a holder of Spinco Shares;
- (mm) “**Spinco Shares**” means the common shares without par value in the capital of Spinco;
- (nn) “**Spinco Spinout Shares**” means the 80% of the outstanding Spinco Shares held by the Company immediately prior to the Effective Date, calculated in accordance with §**Error! Reference source not found.** of the Arrangement Agreement, and to be exchanged for Company Class A Shares pursuant to §3.1(f) of the Plan of Arrangement;
- (oo) “**Spinco Stock Option Plan**” means the stock option plan to be adopted by Spinco pursuant to the Arrangement Agreement and this Plan of Arrangement, in substantially similar terms as the Company Stock Option Plan and may otherwise be modified, amended or restated as more particularly described in the Information Circular;
- (pp) “**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.1, as amended;
- (qq) “**TSXV**” means the TSX Venture Exchange Inc.; and
- (rr) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

**1.2 Interpretation Not Affected by Headings.** The division of this Plan of Arrangement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specifically indicated, the terms “this Plan of Arrangement”, “hereof”, “hereunder” and similar expressions refer to this Plan of Arrangement as a whole and not to any particular article, section, subsection, paragraph or subparagraph and include any agreement or instrument supplementary or ancillary hereto.

**1.3 Number and Gender.** Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and words importing persons shall include firms and corporations.

**1.4 Meaning.** Words and phrases used herein and defined in the BCBCA shall have the same meaning herein as in the BCBCA, unless the context otherwise requires.

**1.5 Date for any Action.** If any date on which any action is required to be taken under this Plan of Arrangement is not a Business Day, such action shall be required to be taken on the next succeeding Business Day.

**1.6 Governing Law.** This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

**ARTICLE 2  
ARRANGEMENT AGREEMENT**

**2.1 Arrangement Agreement.** This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

**2.2 Arrangement Effectiveness.** The Arrangement and this Plan of Arrangement shall become final and conclusively binding on the Company, the Company Shareholders (including Dissenting Shareholders), Company Optionholders, Company Warrantholders and Spinco Shareholders at the Effective Time without any further act or formality as required on the part of any person, except as expressly provided herein.

**ARTICLE 3  
THE ARRANGEMENT**

**3.1 The Arrangement.** Commencing at the Effective Time, the following shall occur and be deemed to occur in the following chronological order without further act or formality notwithstanding anything contained in the provisions attaching to any of the securities of the Company or Spinco, but subject to the provisions of **Error! Reference source not found.**:

- (a) each Company Share outstanding in respect of which a Dissenting Shareholder has validly exercised his, her or its Dissent Rights (each, a “**Dissenting Share**”) shall be directly transferred and assigned by such Dissenting Shareholder to the Company, without any further act or formality and free and clear of any liens, charges and encumbrances of any nature whatsoever, and will be cancelled and cease to be outstanding and such Dissenting Shareholders will cease to have any rights as Company Shareholders other than the right to be paid the fair value for their Company Shares by the Company;
- (b) the authorized share structure of the Company shall be altered by:
  - (i) renaming and redesignating all of the issued and unissued Company Shares as “Class A common shares without par value” and amending the special rights and restrictions attached to those shares to provide the holders thereof with two votes in respect of each share held, being the “Company Class A Shares”; and
  - (ii) creating a new class consisting of an unlimited number of “common shares without par value” with terms and special rights and restrictions identical to those of the Company Shares immediately prior to the Effective Time, being the “New Company Shares”;
- (c) the Company’s Notice of Articles shall be amended to reflect the alterations in §1.1(b);
- (d) each Company Option then outstanding to acquire one Company Share shall be transferred and exchanged for:
  - (i) one Company Replacement Option to acquire one New Company Share having an exercise price equal to the product of the original exercise price of the Company Option multiplied by the fair market value of a New Company Share at the Effective Time divided by the total of the fair market value of a New Company Share and the fair market value of 0.04 of a Spinco Share at the Effective Time; and
  - (ii) one Spinco Option to acquire 0.04 of a Spinco Share, each whole Spinco Option having an exercise price equal to the product of the original exercise price of the Company Option multiplied by the fair market value of 0.04 of a Spinco Share at the Effective Time divided by the total of the fair market value of one New Company Share and 0.04 of a Spinco Share at the Effective Time,

provided that the aforesaid exercise prices shall be adjusted to the extent, if any, required to ensure that the aggregate In the Money Amount of the Company Replacement Option and the Spinco Option immediately after the exchange does not exceed the In the Money Amount immediately before the exchange of the Company Option so exchanged. It is intended that subsection 7(1.4) of the Tax Act apply to the exchange of Company Options;

- (e) each Company Warrant then outstanding shall be deemed to be amended to entitle the Company Warrantholder to receive, upon due exercise of the Company Warrant, for the original exercise price:
  - (i) one New Company Share for each Company Share that was issuable upon due exercise of the Company Warrant immediately prior to the Effective Time; and
  - (ii) 0.04 of a Spinco Share for each Company Share that was issuable upon due exercise of the Company Warrant immediately prior to the Effective Time;
- (f) each issued and outstanding Company Class A Share outstanding on the Share Distribution Record Date shall be exchanged for: (i) one New Company Share; and (ii) 0.04 of a Spinco Spinout Share, the holders of the Company Class A Shares will be removed from the central securities register of Company as the holders of such and will be added to the central securities register of Company as the holders of the number of New Company Shares that they have received on the exchange set forth in this §1.1(f), and the Spinco Spinout Shares transferred to the then holders of the Company Class A Shares will be registered in the name of the former holders of the Company Class A Shares and Company will provide Spinco and its registrar and transfer agent notice to make the appropriate entries in the central securities register of Spinco; and
- (g) the Company Class A Shares, none of which will be issued or outstanding once the exchange in §1.1(f) is completed, will be cancelled and the appropriate entries made in the central securities register of Company and the authorized share structure of Company will be amended by eliminating the Company Class A Shares, and the aggregate paid-up capital (as that term is used for purposes of the Tax Act) of the New Company Shares will be equal to that of the Company Shares immediately prior to the Effective Time less the fair market value of the Spinco Spinout Shares distributed pursuant to §1.1(f).

**3.2 No Fractional Shares or Options.** Notwithstanding any other provision of this Arrangement, no fractional Spinco Shares shall be distributed to the Company Shareholders and no fractional Spinco Options shall be distributed to the holders of Company Options, and, as a result, all fractional amounts arising under this Plan of Arrangement shall be rounded down to the next whole number without any compensation therefor. Any Spinco Shares not distributed as a result of so rounding down shall be cancelled by Spinco.

**3.3 Share Distribution Record Date.** In §1.1(f) the reference to a holder of a Company Class A Share shall mean a person who is a Company Shareholder on the Share Distribution Record Date, subject to the provisions of **Error! Reference source not found.**

**3.4 Deemed Time for Redemption.** In addition to the chronological order in which the transactions and events set out in §3.1 shall occur and shall be deemed to occur, the time on the Effective Date for the exchange of Company Class A Shares for New Company Shares and Spinco Spinout Shares set out in §1.1(f) shall occur and shall be deemed to occur immediately after the time of listing of the New Company Shares on the TSXV on the Effective Date.

**3.5 Deemed Fully Paid and Non-Assessable Shares.** All New Company Shares, Company Class A Shares and Spinco Shares issued pursuant hereto shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the BCBCA.

**3.6 Supplementary Actions.** Notwithstanding that the transactions and events set out in §**Error! Reference source not found.** shall occur and shall be deemed to occur in the chronological order therein set out

without any act or formality, each of Company and Spinco shall be required to make, do and execute or cause and procure to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to give effect to, or further document or evidence, any of the transactions or events set out in §**Error! Reference source not found.**, including, without limitation, any resolutions of directors authorizing the issue, transfer or redemption of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, any necessary additions to or deletions from share registers, and agreements for stock options.

**3.7 Withholding.** Each of the Company, Spinco and the Depositary shall be entitled to deduct and withhold from any cash payment or any issue, transfer or distribution of New Company Shares, Spinco Shares, Company Replacement Options or Spinco Options made pursuant to this Plan of Arrangement such amounts as may be required to be deducted and withheld pursuant to the Tax Act or any other applicable law, and any amount so deducted and withheld will be deemed for all purposes of this Plan of Arrangement to be paid, issued, transferred or distributed to the person entitled thereto under the Plan of Arrangement. Without limiting the generality of the foregoing, any New Company Shares or Spinco Shares so deducted and withheld may be sold on behalf of the person entitled to receive them for the purpose of generating cash proceeds, net of brokerage fees and other reasonable expenses, sufficient to satisfy all remittance obligations relating to the required deduction and withholding, and any cash remaining after such remittance shall be paid to the person forthwith.

**3.8 No Liens.** Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any liens, restrictions, adverse claims or other claims of third parties of any kind.

**3.9 U.S. Securities Law Matters.** The Court is advised that the Arrangement will be carried out with the intention that all securities issued on completion of the Arrangement will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act.

#### **ARTICLE 4 CERTIFICATES**

**4.1 Company Class A Shares.** Recognizing that the Company Shares shall be renamed and redesignated as Company Class A Shares pursuant to §1.1(b)(i) and that the Company Class A Shares shall be exchanged partially for New Company Shares pursuant to §1.1(f), Company shall not issue replacement share certificates representing the Company Class A Shares.

**4.2 Spinco Share Certificates.** As soon as practicable following the Effective Date, Company or Spinco shall deliver or cause to be delivered to the Depositary certificates representing the Spinco Shares required to be distributed to registered holders of Company Shares as at immediately prior to the Effective Time in accordance with the provisions of §1.1(f) of this Plan of Arrangement, which certificates shall be held by the Depositary as agent and nominee for such holders for distribution thereto in accordance with the provisions of §6.1 hereof.

**4.3 New Company Share Certificates.** As soon as practicable following the Effective Date, Company shall deliver or cause to be delivered to the Depositary certificates representing the New Company Shares required to be issued to registered holders of Company Shares as at immediately prior to the Effective Time in accordance with the provisions of §1.1(f) of this Plan of Arrangement, which certificates shall be held by the Depositary as agent and nominee for such holders for distribution thereto in accordance with the provisions of §6.1 hereof.

**4.4 Interim Period.** Any Company Shares traded after the Share Distribution Record Date will represent New Company Shares as of the Effective Date and shall not carry any rights to receive Spinco Shares.

**4.5 Stock Option Agreements.** The stock option agreements for the Company Options shall be deemed to be amended by Company to reflect the adjusted exercise price of the Company Replacement Options, and Spinco shall enter into stock option agreements for the Spinco Options issued pursuant to §1.1(d) of this Plan of Arrangement.

**ARTICLE 5  
RIGHTS OF DISSENT**

**5.1 Dissent Right.** Registered holders of Company Shares may exercise Dissent Rights with respect to their Company Shares in connection with the Arrangement pursuant to the Interim Order and in the manner set forth in the Dissent Procedures, as they may be amended by the Interim Order, Final Order or any other order of the Court, and provided that such dissenting Shareholder delivers a written notice of dissent to Company at least two Business Days before the day of the Company Meeting or any adjournment or postponement thereof.

**5.2 Dealing with Dissenting Shares.** Company Shareholders who duly exercise Dissent Rights with respect to their Dissenting Shares and who:

- (a) are ultimately entitled to be paid fair value for their Dissenting Shares by the Company shall be deemed to have transferred their Dissenting Shares to Company for cancellation as of the Effective Time pursuant to §1.1(a); or
- (b) for any reason are ultimately not entitled to be paid for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Company Shareholder and shall receive New Company Shares and Spinco Shares on the same basis as every other non-dissenting Company Shareholder;

but in no case shall Company be required to recognize such persons as holding Company Shares on or after the Effective Date.

**5.3 Reservation of Spinco Shares.** If a Company Shareholder exercises Dissent Rights, the Company shall, on the Effective Date, set aside and not distribute that portion of the Spinco Shares which is attributable to the Company Shares for which Dissent Rights have been exercised. If the dissenting Company Shareholder is ultimately not entitled to be paid for their Dissenting Shares, the Company shall distribute to such Company Shareholder his or her pro rata portion of the Spinco Shares. If a Company Shareholder duly complies with the Dissent Procedures and is ultimately entitled to be paid for their Dissenting Shares, then the Company shall retain the portion of the Spinco Shares attributable to such Company Shareholder and such shares will be dealt with as determined by the Company Board in its discretion.

**ARTICLE 6  
DELIVERY OF SHARES**

**6.1 Delivery of Shares.**

- (a) Upon surrender to the Depository for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Company Shares, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate will be entitled to receive in exchange therefor, and the Depository shall deliver to such holder following the Effective Time, a certificate representing the New Company Shares and a certificate representing the Spinco Shares that such holder is entitled to receive in accordance with §3.1 hereof.
- (b) After the Effective Time and until surrendered for cancellation as contemplated by §6.1(a) hereof, each certificate that immediately prior to the Effective time represented one or more Company Shares shall be deemed at all times to represent only the right to receive in exchange therefor a certificate representing the New Company Shares and a certificate representing the Spinco Shares that such holder is entitled to receive in accordance with §3.1 hereof.

**6.2 Lost Certificates.** If any certificate that immediately prior to the Effective Time represented one or more outstanding Company Shares that were exchanged for New Company Shares and Spinco Shares in accordance with §3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder

claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the New Company Shares and Spinco Shares that such holder is entitled to receive in accordance with §3.1 hereof. When authorizing such delivery of New Company Shares and Spinco Shares that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such securities are to be delivered shall, as a condition precedent to the delivery of such New Company Shares and Spinco Shares give a bond satisfactory to Company, Spinco and the Depositary in such amount as Company, Spinco and the Depositary may direct, or otherwise indemnify Company, Spinco and the Depositary in a manner satisfactory to Company, Spinco and the Depositary, against any claim that may be made against Company, Spinco or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles of Company.

**6.3 Distributions with Respect to Unsurrendered Certificates.** No dividend or other distribution declared or made after the Effective Time with respect to New Company Shares or Spinco Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Company Shares unless and until the holder of such certificate shall have complied with the provisions of §6.1 or §6.2 hereof. Subject to applicable law and to §3.7 hereof, at the time of such compliance, there shall, in addition to the delivery of the New Company Shares and Spinco Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such New Company Shares and/or Spinco Shares, as applicable.

**6.4 Limitation and Proscription.** To the extent that a former Company Shareholder shall not have complied with the provisions of §6.1 or §6.2 hereof, as applicable, on or before the date that is six (6) years after the Effective Date (the “**Final Proscription Date**”), then the New Company Shares and Spinco Shares that such former Company Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the New Company Shares and Spinco Shares to which such Company Shareholder was entitled, shall be delivered to Spinco (in the case of the Spinco Shares) or Company (in the case of the New Company Shares) by the Depositary and certificates representing such New Company Shares and Spinco Shares shall be cancelled by Company and Spinco, as applicable, and the interest of the former Company Shareholder in such New Company Shares and Spinco Shares or to which it was entitled shall be terminated as of such Final Proscription Date.

**6.5 Paramountcy.** From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Company Shares, Company Options or Company Warrants issued prior to the Effective Time; and (ii) the rights and obligations of the registered holders of Company Shares, Company Options, Company Warrants, Spinco, the Depositary and any transfer agent or other depositary therefor, shall be solely as provided for in this Plan of Arrangement.

## ARTICLE 7 AMENDMENTS & WITHDRAWAL

**7.1 Amendments.** The Company, in its sole discretion, reserves the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is filed with the Court and, if made following the Company Meeting, approved by the Court.

**7.2 Amendments Made Prior to or at the Company Meeting.** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company at any time prior to or at the Company Meeting with or without any prior notice or communication, and if so proposed and accepted by the Company Shareholders voting at the Company Meeting, shall become part of this Plan of Arrangement for all purposes.

**7.3 Amendments Made After the Company Meeting.** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company after the Company Meeting but prior to the Effective Time and any such amendment, modification or supplement which is approved by the Court following the Company Meeting shall be effective and shall become part of the Plan of Arrangement for all purposes. Notwithstanding the foregoing, any amendment, modification or supplement to this Plan of Arrangement may be made following the granting of the Final Order unilaterally by the Company, provided that it concerns a matter which, in the reasonable

opinion of the Company, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any holder of New Company Shares or Spinco Shares.

**7.4**                **Withdrawal.** Notwithstanding any prior approvals by the Court or by Company Shareholders, the Company Board may decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Effective Time, without further approval of the Court or the Company Shareholders.

**SCHEDULE "C"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**INTERIM ORDER**

**(see attached)**



S 217208

No.  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE

*BUSINESS CORPORATIONS ACT S.B.C. 2002, c. 57, AS AMENDED*

IN THE MATTER OF A PROPOSED ARRANGEMENT BETWEEN KOOTENAY SILVER INC. AND  
ITS SHAREHOLDERS AND OPTIONHOLDERS AND WARRANTHOLDERS AND KOOTENAY  
RESOURCES INC.

KOOTENAY SILVER INC.

PETITIONER

ORDER MADE AFTER APPLICATION

BEFORE

Master

Vos -

the 10th day of August, 2021

ON THE APPLICATION of the Petitioner, Kootenay Silver Inc. ("**Kootenay Silver**" or the "**Petitioner**"), filed August 6, 2021, without notice, coming on for hearing at **800 Smithe Street, Vancouver, British Columbia** VIA TELEPHONE on August 10, 2021 and on hearing Rajit Mittal, counsel for the Petitioner; and upon being advised that it is the intention of the parties to rely on section 3(a)(10) of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and that the declaration of fairness of, and the approval of, the Arrangement by this Honourable Court will serve as the basis for an exemption from the registration requirements of the U.S. Securities Act pursuant to section 3(a)(10) thereof, in connection with the Arrangement;

THIS COURT ORDERS that:

Definitions

1. All definitions used in this Interim Order, unless otherwise defined, shall have the meaning ascribed thereto in the Petition.

The Meeting

3. Kootenay Silver be permitted to convene, hold and conduct an annual and special meeting (the "**Meeting**") of the holders (the "**Kootenay Silver Shareholders**") of the issued and outstanding common shares of Kootenay Silver (the "**Kootenay Silver Shares**") on or about September 15, 2021, to, *inter alia*, consider and, if deemed advisable, pass with or without amendment, a special resolution (the "**Arrangement Resolution**") authorizing, approving and agreeing to adopt a plan of arrangement (the "**Arrangement**") among the Petitioner and Kootenay Resources Inc. ("**Kootenay Resources**") as described in the Plan of Arrangement attached as Schedule B to the draft management information circular of Kootenay Silver (the "**Circular**"). The Meeting shall be called, held and conducted in accordance with the provisions of the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57 (the "**BCBCA**"), the articles of the Petitioner and the Circular, all subject to the terms of this Order, any further order of this Court and the rulings and directions of the Chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.
4. The record date (the "**Record Date**") for determination of the Kootenay Silver Shareholders entitled to notice of and to vote at the Meeting shall be August 3, 2021. The Record Date will not change in respect of any adjournment or postponement of the Meeting.

Notice of Meeting

5. The following information (the “Meeting Materials”):

- (a) the Circular;
- (b) the Form of Proxy or Voting Instruction Form; and
- (c) the Form of Letter of Transmittal;

in substantially the same form referred to in the Kang Affidavit #1, with such amendments and inclusions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be sent to the following:

- (i) the registered Kootenay Silver Shareholders (all Meeting Materials), Kootenay Silver Optionholders (Circular only) and Kootenay Silver Warrantholders (Circular only) (collectively, the “Kootenay Silver Securityholders”) at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:
  - (A) pre-paid ordinary or first class mail at the addresses of the Kootenay Silver Securityholders as they appear on the central securities register or similar register of the Petitioner, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of the Petitioner;
  - (B) delivery, in person or by recognized courier service, to the address specified in (A) above; or
  - (C) facsimile or electronic transmission to any Kootenay Silver Securityholder who is identified to the satisfaction of the Petitioner;
- (ii) non-registered holders of Kootenay Silver Shares by providing sufficient copies of the Meeting Materials, as applicable, to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*; and
- (iii) the respective directors and auditors of the Petitioner by delivery in person, recognized courier service, pre-paid ordinary or first class mail or by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting.

6. Good and sufficient notice of the Meeting for all purposes will be given by the Petitioner by the sending of the Meeting Materials in accordance with paragraph 5 of this Order. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of section 290(1)(a) of the BCBCA, and the Petitioner shall not be required to send to the Kootenay Silver Securityholders any other or additional statement pursuant to section 290(1)(a) of the BCBCA.

7. The sending of the Meeting Materials, which includes the Notice of Hearing of the Petition and the Interim Order (collectively the “Court Materials”), in accordance with paragraph 5 of this Order shall constitute good and sufficient service of the Court Materials and the within proceedings and such service shall be effective on the business day after the said Court Materials are sent, whether those persons reside within the jurisdiction of British Columbia or within another jurisdiction, and no other form of service need be made and no other material, including the Petition and supporting Affidavits, need be served on such persons in respect of these proceedings except upon written request to the solicitors for the Petitioner at their address for delivery set out in the Petition.

8. Accidental failure or omission by the Petitioner to give notice of the Meeting or to distribute the Meeting Materials or the Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of the Petitioner, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of the Petitioner, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **Amendments to the Arrangement and Plan of Arrangement**

9. Subject to the terms and conditions of the Plan of Arrangement, after the date of this Interim Order and prior to the time of the Meeting, the Petitioner is authorized to make such amendments, revisions or supplements to the Plan of Arrangement as it may determine, without any additional notice to the Kootenay Silver Securityholders, and the Plan of Arrangement as so amended, revised and supplemented shall be the Plan of Arrangement submitted to the Meeting and the subject of the Arrangement Resolution.
10. If any amendments, revisions or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 9 above, would, if disclosed, reasonably be expected to affect a Kootenay Silver Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, revision or supplement shall be distributed, subject to further order of this Court, by news release, newspaper advertisement, or by notice sent to Kootenay Silver Securityholders by one of the methods specified in paragraph 5 of this Interim Order.

#### **Chair of the Meeting**

11. The Chair of the Meeting shall be an officer or director of the Petitioner or such other person as may be appointed by the Kootenay Silver Shareholders for that purpose.
12. The Chair of the Meeting is at liberty to call on the assistance of legal counsel at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.
13. The Chair of the Meeting shall be permitted to ask questions of and demand the production of evidence from the Kootenay Silver Shareholders, the Petitioner or such other persons in attendance or represented at the Meeting, as he or she considers appropriate having regard to the orderly conduct of the Meeting, the authority of any person to vote at the Meeting and the validity and propriety of the votes cast and the proxies submitted in respect of the Arrangement Resolution.
14. The Chair of the Meeting may, in the Chair's sole discretion, waive the deadline specified in the Form of Proxy for the deposit of proxies.
15. The Chair or another representative of the Petitioner present at the Meeting, shall, in due course, file with the Court an affidavit verifying the actions taken and the decisions reached at the Meeting with respect to the Arrangement.

#### **Adjournments and Postponements**

16. The Petitioner, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting for any reason on one or more occasions, subject to the terms of the Arrangement Agreement, without the necessity of first convening the Meeting, or first obtaining any vote of the Kootenay Silver Shareholders respecting the adjournment or postponement. Notice of any such adjournments or postponements shall be given by such method and in the time that is reasonable in the circumstances, as the Petitioner may determine appropriate. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

### Scrutineer

17. A representative of Kootenay Silver's registrar and transfer agent (or any agent thereof) is authorized to act as a scrutineer for the Meeting.

### Quorum

18. The quorum required at the Meeting shall be two persons who are, or represent by proxy, two shareholders holding in the aggregate, at least five percent (5%) of the issued shares entitled to be voted at the Meeting.

### Voting

19. The vote of the Kootenay Silver Shareholders required to pass the Arrangement Resolution shall be at least two thirds of the votes cast on the Arrangement Resolution by the Kootenay Silver Shareholders, voting together as a single class, present in person or by proxy at the Meeting.
20. The only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be the registered Kootenay Silver Shareholders who hold Kootenay Silver Shares as of the close of business on the Record Date each of whom is entitled to one (1) vote for each Kootenay Silver Share registered in his/her/its name. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

### Solicitation and Revocation of Proxies

21. The Petitioner is authorized to use the form of proxy (the "Form of Proxy") substantially in the form of the draft attached to Kang Affidavit #1, with such amendments, revisions or supplemental information as the Petitioner may determine are necessary or desirable. The Petitioner is authorized at its expense to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives, including proxy advisory firms, as they may retain for the purpose, by mail or such other forms of personal or electronic communication as it may determine. The Petitioner may waive generally, in its discretion, the time limits set for the deposit or revocation of proxies, if the Petitioner considers it advisable to do so.

### Dissent Rights

22. Any registered Kootenay Silver Shareholder is entitled to be paid the fair value of its Kootenay Silver Shares in accordance with Sections 242 to 247 of the BCBCA if such holder dissents to the Plan of Arrangement and the Plan of Arrangement becomes effective.
23. A registered Kootenay Silver Shareholder is not entitled to dissent with respect to such holder's Kootenay Silver Shares if such holder votes any of their Kootenay Silver Shares in favour of the Arrangement Resolution. For greater certainty, a Proxy submitted by a registered Kootenay Silver Shareholder that does not contain voting instructions will, unless revoked, be voted in favour of the Arrangement. A brief summary of the provisions of Sections 237 to 247 of the BCBCA is set out below.
23. A written notice of dissent from the Arrangement Resolution pursuant to Section 242 of the BCBCA, must be sent to Kootenay Silver by a dissenting Kootenay Silver Shareholder by 4:00 p.m., Vancouver time, on September 13, 2021. The notice of dissent should be delivered by registered mail to Kootenay Silver at the address for notice described below. After the Arrangement Resolution is approved by Kootenay Silver Shareholders and within one month after Kootenay Silver notifies the dissenting Kootenay Silver Shareholder of Kootenay Silver's intention to act upon the Arrangement Resolution pursuant to Section 243 of the BCBCA, the dissenting Kootenay Silver Shareholder must send to Kootenay Silver a written notice that such Kootenay Silver Shareholder requires the purchase of all of the Kootenay Silver Shares in respect of which such holder has given notice of dissent, together with the share certificate or certificates representing those Kootenay Silver Shares (including a written statement

prepared in accordance with Section 244(1)(c) of the BCBCA if the dissent is being exercised by the Kootenay Silver Shareholder on behalf of a beneficial holder). A dissenting Kootenay Silver Shareholder who does not strictly comply with the dissent procedures or, for any other reason, is not entitled to be paid fair value for his, her or its Dissenting Shares will be deemed to have participated in the Plan of Arrangement on the same basis as non-dissenting Kootenay Silver Shareholders.

24. Any dissenting Kootenay Silver Shareholder who has duly complied with Section 244(1) of the BCBCA or Kootenay Silver may apply to the Court, and the Court may determine the fair value of the Dissenting Shares and make consequential orders and give directions as the Court considers appropriate. There is no obligation on Kootenay Silver to apply to the Court. The dissenting Kootenay Silver Shareholder will be entitled to receive the fair value that the Dissenting Shares had immediately before the passing of the Arrangement Resolution.
25. All notices of dissent to the Arrangement pursuant to Section 242 of the BCBCA must be sent, within the time specified, to:

Kootenay Silver Inc.  
Suite 1650 — 1075 West Pender St.  
Vancouver, BC V6E 3C9

Attention: Rajwant Kang  
Chief Financial Officer and Corporate Secretary

#### Application for Final Order

26. Upon obtaining, in the manner set forth in this Interim Order, the approval of the Arrangement required by this Interim Order, Kootenay Silver may apply to this court for a final order approving the Arrangement contemplated by the Plan of Arrangement (the “**Final Order**”), at which the court will be advised that the court’s approval of the Arrangement, if granted, which includes a finding of fairness of the terms and conditions of the Arrangement, will form the basis of a claim to an exemption from registration requirements of the United States Securities Act of 1933, as amended, provided by section 3(a)(10) thereof with respect to the Kootenay Resources’ securities to be distributed pursuant to the Arrangement, and the hearing shall be set down for hearing before the presiding Judge in Chambers at the Courthouse VIA TELEPHONE at **800 Smithe Street, Vancouver, British Columbia**, on September 21, 2021 at 9:45am, or as soon thereafter as the hearing of the Final Order can be heard, or at such other date and time as this Court may direct.
27. Any Kootenay Silver Securityholder may appear and make submissions at the application for the Final Order provided that such person shall file a Response to Petition, in the form prescribed by the Rules of Court of the Supreme Court of British Columbia, with this Court and deliver a copy of the filed Response to Petition, together with a copy of all material on which such person intends to rely at the application for the Final Order to the solicitors for the Petitioner at their address for delivery as set out in the Petition, on or before 4:00pm on September 17, 2021, or as the Court may otherwise direct.
28. If the application for the Final Order is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Interim Order need to be served and provided with notice of the adjourned date.

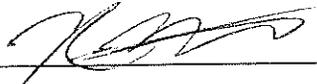
#### Precedence

29. To the extent of any inconsistency or discrepancy between this Interim Order and the articles of the Petitioner, the Circular, the BCBCA or applicable securities laws, this Interim Order shall govern.

**Variance and Direction**

- 30. The Petitioner, the Kootenay Silver Securityholders and the directors and auditors of the Petitioner shall, and hereby do, have liberty to seek leave to vary this Interim Order or apply for such further order or orders or to seek such directions as may be appropriate.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH-OF- THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

  
\_\_\_\_\_

Signature

Party

Lawyer for Petitioner

Rajit Mittal



By the Court

\_\_\_\_\_

Registrar



S 217208  
No. \_\_\_\_\_  
Vancouver Registry

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*In the Supreme Court of British Columbia*

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THE SUPREME COURT OF BRITISH COLUMBIA  
IN THE MATTER OF SECTION 288 OF THE  
BUSINESS CORPORATIONS ACT S.B.O 2002, c. 57, AS AMENDED

IN THE MATTER OF A PROPOSED ARRANGEMENT BETWEEN KOOTENAY SILVER INC.  
AND ITS SHAREHOLDERS, OPTIONHOLDERS AND WARRANTHOLDERS AND  
KOOTENAY RESOURCES INC.

KOOTENAY SILVER INC.

PETITIONER

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INTERIM ORDER

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WHITELAW TWINING  
Law Corporation  
2400 – 200 Granville Street  
Vancouver, B.C. V6C 1S4  
Tel: 604-682-5246

File No: 30113  
Counsel: Nicole Chang / Rajjit Mittal

**SCHEDULE "D"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**NOTICE OF HEARING FOR FINAL ORDER**

**(see attached)**

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF SECTION 288 OF THE**

***BUSINESS CORPORATIONS ACT S.B.0 2002, c. 57, AS AMENDED***

**IN THE MATTER OF A PROPOSED ARRANGEMENT BETWEEN KOOTENAY SILVER INC. AND  
ITS SHAREHOLDERS AND OPTIONHOLDERS AND WARRANTHOLDERS AND KOOTENAY  
RESOURCES INC.**

**KOOTENAY SILVER INC.**

PETITIONER

**NOTICE OF HEARING OF PETITION**

Filed by: The Petitioner, Kootenay Silver Inc. (“**Kootenay Silver**”)

TO: The Kootenay Silver securityholders

Pursuant to the Order of Master Vos pronounced August 10, 2021, the Hearing of the Petition is set for September 21, 2021 at 9:45am before the presiding Judge in Chambers at the Courthouse VIA TELEPHONE at **800 Smithe Street, Vancouver, British Columbia**, for a final order (the “**Final Order**”) approving an arrangement (the “**Arrangement**”) under section 291 of the Business Corporations Act (British Columbia), S.B.C. 2002, c. 57, as amended.

Please take notice that by an Interim Order of the Supreme Court of British Columbia, pronounced August 10, 2021, the Court has given directions as to the calling of a special meeting of the shareholders of the Petitioner for the purpose of voting upon a special resolution to approve the Arrangement.

At the Hearing of the Application for the Final Order (the “**Final Application**”), any securityholder of the Petitioner, director or auditor of the Petitioner, or any other interested party with leave of the Court, desiring to support or oppose the Final Application may, after filing a Response and related materials as outlined in the Interim Order and further herein, appear for that purpose, either in person or by counsel. If you do not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to you.

If you wish to appear at the Final Application or wish to be notified of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a Response to Petition with the Court at the Court Registry **at 800 Smithe Street, Vancouver, British Columbia**, and YOU MUST ALSO DELIVER a copy of the filed Response, together with a copy of all material on which you intend to rely at the Final Application, if any, to counsel for the Petitioner at their address for delivery set out below by 4:00pm (Pacific Standard Time) on September 17, 2021 or at a later date with leave of the Court.

The Petitioner's address for delivery is:	Whitelaw Twining Law Corporation 2400 — 200 Granville Street Vancouver BC V6C 1S4 Telephone: 604-891-7246 Fax: 604-682-5217  Attention: Nicole Chang
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You or your counsel may file the Response. You may obtain a form of Response at the Court Registry.

If you do not file a Response and attend either in person or by counsel at the time of such Final Application, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. Any person desiring further information about the steps that must be taken prior to making submissions may contact counsel for the Petitioner at the address set out above.

A copy of the Petition and other documents in the proceedings will be furnished to any securityholder of the Petitioner or other interested party requesting the same in writing addressed to the Petitioner's solicitor at the address for delivery set out below:

Attention: Nicole Chang  
Whitelaw Twining Law Corporation

2400-200 Granville Street  
Vancouver BC V6C 1S4

Pursuant to the Interim Order of Master Vos made on August 10, 2021, the hearing of this Petition is set for September 21, 2021 at 9:45am before the presiding Judge in Chambers at the Courthouse VIA TELEPHONE at 800 Smithe Street, Vancouver British Columbia.

It is anticipated that this Final Application will not be contentious and will take 15 minutes to be heard.

DATED August 12, 2021.



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Solicitor for the Petitioner  
Nicole Chang / Rajit Mittal

**SCHEDULE "E"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**DISSENT PROVISIONS**

## DISSENT PROVISIONS

### SECTIONS 237 TO 247 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)

#### Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

- (1) This Division applies to any right of dissent exercisable by a shareholder except to the extent that:
  - (a) the court orders otherwise, or
  - (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

#### Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
  - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
  - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company’s community purposes within the meaning of section 51.91;

- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
  - (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
  - (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
  - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
  - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
  - (g) in respect of any other resolution, if dissent is authorized by the resolution;
  - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
- (a) prepare a separate notice of dissent under section 242 for
    - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
    - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
  - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
  - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
  - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

#### Waiver of right to dissent

- 239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.
- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
    - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

- (b) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to
- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and
  - (b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.
- (4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

#### Notice of resolution

- 240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.
- (2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,
- (a) a copy of the proposed resolution, and
  - (b) a statement advising of the right to send a notice of dissent.
- (3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,
- (a) a copy of the resolution,

- (b) a statement advising of the right to send a notice of dissent, and
  - (c) if the resolution has passed, notification of that fact and the date on which it was passed.
- (4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 (1) If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
  - (i) the date on which the shareholder learns that the resolution was passed, and
  - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

- (c) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable: if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
  - (d) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
  - (e) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
    - (i) the name and address of the beneficial owner, and
    - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.
- (4) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

#### Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
    - (i) the date on which the company forms the intention to proceed, and
    - (ii) the date on which the notice of dissent was received, or
  - (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.
- (2) A notice sent under subsection (1) (a) or (b) of this section must
- (a) be dated not earlier than the date on which the notice is sent,
  - (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
  - (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

## Completion of dissent

- 244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,
- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and
  - (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
  - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
- (a) the dissenter is deemed to have sold to the company the notice shares, and
  - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

## Payment for notice shares

- 245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
  - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
  - (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and
  - (c) make consequential orders and give directions it considers appropriate.
- (3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must
- (a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
  - (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),
- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
  - (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.
- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
  - (b) the payment would render the company insolvent.

#### Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 (1) If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**SCHEDULE "F"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**INFORMATION CONCERNING KOOTENAY SILVER INC. POST-ARRANGEMENT**

**(see attached)**

## INFORMATION CONCERNING KOOTENAY SILVER INC. POST-ARRANGEMENT

The following information is provided by the Company on a post-Arrangement basis, which should be read together with the more detailed information and financial data and statements concerning the Company contained elsewhere in the Information Circular to which this Schedule "F" is attached. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. All capitalized terms that are not otherwise defined in this Schedule "F" shall have the meanings ascribed thereto in the Information Circular. The information contained in this Schedule "F", unless otherwise indicated, is given as of the date of the Information Circular. See in the Information Circular "Cautionary Note Regarding Forward-Looking Statements" in respect of certain forward-looking statements included herein. For additional information, see the Company's filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### Corporate Structure

#### *Name, Address and Incorporation*

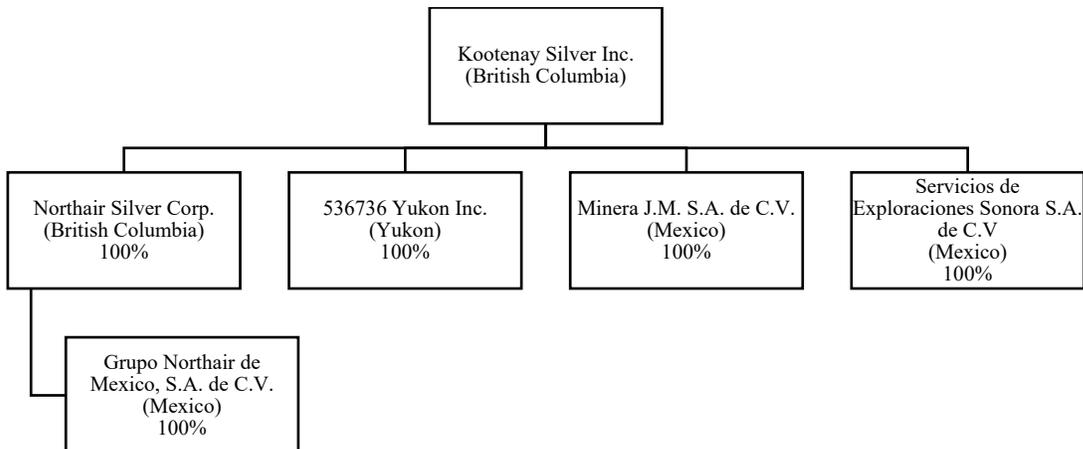
The Company was incorporated under the *Business Corporations Act* (Alberta) on August 2, 2000 under the name "First Integrated Enterprises Ltd.". On March 7, 2005, Kootenay changed its name from "First Integrated Enterprises Ltd." to "Kootenay Gold Inc.". On November 9, 2006, Kootenay continued under the BCBCA. On February 21, 2012, Kootenay changed its name from "Kootenay Gold Inc." to "Kootenay Silver Inc."

The address of the Company's registered office will continue to be Suite 910 – 810 West Pender Street, Vancouver, British Columbia, Canada. The address of the Company's head office will continue to be Suite 1125 - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

Following the Arrangement, the Company will continue to be a reporting issuer in British Columbia, Alberta and Ontario and the Company Shares will continue to be listed on the TSXV under the symbol "KTN".

#### *Intercorporate Relationships*

The diagram below sets forth the Company's inter-corporate relationships with each of its subsidiaries post-Arrangement:



### Description of the Business

#### *Summary of the Business*

Following the Arrangement, the Company will continue as a mineral exploration and development company focused on its mineral exploration projects in Mexico, including the Columba and La Cigarra silver projects in Chihuahua, the Promontorio and La Negra silver projects in Sonora, and the Copalito high grade silver-gold project in Sinaloa.

In late 2018, the Company entered into an option agreement to acquire the Columba and Copalito properties. Both properties are classic epithermal vein systems demonstrating potential for discovery of high-grade resources. The Company's focus will be to continue exploration on the Columba and Copalito properties.

The primary objective and business plan of the Company will be to discover or acquire silver dominant mineral deposits that have the potential to become economically viable for further development. The Company assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and, when appropriate, funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management's assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, community involvement to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for commodities are favorable towards precious metals and exploration then capital is more accessible, allowing the Company more flexibility in the balance between advancing select projects while maintaining a 100% interest and seeking partner funded programs on other projects through option or joint venture agreements. When markets are not favorable towards equity investment more emphasis is given to seeking funding through option or joint venture agreements to advance projects for ongoing development.

The Company is in the exploration stage and does not mine, produce or sell any mineral products at this time, nor do any of its current properties have any known or identified current mineral reserves. As the Company is an exploration stage company with no producing properties, it has no current operating income, cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on its properties. The Company intends to continue to evaluate, explore and develop its properties through additional equity or debt financing.

For further information regarding the Company and its mineral properties, see the documents incorporated by reference in this Information Circular and other public disclosure documents of the Company available at [www.sedar.com](http://www.sedar.com) under the Company's profile.

### ***Mineral Properties***

#### ***Columba Project***

The Columba silver project (the "**Columba Project**") hosts a past-producing, high-grade silver mine in Chihuahua State, Mexico. The Columba Project is approximately 1,000 ha and covers a high-grade silver epithermal system comprised of numerous veins, which the Company has mapped over strike lengths from 200 m to 2 km. Since its acquisition, the Company has performed sampling, mapping and drilling at the Columba Project. The Company completed 41 holes with 6,853 m of drilling in 2019, 43 drill holes totalling 9,114 m in 2020 and approximately 5,000 m in 2021 thus far, targeting six different veins in the Columba Project.

On November 19, 2018, the Company announced that it had entered into an option agreement to acquire a 100% interest in the Columba Project by making cash payments over a 4-year period totaling US\$3,290,000 and incurring work expenditures of US\$1,000,000. Upon earn-in, the vendors retain a 2% net smelter royalty ("**NSR**"), of which 1% can be repurchased by the Company for US\$750,000. A total of US\$440,000 has been paid, and the Company has incurred work expenditures of at least US\$1,000,000.

#### ***Copalito Project***

The Copalito silver-gold project (the "**Copalito Project**"), located to the State of Sinaloa, Mexico, consists of seven concessions totaling approximately 3,700 ha and covers a gold and silver epithermal vein system comprised of numerous veins, with individual veins currently traced over strike lengths up to 2 km. Veins vary in width from 0.5 to 15 m at surface and grade from background to highs of 8.2 gpt gold and 3,770 gpt silver in grab samples. Highlights

of surface chip samples graded 573 gpt silver and 2.1 gpt gold over widths of 1 meter and 1,066 gpt silver over 3.8 m. The Copalito Project lies within a broad northeast trending transform geological belt approximately 350 km in length that includes the districts and projects of Parral, Santa Barbara, Guanacevi and La Pitarilla. A maiden drill program was initiated in March 2020 with a planned 3,000-meter program. This was expanded to approximately 4,153 m over 40 drill holes. In 2021, an additional 3,500 metres have been drilled.

During 2018, a wholly-owned Mexican subsidiary of the Company entered into an option agreement to acquire a 100% interest in the Copalito Project by making payments over a 4-year period totaling US\$985,000, of which US\$260,000 has been paid. Upon earn-in, the vendors retain a 0.5% NSR. On October 3, 2019, the Company announced the signing of an access agreement in respect of exploration activities on the Copalito Project.

#### *La Cigarra Project*

Since acquiring the La Cigarra silver project (the “**La Cigarra Project**”) located in Chihuahua State, Mexico in April 2016, the Company completed several exploration programs, including drilling, relogging of core and mapping. The mineralized structure is open along strike to the northwest and down dip and appears continuous with the resource for an additional 1,000 m of strike to the northwest. It varies in width from about 15 to 45 m and has been tested by broad spaced drilling from surface down dip from between 50 m and 150 m. Drilling in the Nogalera Gold trend returned only anomalous amounts of gold in narrow structures. The program was curtailed due to market conditions related to the silver price and general junior exploration market. A new geological model is underway to optimize resource grade dependant on results, which could lead to an updated resource and a decision to undergo a preliminary economic assessment on the La Cigarra Project.

#### *Promontorio Project*

Minera J.M. S.A. de C.V. (“**Minera JM**”), a wholly-owned subsidiary of the Company, presently controls the mineral concessions that comprise the Promontorio silver project (the “**Promontorio Project**”), located in Sonora State, Mexico. There are two significant silver discoveries on the Promontorio Project: the Promontorio and the La Negra. The La Negra discovery is a hydrothermal-diatreme breccia exposed over a 100 to 150 x 500 m area and is contained within the Promontorio claim block, approximately 7.0 km north of the Promontorio Project. The Company drilled a total of 6,213 m over 41 core drill holes, and Pan American Silver Corporation drilled 56 holes totaling about 11,000 m into the La Negra Breccia. Preparation is being made for the first resource estimate on La Negra, which is anticipated to be in 2021. The Company reported a series of high-grade silver intercepts from the drill programs conducted by Pan American Silver Corporation, who, from March 2016 to June 2019, had an option on the Promontorio Project. All holes reported are infill and step out drilling down dip on the La Negra breccia.

Minera JM acquired its 100% interest in the mineral concessions comprising the Promontorio Project pursuant to two option agreements. It has fulfilled the terms of the option agreement with Siete Campanas de Plata, S.A. de C.V. dated November 2, 2006, and an agreement with Fideicomiso de Fomento Minero, a federal government loan agency. Under the option agreement between Minera JM and Exploración Canada de Oro, S.A. de C.V. (“**ECO**”) dated October 20, 2006 (the “**ECO Option Agreement**”), Minera JM has fulfilled all option payments under the ECO Option Agreement with the exception of one remaining payment of US\$210,000, which is payable to ECO on the completion of a bankable feasibility study on the concessions or commencement of production.

#### *Cervantes Project*

For information on the Cervantes project, see “*Two-Year History*” below.

#### *La Mina Project*

On March 17, 2018, a wholly-owned Mexican subsidiary of the Company entered into an option agreement with Capstone Mining Corp. (“**Capstone Mining**”) on the La Mina project (the “**La Mina Project**”) located in Sonora State, Mexico. The La Mina Project was staked by the Company and covers the upper levels of a zoned copper porphyry mineral system exposed over a 2 by 2 km area. Capstone Mining was granted the right to earn an initial 60%

(the “**Initial Earn-In**”) in the La Mina Project by making cash payments totalling US\$600,000 and incurring exploration expenditures totalling US\$4,000,000 over a four-year period. Following the Initial Earn In, Capstone may earn up to a 100% interest in the La Mina Project in stages by completing certain milestones, including preparation of a preliminary economic assessment, a prefeasibility study and paying an additional aggregate total of US\$8,400,000 to the Company.

The La Mina Project is subject to an underlying information agreement dated May 4, 2018 between the Company and a third party whereby the third party holds a 2.5% NSR, of which the Company has the right to purchase, on or before the start of commercial production, up to 2% of the NSR (the “**Buydown**”) for an aggregate of US\$1,600,000. The Company has agreed to pay US\$20,000 and issue 142,000 Company Shares to the third party. If Capstone Mining earns a 100% interest as set out above, the Company will retain a 1% NSR with no buy-out option, of which 0.5% will be held by the third party after giving effect to the Buydown.

### ***Specialized Skill and Knowledge***

Many aspects of the Company’s business require specialized skill and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning and implementation of exploration programs and accounting. The Company retains executive officers and consultants with experience in mining, metallurgy, geology, exploration and development in Canada and Mexico and generally, as well as executive officers and consultants with relevant experience.

### ***Competitive Conditions***

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with a number of other entities and individuals in the search for and the acquisition of attractive mineral properties. As a result of this competition, the Company may not be able to acquire attractive properties in the future on terms it considers acceptable. Finally, the Company competes for investment capital with other resource companies, many of whom have more advanced properties that are better able to attract equity investment and other capital. The ability of the Company to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its present properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. See the section below entitled “*Risk Factors*”.

### ***Components***

The raw materials the Company requires to carry on its business at the Company’s mineral exploration projects are available through normal supply or business contracting channels in Mexico. Over the past several years, increased mineral exploration activity on a global scale has made some services difficult to procure, particularly skilled and experienced contract drilling personnel. It is possible that delays or increased costs may be experienced in order to proceed with drilling activities during the current period. Such delays could significantly affect the Company if, for example, commodity prices fall significantly, thereby reducing the opportunity the Company may have had to develop a particular project had such tests been completed in a timely manner before the fall of such prices.

### ***Cycles***

The mining business, and particularly precious metals production, is subject to metal price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles.

### ***Economic Dependence***

The Company’s business is not dependent on any contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

### ***Changes to Contracts***

Except in connection with the Arrangement or as described elsewhere in the Information Circular, it is not expected that the Company's business will be affected in the current financial year by the renegotiation or termination of contracts or subcontracts.

### ***Environmental Protection***

The current and future operations of the Company, including exploration, acquisition and development activities, are subject to extensive laws and regulations governing environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. The Company's operations are located in Mexico and are subject to national and local laws and regulations. Compliance with such laws and regulations can increase the costs of, and potentially delay exploring, planning, designing, drilling and developing the Company's properties.

### ***Employees***

At the end of the most recently completed financial year, the Company and its subsidiaries had 17 employees. No management functions of the Company are or will, upon closing of the Arrangement, be performed to any substantial degree by a person other than the directors or executive officers of the Company. The Company has not experienced, and does not expect to experience, difficulty in attracting and retaining qualified personnel. However, no assurance can be given that a sufficient number of qualified employees can be retained by the Company when necessary.

### ***Foreign Operations***

Upon completion of the Arrangement, all of the Company's mineral exploration projects will be located in Mexico. The Company is dependent on its foreign operations through its subsidiaries in Mexico in which all Mexican operations are carried out.

### ***Two-Year History***

The following is a discussion of the general development of the Company's business over the last two financial years ended December 31, 2020 and 2019 and subsequent to the financial year ended December 31, 2020. The discussion is a summary of the major events or conditions that have influenced that development through the aforementioned periods:

#### ***Subsequent to Financial Year Ended December 31, 2020***

Subsequent to March 31, 2021, the Company issued 150,000 Company Shares and paid \$30,000 to Craig Kennedy pursuant to an option agreement dated January 1, 2018 with Mr. Kennedy to acquire a 100% interest in the Meachen Bend property. For more information, see "*Two-Year History - Financial Year Ended December 31, 2020*" below and *Schedule "G" – Information Concerning Spinco Post-Arrangement – Non-Material Mineral Properties – Meachen Bend Property, BC*.

In late March 2021, the Company commenced a fully-funded 3,500 meter drilling program with a budget of \$1,200,000 on the Copalito silver-gold project located in the Sinaloa State, Mexico (the "**Copalito Project**").

In early March 2021, the Company commenced a fully-funded 5,000 meter drilling program with a budget of \$1,700,000 on the Columba Project means the Columba silver project located in the Chihuahua State, Mexico (the "**Columba Project**").

On January 26, 2021, the Company announced that an exploration program had been approved by the joint venture formed by the Company with Aztec Minerals Corp. ("**Aztec Minerals**"), of which Aztec Minerals owns 65% and the Company owns 35% (the "**Cervantes Joint Venture**"). A two-phase, \$1.13 million exploration program is planned

for the Cervantes porphyry gold-copper property located in Sonora, Mexico (“**Cervantes Project**”) in 2021. The first phase is an \$85,000 program of sampling and mapping, and the second phase is a \$1.05 million drilling program expected to start in the fall of 2021.

### ***Financial Year Ended December 31, 2020***

During the year ended December 31, 2020, the Company issued 50,000 Company Shares and paid \$20,000 to Craig Kennedy pursuant to an option agreement entered into by the Company and Mr. Kennedy on January 1, 2018 to acquire a 100% interest in the Meachen Bend property. See *Schedule “G” – Information Concerning Spinco Post-Arrangement – Non-Material Mineral Properties – Meachen Bend Property, BC*.

On December 16, 2020, the Company entered into a joint venture agreement with Aztec Minerals and formed the Cervantes Joint Venture pursuant to an option agreement dated July 25, 2015 (the “**Aztec Agreement**”) between the Company and Aztec Minerals. The terms of the Aztec Agreement allowed Aztec Minerals to earn a 65% interest in the Cervantes Project by spending US\$1.5 million in exploration expenditures by July 25, 2019, paying the Company US\$150,000 in the aggregate by July 25, 2019 and issuing an aggregate of 1,000,000 common shares to the Company. Aztec Minerals fulfilled their obligations under the Aztec Agreement.

On August 25, 2020, the Company closed a brokered private placement pursuant to which the Company issued 17,500,000 units at a price of \$0.40 per unit for gross proceeds of approximately \$7,000,000. Each unit was comprised of one Company Share and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one Company Share at a price of \$0.55 per Company Share until August 25, 2022. The agents received a cash fee equal to 6.0% of gross proceeds (other than in respect of certain subscribers on which a cash fee equal to 3.0% was paid). In addition, the Company issued to the agents 1,050,000 non-transferable broker warrants, with each broker warrant entitling the holder to purchase one unit at \$0.40 per unit until August 25, 2022.

The Company entered into an option agreement dated June 16, 2020 with Craig Kennedy pursuant to which the Company acquired an option to acquire a 100% interest in the claims comprising the Moyie Anticline properties in southeastern British Columbia, which are comprised of the Moyie Anticline, Sweet Spot Property, Lady Slipper, Kenco, Down Dip, Leaky Pipe and Hazel’s Yakh properties. See *Schedule “G” – Information Concerning Spinco Post-Arrangement – Non-Material Mineral Properties – Other Moyie Anticline Properties, BC*.

### ***Financial Year Ended December 31, 2019***

On October 15, 2019, the Company closed a non-brokered private placement of 7,692,308 units at a price of \$0.26 per unit for gross proceeds of \$2,000,000. Each unit consisted of one Company Share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one Company Share at an exercise price of \$0.40 and expire on October 11, 2021.

On October 3, 2019, the Company announced the signing of an access agreement on the Copalito Project, allowing access to conduct exploration activities.

On August 22, 2019, the Company closed a non-brokered private placement of 31,250,000 units at a price of \$0.16 per unit for gross proceeds of \$5,000,000. Each unit consisted of one Company Share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one Company Share at an exercise price of \$0.22 until August 22, 2022. A finder’s fee of \$200,000 was paid in units, totaling 1,250,000 Company Shares and 625,000 warrants.

On June 7, 2019, the Company announced the termination of an option agreement with Pan American Silver Corporation and its wholly owned subsidiary, Compania Minera Dolores S.A. de C.V., whereby Compania Minera Dolores S.A. de C.V. was granted the option to earn a 75% interest in the Promontorio Mineral Belt silver properties.

In June 2019, the Company announced the termination of the Autofagasta Silver Fox Property Agreement and the Autofagasta Mark Property Agreement. See *Schedule “G” – Information Concerning Spinco Post-Arrangement –*

*Non-Material Mineral Properties – Silver Fox Property, BC and Schedule “G” – Information Concerning Spinco Post-Arrangement – Non-Material Mineral Properties – Mark Property, BC, respectively.*

On March 5, 2019, the Company closed a non-brokered private placement for 50,309,511 units at a price of \$0.14 per unit for gross proceeds of \$7,043,332. Each unit consisted of one Company Share and one common share purchase warrant totaling 50,309,511 warrants. Each warrant entitles the holder to acquire one Company Share at an exercise price of \$0.20 until March 5, 2024.

### **Dividends or Distributions**

There is no restriction that would prevent the Company from paying dividends on the Company Shares. However, the Company has not paid any dividends on the Company Shares during the three most recently completed financial years and during the current financial year, and it is not contemplated that the Company will pay any dividends on the Company Shares in the immediate or foreseeable future. Any payment of dividends in the future is at the discretion of the Company Board.

### **Management’s Discussion and Analysis**

The management’s discussion and analysis of the Company for the financial year ended December 31, 2020 and for the three-month period ended March 31, 2021 are incorporated by reference into the Information Circular and may be obtained from SEDAR under the Company’s issuer profile at [www.sedar.com](http://www.sedar.com). The management’s discussion and analysis of the Company should be read in conjunction with the audited consolidated financial statements of the Company for the financial years ended December 31, 2020 and 2019, together with the auditor’s report thereon and the notes thereto, and the unaudited consolidated interim financial statements of the Company for the periods ended March 31, 2021 and March 31, 2020, together with the notes thereto, which are incorporated by reference into the Information Circular and may be obtained from SEDAR under the Company’s issuer profile at [www.sedar.com](http://www.sedar.com).

### **Description of the Company’s Securities**

The authorized share capital of the Company consists of an unlimited number of Company Shares without par value and an unlimited number of preferred shares without par value. As of the date of this Information Circular, 320,554,936 Company Shares issued and outstanding and no preferred shares are outstanding. An additional 13,835,000 Company Shares may be issued upon the exercise of outstanding Company Options and 74,475,665 Company Shares may be issued upon exercise of outstanding Company Warrants.

Upon completion of the Arrangement, all Company Shares will be exchanged for New Company Shares having identical rights and restrictions as the Company Shares. In this Schedule, all references to the “Company Shares” shall be deemed to be referred to as the “New Company Shares” upon completion of the Arrangement. Upon completion of the Arrangement, all Company Options will be exchanged for Company Replacement Options and Spinco Options, and each Company Warrant will be amended as described in the body of the Information Circular under the heading “*Approval of the Arrangement – Principal Steps of the Arrangement*”.

Company Shareholders are entitled to one vote per Company Share at all meetings of Company Shareholders. Company Shareholders are entitled to receive dividends as and when declared by the Company Board and to receive a pro rata share of the assets of the Company available for distribution to Company Shareholders in the event of the liquidation, dissolution or winding-up of the Company. All Company Shares rank equally as to all benefits which might accrue to the Company Shareholders.

### **Consolidated Capitalization**

There have not been any material changes in the share and loan structure of the Company since the date of the Company’s most recently filed March 31, 2021 financial statements. As a result of the Arrangement, there will be changes to the Company’s share capital. For details of these changes please see the heading of the Information Circular entitled “*Approval of the Arrangement*”, and the pro forma financial statements attached at Schedule “J” to the Information Circular.

***Pro Forma Consolidated Capitalization***

The following table sets out the capitalization of the Company as at March 31, 2021 both before and after giving effect to the Arrangement. The table should be read in conjunction with the unaudited consolidated interim financial statements of the Company for the periods ended March 31, 2021 and March 31, 2020, together with the notes thereto, incorporated by reference, and the pro forma financial statements, including the notes thereto, attached as Schedule “J” to the Information Circular.

<b>Designation of Security</b>	<b>Amount Authorized or to be Authorized</b>	<b>Outstanding as at March 31, 2021<sup>(1)</sup></b>	<b>Outstanding as at March 31, 2021 after giving effect to the Arrangement<sup>(1)</sup></b>
Company Shares	Unlimited	\$92,959,190 (319,059,936 Company Shares)	\$90,403,636 (320,554,936 Company Shares)

<sup>(1)</sup> Calculated on an undiluted basis.

***Pro Forma Fully Diluted Share Capital***

The following table shows the number and percentage of Company Shares expected to be outstanding on a fully-diluted basis after giving effect to the Arrangement. The table should be read in conjunction with the pro forma financial statements, including the notes thereto, attached as Schedule “J” to the Information Circular.

<b>Description of Issue</b>	<b>Number of Company Shares After Giving Effect to the Arrangement / Percentage of Total</b>
Company Shares	320,554,936 / 78.40%
Issuable on exercise of Company Warrants	74,475,665 / 18.22%
Issuable on exercise of Company Options	13,835,000 / 3.38%
<b>Fully-Diluted</b>	<b>408,865,601</b>

**Prior Sales*****Company Shares***

The following table summarizes details of the Company Shares issued by the Company during the 12-month period prior to the date of this Information Circular.

<b>Date of Issuance</b>	<b>Security</b>	<b>Price per Security (\$)</b>	<b>Number of Securities</b>
August 7, 2020	Exercise of Options	\$0.14	100,000
August 10, 2020	Exercise of Warrants	\$0.30	37,500
August 18, 2020	Exercise of Warrants	\$0.30	125,000
August 25, 2020	Company Shares	\$0.40	17,500,000
August 25, 2020	Exercise of Warrants	\$0.30	30,000
August 25, 2020	Exercise of Warrants	\$0.20	200,000

<b>Date of Issuance</b>	<b>Security</b>	<b>Price per Security (\$)</b>	<b>Number of Securities</b>
August 27, 2020	Exercise of Warrants	\$0.30	350,000
September 1, 2020	Exercise of Warrants	\$0.20	450,000
September 1, 2020	Exercise of Warrants	\$0.30	62,500
September 16, 2020	Exercise of Warrants	\$0.20	150,000
September 17, 2020	Exercise of Warrants	\$0.30	100,000
September 18, 2020	Exercise of Warrants	\$0.20	200,000
October 5, 2020	Exercise of Warrants	\$0.30	25,000
October 9, 2020	Exercise of Warrants	\$0.30	500,000
November 9, 2020	Exercise of Warrants	\$0.30	127,500
November 12, 2020	Exercise of Warrants	\$0.30	400,000
November 13, 2020	Exercise of Warrants	\$0.30	100,000
November 18, 2020	Exercise of Warrants	\$0.30	200,000
November 30, 2020	Exercise of Warrants	\$0.30	106,900
December 3, 2020	Exercise of Warrants	\$0.30	125,000
December 8, 2020	Exercise of Warrants	\$0.30	1,000,000
December 9, 2020	Exercise of Warrants	\$0.30	1,000,000
December 11, 2020	Exercise of Warrants	\$0.30	3,612,500
December 14, 2020	Exercise of Warrants	\$0.30	1,181,250
December 21, 2020	Exercise of Warrants	\$0.30	160,000
December 21, 2020	Exercise of Warrants	\$0.30	60,000
January 13, 2021	Exercise of Options	\$0.14	37,500
January 20, 2021	Exercise of Warrants	\$0.20	450,000
February 16, 2021	Exercise of Options	\$0.14	37,500
March 3, 2021	Exercise of Warrants	\$0.55	111
April 21, 2021	Exercise of Warrants	\$0.20	1,400,000
April 21, 2021	Exercise of Options	\$0.14	50,000
June 15, 2021	Exercise of Options	\$0.14	45,000

### ***Company Options***

The following table summarizes details of the Company Options issued by the Company during the 12-month period prior to the date of this Information Circular.

<b>Date of Issuance</b>	<b>Security</b>	<b>Price per Security (\$) <sup>(1)</sup></b>	<b>Number of Securities</b>
July 7, 2021	Company Options	\$0.265	650,000

<sup>(1)</sup> Exercise price of the Company Options.

### Company Warrants

The following table summarizes details of the Company Warrants issued by the Company during the 12-month period prior to the date of this Information Circular.

Date of Issuance	Security	Price per Security (\$) <sup>(1)</sup>	Number of Securities
August 25, 2020	Company Warrants	\$0.55	8,750,000
August 25, 2020	Company Warrants	\$0.40	1,050,000 <sup>(2)</sup>

<sup>(1)</sup> Exercise price of the Company Warrants.

<sup>(2)</sup> Broker warrants.

### Trading Price and Volume

The Company Shares are listed and posted for trading on the TSXV under the symbol “KTN”. The following table sets forth information relating to the trading of the Company Shares on the TSXV on a monthly basis for each month, or, if applicable, partial months of the 12-month period prior to the date of this Information Circular:

Month	High (\$)	Low (\$)	Volume
August 2021 <sup>(1)</sup>	\$0.265	\$0.225	382,490
July 2021	\$0.275	\$0.205	3,726,183
June 2021	\$0.33	\$0.25	4,032,387
May 2021	\$0.32	\$0.265	10,640,088
April 2021	\$0.36	\$0.275	7,407,701
March 2021	\$0.395	\$0.315	6,894,184
February 2021	\$0.45	\$0.365	11,033,879
January 2021	\$0.44	\$0.3	10,977,912
December 2020	\$0.44	\$0.375	7,450,099
November 2020	\$0.455	\$0.345	8,468,099
October 2020	\$0.46	\$0.34	9,070,281
September 2020	\$0.49	\$0.355	8,940,176
August 2020	\$0.54	\$0.41	16,404,666

<sup>(1)</sup> From August 1 to August 11, 2021.

At the close of business on August 11, 2021, the price of the Company Shares as quoted by the TSXV was \$0.235.

Certain Company Warrants were listed and posted for trading on the TSXV under the symbol “KTN.WT”, which expired on April 21, 2021.

### Principal Securityholders

To the best of the knowledge of the directors and executive officers of the Company, as of the date of the Information Circular, no persons, beneficially own, directly or indirectly, or exercise control or direction over, Company Shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company.

## Escrowed Securities

To the knowledge of the Company, as of the date of this Information Circular, there are no securities of the Company held in escrow or subject to contractual restrictions on transfer and the Company does not anticipate that any securities of the Company will be subject to escrow or contractual restrictions on transfer as of the Effective Date.

## Directors and Executive Officers

The directors and executive officers of the Company are expected to remain the same following completion of the Arrangement, except that Ms. Andrea Zaradic will not be a director of the Company following the completion of the Arrangement as she is not standing for re-election to the Company Board at the Meeting.

## Statement of Executive Compensation for the Company

### *Director and Named Executive Officer Compensation*

For the purpose of this Information Circular:

In this section, “**Named Executive Officer**” means (a) the Company’s chief executive officer (the “**CEO**”), including an individual performing functions similar to a CEO, (b) the Company’s chief financial officer (the “**CFO**”), including an individual performing functions similar to a CFO, (c) the most highly compensated executive officer of the Company, and its subsidiaries, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V Statement of Executive Compensation – Venture Issuers, for that financial year; and (d) each individual who would be a Named Executive Officer under (c) but for the fact that the individual was not an executive officer of the Company and was not acting in a similar capacity, at the end of that financial year.

During the Company’s fiscal year ended December 31, 2020, the following individuals were the Named Executive Officers of the Company:

- James M. McDonald, President and CEO
- Rajwant S. Kang, CFO and Corporate Secretary

### *Director and Named Executive Officer Compensation, Excluding Compensation Securities*

#### Table of Compensation Excluding Compensation Securities

The following table provides a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company or a subsidiary of the Company Board to each Named Executive Officer and director of the Company during the fiscal years ended December 31, 2020 and 2019:

Name and position	Year ending	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
James M. McDonald President, CEO and Director	2020	\$250,000	\$Nil	\$12,500	\$Nil	\$Nil	\$262,500 <sup>(1)</sup>
	2019	\$250,000	\$195,000	\$12,500	\$Nil	\$Nil	\$457,500 <sup>(2)</sup>

Name and position	Year ending	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
<b>Rajwant S. Kang</b> CFO and Corporate Secretary	2020	\$143,000	\$Nil	\$Nil	\$Nil	\$Nil	\$143,000 <sup>(3)</sup>
	2019	\$143,000	\$Nil	\$Nil	\$Nil	\$Nil	\$143,000 <sup>(3)</sup>
<b>Kenneth E. Berry</b> Chairman and Director	2020	\$Nil	\$Nil	\$16,500	\$Nil	\$Nil	\$16,500
	2019	\$Nil	\$Nil	\$19,500	\$Nil	\$Nil	\$19,500
<b>Brian Groves</b> Director	2020	\$Nil	\$Nil	\$17,500	\$Nil	\$Nil	\$17,500
	2019	\$Nil	\$Nil	\$15,500	\$Nil	\$Nil	\$15,500
<b>Nathaniel Jon Morda</b> Director	2020	\$Nil	\$Nil	\$20,500	\$Nil	\$Nil	\$20,500
	2019	\$Nil	\$Nil	\$20,500	\$Nil	\$Nil	\$20,500
<b>Andrea Zaradic</b> Director	2020	\$Nil	\$Nil	\$12,500	\$Nil	\$Nil	\$12,500
	2019	\$Nil	\$Nil	\$12,000	\$Nil	\$Nil	\$12,000
<b>Antonio Reda</b> Director	2020	\$Nil	\$Nil	\$16,500	\$Nil	\$Nil	\$16,500
	2019	\$Nil	\$Nil	\$16,500	\$Nil	\$Nil	\$16,500

<sup>(1)</sup> Of this amount, Mr. McDonald received \$250,000 during the year in his capacity as President and CEO and \$12,500 in his capacity as a director. All payments were made to Makwa, a private company controlled by Mr. McDonald, which provides the services of Mr. McDonald as the Company's President and CEO. See "Employment, Consulting and Management Agreements".

<sup>(2)</sup> Of this amount, Mr. McDonald received \$250,000 during the year and \$195,000 as a bonus in his capacity as President and CEO and \$12,500 in his capacity as a director. All payments were made to Makwa, a private company controlled by Mr. McDonald, which provides the services of Mr. McDonald as the Company's President and CEO. See "Employment, Consulting and Management Agreements".

<sup>(3)</sup> These amounts were paid to RSK Management Consulting Inc. ("**RSK Management**"), a private company controlled by Mr. Kang, which provides the services of Mr. Kang as the CFO and Corporate Secretary. See "Employment, Consulting and Management Agreements".

### ***Stock Options and Other Compensation Securities***

#### **Compensation Securities**

The following table discloses all compensation securities granted or issued to each director and Named Executive Officer of the Company or any of its subsidiaries during the fiscal years ended December 31, 2019 and December 31, 2020. The footnotes to the table disclose the number of stock options held by the directors and Named Executive Officers of the Company and its subsidiaries as at December 31, 2020:

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date
<b>James M. McDonald</b> <sup>(1)</sup> President, CEO and Director	Stock Options	1,500,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Rajwant S. Kang</b> <sup>(2)</sup> CFO and Corporate Secretary	Stock Options	1,000,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Kenneth E. Berry</b> <sup>(3)</sup> Chairman and Director	Stock Options	1,000,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Brian Groves</b> <sup>(4)</sup> Director	Stock Options	200,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Jon Morda</b> <sup>(5)</sup> Director	Stock Options	300,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Andrea Zaradic</b> <sup>(6)</sup> Director	Stock Options	200,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024
<b>Antonio Reda</b> <sup>(7)</sup> Director	Stock Options	200,000	June 26, 2019	\$0.14	\$0.13	\$0.34	June 26, 2024

<sup>(1)</sup> As at December 31, 2020, Mr. McDonald held 3,000,000 stock options of the Company entitling him to acquire, upon exercise, 3,000,000 common shares in the capital of the Company. All options are vested.

<sup>(2)</sup> As at December 31, 2020, Mr. Kang held 1,800,000 stock options of the Company entitling him to acquire, upon exercise, 1,800,000 common shares in the capital of the Company. All options are vested.

<sup>(3)</sup> As at December 31, 2020, Mr. Berry held 2,000,000 stock options of the Company entitling him to acquire, upon exercise, 2,000,000 common shares in the capital of the Company. All options are vested.

<sup>(4)</sup> As at December 31, 2020, Mr. Groves held 525,000 stock options of the Company entitling him to acquire, upon exercise, 525,000 common shares in the capital of the Company. All options are vested.

<sup>(5)</sup> As at December 31, 2020, Mr. Morda held 660,000 stock options of the Company entitling him to acquire, upon exercise, 660,000 common shares in the capital of the Company. All options are vested.

<sup>(6)</sup> As at December 31, 2020, Ms. Zaradic held 225,000 stock options of the Company entitling her to acquire, upon exercise, 225,000 common shares in the capital of the Company. All options are vested.

<sup>(7)</sup> As at December 31, 2020, Mr. Reda held 540,000 stock options of the Company entitling him to acquire, upon exercise, 540,000 common shares in the capital of the Company. All options are vested.

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

The following table discloses all exercises of any Company Options or compensation securities by the directors and the Named Executive Officers of the Company and its subsidiaries during the fiscal years ended December 31, 2019 and December 31, 2020.

Name and Position	Type of Compensation Security	Number of Underlying Securities Exercised	Date of Exercise	Exercise Price Per Security (\$)	Closing Price of Security on Date of Exercise (\$)	Difference between Exercise Price and Closing Price on Date of Exercise (\$)	Total Value on Exercise Date (\$)
<b>James M. McDonald</b> President, CEO and Director	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A
<b>Rajwant S. Kang</b> CFO and Corporate Secretary	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A
<b>Kenneth E. Berry</b> Chairman and Director	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A
<b>Brian Groves</b> Director	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A
<b>Nathaniel Jon Morda</b> Director	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A
<b>Andrea Zaradic</b> Director	Company Options	Company Shares	January 7, 2020	\$0.23	\$0.405	0.175	34,425
			January 17, 2020	\$0.23	\$0.335	0.105	5,025
			January 20, 2020	\$0.23	\$0.365	0.135	14,600
<b>Antonio Reda</b> Director	Company Options	Company Shares	N/A	N/A	N/A	N/A	N/A

### ***Stock Option Plans and other Incentive Plans***

The Company Stock Option Plan was initially approved by the shareholders of the Company on August 18, 2004. The purpose of the Company Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company and of its subsidiaries, if any, and employees of a person or company which provides management services to the Company or its subsidiaries (the “**Participants**”) to acquire Company Shares, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company. The Company Stock Option Plan is presently administered by the Company Board.

On August 12, 2021, the Company Board approved the adoption of the Company Share Unit Plan and the Company DSU Plan, subject to the acceptance of the TSXV and the disinterested shareholders of the Company. The Company Share Unit Plan and the Company DSU Plan will become effective upon receipt of the final acceptance of the TSXV and disinterested shareholder approval of the Company. See the sections of the Information Circular entitled “*Particulars of Matters to be Acted Upon – Approval of Company DSU Plan*” and “*Particulars of Matters to be Acted Upon – Approval of Company Share Unit Plan*” for summaries of the Company DSU Plan and the Company Share Unit Plan.

The Company Stock Option Plan is a “rolling 10% plan” so the number of Company Shares reserved for issuance under the Company Stock Option Plan shall not exceed 10% of the issued and outstanding Company Shares from time to time. The aggregate number of Company Options granted to any Participant in a twelve month period must not exceed 5% of the issued and outstanding Company Shares, unless the Company has obtained disinterested shareholder approval of such grants as required by the TSXV. The aggregate number of Company Options granted to any one consultant of the Company must not exceed 2% of the issued and outstanding Company Shares. The aggregate number of Company Options granted to persons employed to provide investor relations activities must not exceed 2% of the issued and outstanding Company Shares. Company Options granted to consultants performing investor relations

activities are subject to vesting provisions. The exercise price of the Company Options granted under the Company Stock Option Plan is determined by the Company Board, but shall not be less than the price permitted by the TSXV. Company Options are exercisable for a term fixed by the Company Board and shall not exceed 10 years, subject to earlier termination after certain events such as the Participant's ceasing to be a Participant, disability or death. In accordance with the policies of the TSXV "rolling 10% plans" must be approved annually at the Company's annual meeting by the shareholders of the Company. Accordingly, the Company will be seeking the approval of its shareholders to the ratification of the Company Stock Option Plan at the Meeting as is required in accordance with the policies of the TSXV.

On August 12, 2021, the Company Board approved, subject to the acceptance of the TSXV, amendments to the Company Option Plan in connection with the adoption by the Company Board of the Company DSU Plan and the Company Share Unit Plan, and certain other amendments of a housekeeping nature. In particular, certain limits to the number of Company Options issuable to Participants as described above will be amended based on Company Common Shares issuable pursuant to all share compensation arrangements of the Company. These amendments do not require shareholder approval, as the amendments clarify existing provisions of the Company Option Plan that do not have the effect of altering the scope, nature and intent of such provisions.

The Company Stock Option Plan was last ratified, confirmed and approved by the shareholders at the Company's annual and special meeting held on November 28, 2019.

### ***Employment, Consulting and Management Agreements***

Effective January 1, 2008, the Company entered into a consulting agreement with Makwa, which provides the services of James M. McDonald as the Company's President and CEO for a base fee of \$15,000 per month. The base monthly fee for Makwa was amended effective January 1, 2017 to \$20,833. All other terms of the consulting agreement with Makwa remained unchanged. The consulting agreement with Makwa had an initial term of 24 months (the "**Initial Term**") and automatically extend in increments of 24 months until terminated.

The consulting agreement with Makwa provide that:

- (a) if the Company terminates Mr. McDonald's (the "**Consultant**") engagement for cause (as defined in the consulting agreement) or if the Consultant voluntarily terminates his engagement, the Company's obligation to compensate the Consultant shall in all respects cease as of the date of termination, except that the Company shall pay the Consultant the monthly base fee under their respective consulting agreements and any reimbursable expenses up to such date of termination (the "**Accrued Obligations**");
- (b) if the Consultant's engagement is terminated due to the death or the permanent disability of the Consultant, the Company's obligation to compensate the Consultant shall in all respects cease as of the date of termination, except that within 30 days after the date of termination the Company shall pay the Consultant the Accrued Obligations and six months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased; and
- (c) if the Consultant's engagement is terminated by the Company without cause, the Company's obligation to compensate the Consultant shall in all respects cease, except that within 30 days after the date of termination the Company shall pay the Consultant the Accrued Obligations and 12 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased.

If the Consultant's engagement is terminated pursuant to a change of control (as defined in the consulting agreement) of the Company, the Company's obligation to compensate the Consultant shall in all respects cease, except that concurrently with the date of termination the Company shall pay the Consultant the Accrued Obligations together with a termination fee equal to 24 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise increased.

The Company and RSK Management, a private company controlled by Mr. Kang, have entered into a Management and Consulting Agreement dated January 1, 2013 (the "**RSK Management Agreement**") to provide the services of

Mr. Kang as the Company's CFO. The RSK Management Agreement provides for, among other things, a base fee of \$11,917 per month to RSK Management. The RSK Management Agreement renews each year until termination.

The RSK Management Agreement further provides that:

- (a) if the Company terminates RSK Management's engagement for cause (as defined in the RSK Management Agreement) or if RSK Management voluntarily terminates its engagement, the Company's obligation to compensate RSK Management shall in all respects cease as of the date of termination, except that the Company shall pay RSK Management the base fee of \$11,917 per month and any reimbursable expenses up to such date of termination (the "**Accrued Obligations**");
- (b) if RSK Management's engagement is terminated due to the death or the permanent disability of Mr. Kang, the Company's obligation to compensate RSK Management shall in all respects cease as of the date of termination, except that within 30 days after the date of termination the Company shall pay RSK Management the Accrued Obligations and six months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased; and
- (c) if RSK Management's engagement is terminated by the Company without cause, the Company's obligation to compensate RSK Management shall in all respects cease, except that within 5 days after the date of termination the Company shall pay RSK Management the Accrued Obligations and 24 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise been increased.

If RSK Management's engagement is terminated pursuant to a change of control (as defined in the RSK Management Agreement) of the Company, the Company's obligation to compensate RSK Management shall in all respects cease, except that concurrently with the date of termination the Company shall pay RSK Management the Accrued Obligations together with a termination fee equal to 24 months of the capped monthly base fee or such greater amount to the extent that the base fee has otherwise increased.

### ***Oversight and Description of Director and Named Executive Officer Compensation***

#### *Named Executive Officer Compensation*

The Company Board determines Named Executive Officer compensation based on the recommendation of the Compensation Committee at the time of engagement of the Named Executive Officer and subsequently reviews compensation payable to a Named Executive Officer from time to time. For the Company's fiscal year ended December 31, 2020, the significant elements of compensation paid and awarded to each Named Executive Officer were base salaries/management fees paid indirectly to Messrs. McDonald, and Kang. See "*Table of Compensation Excluding Compensation Securities*" and "*Employment, Management and Consulting Agreements*".

The components of the Company's executive compensation program are described in the table below:

<b>Compensation element</b>	<b>How it is paid</b>	<b>What it is designed to reward</b>
Base salary	Cash	Rewards skills, capabilities, knowledge and experience, reflecting the level of responsibility, as well as the contribution expected from each executive.
Short-term Incentive	Cash	Rewards contribution to departmental performance and the Company's overall performance. Rewards for achievements within the current financial year.

<b>Compensation element</b>	<b>How it is paid</b>	<b>What it is designed to reward</b>
Long-term Incentive	Company Options	Provides alignment between the interests of executives and shareholders. Rewards contribution to the long-term performance of the Company and demonstrated potential for future contribution. Aligns with long-term corporate performance and provides added incentive for executives to enhance shareholder value.

The Compensation Committee considers a broad range of factors when setting compensation for Named Executive Officers, including but not limited to: i) market data, ii) recruiting and retaining executives critical to the success of the Company, iii) individual performance, iv) corporate performance and v) rewarding performance. The Compensation Committee may request the executive officers to provide remuneration analysis for the sector for its review and also review the performance of certain individuals regarding long-term incentives namely, the grant of option based awards.

The Company uses public company market data to compare companies in the same or similar industry sector who are comparable in size and which have similar assets. Information relied upon includes executive compensation of comparable companies and current marketplace salaries being offered. The Company also relies on the Company Board and its collective experience in similar lines of business when assessing compensation levels. The purpose is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and option based compensation for the Company Board's approval.

#### *Base Salary*

The base salary provides an executive with basic compensation and reflects individual responsibility, knowledge and experience, market competitiveness and the contribution expected from each individual. At its discretion, the Compensation Committee may compare each executive officer's salary with the base salaries for similar positions in the comparator or peer group, and recommends appropriate adjustments, as needed.

#### *Short-term Incentive*

Short-term incentive compensation is based on annual results. The short-term incentive compensation ensures that a significant portion of an executive's compensation varies with actual results in a given year, while providing financial incentives to executives to achieve short-term financial and strategic objectives. It communicates to executives the key accomplishments the Compensation Committee wishes to reward and ensures that overall executive compensation correlates with corporate objectives. The short-term incentive component is structured to reward not only increased value for shareholders but also performance with respect to key operational factors and non-financial goals important to long-term success.

#### *Long-term Incentive*

The long-term incentive component of executive compensation is designed to ensure commonality of interests between management and shareholders. This is accomplished by connecting shareholder return and long-term compensation, motivating executives to achieve long-range objectives that directly benefit shareholders.

Company Options reward executives for growth in the value of the Company's stock over the long term. This is the high risk, high-return component of the executive compensation program because Company Options deliver value to an executive only if the share price is above the grant price. The long-term equity incentive includes both a corporate and personal component.

See "*Stock Option Plans and Other Incentive Plans*" for a discussion on Company Options that may be awarded to Named Executive Officers. No Company Options were granted to the Named Executive Officers during the fiscal year ended December 31, 2020. See "*Stock Options and Other Compensation Securities*" for details.

#### *Director Compensation*

The Company Board determines director compensation for the Company from time to time. Directors of the Company are currently paid quarterly fees of \$3,000 for serving on the Company Board. Additionally, directors are paid quarterly fees of \$1,000 for serving on the audit committee, \$500 for serving on other committees, and \$500 for attending each meeting of the Company Board. The chairperson of each of the audit, compensation, governance and nomination committee also receives a quarterly fee of \$1,000. See "*Table of Compensation Excluding Compensation Securities*". Directors are entitled to receive compensation from the Company to the extent that they provide other services to the Company and any such compensation is based on rates that would be charged by such directors for such services to arm's length parties. Directors are also entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors. See "*Stock Option Plans and Other Incentive Plans*" for a discussion on Company Options that may be awarded to directors. No Company Options were granted to directors of the Company during the fiscal year ended December 31, 2020. See "*Compensation Securities*" for details.

#### *Recent Significant Changes to the Company's Compensation Policies*

There have been no significant changes to the Company's compensation policies during the fiscal year ended December 31, 2020 that could or will have an effect on director or Named Executive Officer compensation with exception of those outlined in under the sections with the heading "*Employment, Consulting and Management Agreements and Director Compensation*".

#### ***Pension Benefits***

Neither the Company nor any of its subsidiaries currently has a pension benefits arrangement under which the Company or any of its subsidiaries has made payments to the directors or Named Executive Officers of the Company during its fiscal year ended December 31, 2020 or intends to make payments to the Company's directors or Named Executive Officers upon their retirement (other than the payments made, if any, pursuant to the Canada Pension Plan or any government plan similar to it).

#### **Securities Authorized for Issuance under Equity Compensation Plans**

##### ***Equity Compensation Plan Information***

The following table provides information regarding the number of securities authorized for issuance under the Company Stock Option Plan, as at the end of the Company's most recently completed financial year ended December 31, 2020:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<sup>(1)</sup> (c)</b>
Equity compensation plans approved by securityholders	13,835,000	\$0.27	18,108,393
Equity compensation plans not approved by securityholders	Nil	N/A	N/A
<b>Total</b>	<b>13,835,000</b>		<b>18,108,393</b>

<sup>(1)</sup> Based on the total number of Company Shares to be reserved and authorized for issuance as at December 31, 2020 pursuant to Company Options granted under the Company Stock Option Plan being 10% of the issued and outstanding Company Shares from time to time.

See “*Stock Option Plans and Other Incentive Plans*” of this Schedule for a summary of the Company Stock Option Plan. On August 12, 2021, the Company Board approved the adoption of the Company Share Unit Plan and the Company DSU Plan, subject to the acceptance of the TSXV and the disinterested shareholders of the Company. The Company Share Unit Plan and the Company DSU Plan will become effective upon receipt of the final acceptance of the TSXV and disinterested shareholder approval of the Company. See the sections of the Information Circular entitled “*Particulars of Matters to be Acted Upon – Approval of Company DSU Plan*” and “*Particulars of Matters to be Acted Upon – Approval of Company Share Unit Plan*” for summaries of the Company DSU Plan and the Company Share Unit Plan.

#### **Indebtedness of Directors and Executive Officers**

Since the beginning of the last completed financial year, no current or former director, executive officer, employee or proposed director of the Company or any associate of such persons, or of any of its subsidiaries, has been indebted to the Company or to any of its subsidiaries, nor have any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries..

#### **Audit Committee**

Pursuant to the provisions of section 224 of the BCBCA the Company is required to have an Audit Committee, which, at the present time, is comprised of Antonio Reda (financially literate and an independent director), Jon Morda (financially literate and an independent director) and Brian Groves (financially literate and an independent director). The Company anticipates it will have the same Audit Committee following the completion of the Arrangement.

The Company must also, pursuant to the provisions of National Instrument 52-110 *Audit Committees* (“**NI 52-110**”) have a written charter which sets out the duties and responsibilities of its audit committee.

#### ***Audit Committee Charter***

The Company has a written charter (the “**Audit Committee Charter**”) which sets out the duties and responsibilities of the Audit Committee. The text of the Company’s Audit Committee Charter is attached to the Information Circular as *Schedule “N” – Kootenay Silver Inc. Audit Committee Charter*.

### ***Relevant Education and Experience***

All Audit Committee members have the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements and are therefore considered financially literate.

#### ***Antonio Reda, Director***

Mr. Reda is President and CEO and director of Tectonic Metals Inc. He was formerly Vice President of Corporate Development of Kaminak Gold Corporation which was acquired by Goldcorp Inc. in 2016. Mr. Reda was integral in Kaminak's growth from a startup prospect generator to a resource development company with a +5 million ounce gold resource, which was ultimately acquired for approximately \$520 million by Goldcorp Inc. During his time at Kaminak, he was key member in orchestrating capital raises totaling over \$145 million, forming strategic alliances and joint venture agreements, and creating Kivalliq Energy Corp. (now named ValOre Metals Corp.), a publicly traded uranium company spun out of Kaminak. Mr. Reda was a former director of Northair Silver Corp, which was acquired by the Company in April 2016.

#### ***Jon Morda, Director***

Mr. Morda has over 20 years of experience in the mining industry, having served as Chief Financial Officer for several mineral exploration and gold producing companies, including Alamos Gold Inc. until he retired in June 2011. As a senior executive, Mr. Morda is highly adept in all areas of strategic corporate planning, operations, budgeting, accounting and taxation functions. Mr. Morda has been a Member of the Institute of Chartered Accountants of Ontario, Canada (Chartered Professional Accountants Ontario) since 1980. Mr. Morda currently serves as a director of Besra Gold Inc.

#### ***Brian Groves, Director***

Mr. Groves has worked in the Australian and Canadian mining and exploration industries for close to 30 years and has held senior positions with large industry participants as well as mid-level producers. Mr. Groves is President and Chief Executive Officer of Genesis Metals Corp. A graduate of the University of Sydney, Australia, Mr. Groves began his career in exploration as a geophysicist in Australia. He has been involved in exploration for gold, base metals and coal with AMAXD Minerals and Noranda Inc. from Australian and Canadian bases. Most of his professional career has been spent in Canada where he spent 1990 to 2003 with Placer Dome Inc. ("**Placer Dome**"), and his final position with Placer Dome was as Manager of Corporate Development based in Toronto. Following his tenure with Placer Dome, Mr. Groves became President and Chief Executive Officer of Temex Resources Corp., a junior exploration company. Mr. Groves has also held positions as an officer for Claude Resources Inc., a director for Christopher James Gold Corp. and most recently, served as the President, Chief Executive Officer and director of Spanish Mountain Gold Ltd. He currently serves as director of Riverside Resources Inc.

As a result of their respective business experience, each member of the audit committee (i) has an understanding of the accounting principles used by the Company to prepare its financial statements, (ii) has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves, (iii) has experience in analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to that that can reasonably be expected to be raised by the Company's financial statements, and (iv) has an understanding of internal controls and procedures for financial reporting

### ***Audit Committee Oversight***

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

### ***Reliance on Certain Exemptions***

At no time since the commencement of the Company's most recently completed financial year ended December 31, 2020, has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), the exemptions in Subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*), Subsection 6.1.1(5) (*Events Outside Control of Member*), Subsection 6.1.1(6) (*Death, Incapacity or Resignation*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

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

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described under the heading "*Relationship with External Auditors*" in the Company's Audit Committee Charter attached as *Schedule "N" – Kootenay Silver Inc. Audit Committee Charter* to the Information Circular.

### ***External Auditor Service Fees***

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees billed to the Company by its auditor in each of the last two fiscal years, by category, are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
December 31, 2020	\$72,400	\$18,000	\$6,000	\$Nil
December 31, 2019	\$62,000	\$Nil	\$6,000	\$Nil

<sup>(1)</sup> Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".

<sup>(2)</sup> Fees charged for tax compliance, tax advice and tax planning services.

<sup>(3)</sup> Fees for services other than disclosed in any other column

### ***Exemption***

The Company is relying on the exemption in Section 6.1 of NI 52-110 which exempts venture issuers, as defined in NI 52-110, from certain reporting obligations under NI 52-110 for its most recently completed financial year ended December 31, 2020.

### ***Corporate Governance***

The Company's corporate governance practices are provided in *Schedule "M" – Kootenay Silver Inc. Corporate Governance Disclosure* to the Information Circular.

### ***Risk Factors***

**An investment in the Common Shares, as well as the Company's prospects, is highly speculative due to the high-risk nature of its business and the present stage of its development. Company Shareholders may lose their entire investment.** In addition to the other information contained in this Information Circular, the following factors, among others, should be considered carefully when considering risks related to the Company's business assuming completion of the Arrangement (including, without limitation, the documents incorporated by reference). If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected. Company Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in the Company.

The risks described herein and in the documents incorporated by reference in this Information Circular are not the only risks that the Company will face. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. Furthermore, if the Arrangement is completed, Company Shareholders will be shareholders of the Company and Spinco and will be subject to the Spinco risk factors. See *Schedule "G" – "Information Concerning Spinco Post-Arrangement – Risk Factors"*.

### ***Nature of Mineral Exploration and Mining***

The Company will continue to be in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than project management fees, and interest on cash balances. The Company will rely mainly on equity financing to fund exploration activities on its mineral properties.

### ***Early Stage – Need for Additional Funds***

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company will continue to be subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

The Company anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

### ***Exploration and Development***

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which the Company has a right to acquire an interest or owns are in the exploration stages and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### ***Estimates of mineral resources may not be realized***

The mineral resource estimates contained in the Company's public disclosure documents are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

### ***Earn-In agreements***

The Company will continue to enter into or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments

and or issuing shares to the Company and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the Company will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of the Company.

### ***Operating Hazards and Risks***

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

### ***Political Risk***

The Company's advanced project and certain other property interests are located in Mexico and are subject to that jurisdiction's laws and regulations. Obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. The perception of Mexico may make it more difficult for the Company to attract investors or to obtain any required financing for its exploration projects. The Company believes the present attitude of the current Mexican government to foreign investment in the exploration and mining sector has become less supportive of the industry than previous governments. Investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

### ***Supplies, Infrastructure, Weather and Inflation***

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, the Company is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns. The rainy season in Mexico during the months of June through September can sometimes flood the main access road causing temporary delays.

### ***Metal Prices***

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

***Title Risks***

Although the Company has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or indigenous claims, and title may be affected by undetected defects.

***Surface Exploration Rights***

Mining concession licenses in Mexico are separate from surface rights. Permission for surface access must be negotiated with the owners of the surface rights to the areas covered by the mining concessions, and commonly involve leasing of the surface rights. In Mexico, surface rights are owned by private persons or ejidos (local communal organizations), and agreements for access must be made with the surface owners to do significant work. If the Company is unable to retain its surface rights pursuant to temporary occupation agreements or negotiate surface access rights on its mineral properties, the Company may be restricted from completing exploration activities on its mineral properties, which may have a material adverse effect on the Company and the value of its securities.

***Currency Fluctuation and Foreign Exchange Controls***

The Company will maintain a portion of its funds in Canadian and Mexican Peso denominated accounts. Certain of the Company's property and related contracts will be denominated in Canadian and Mexican Pesos. The Company's operations in countries other than Canada will be normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in Canadian dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

***Community Groups***

There is an ongoing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company intends to operate in a socially responsible manner and believes it has good relationships with local communities in Mexico, NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

***Environmental Regulations, Permits and Licenses***

The Company's operations will continue to be subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Mexico provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects

carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### ***Climate Change***

Governments are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulations relating to emission levels (such as carbon taxes) and energy efficiency are becoming more stringent. In addition, the physical risks of climate change may also have an adverse effect on the Company's business. These physical risks include changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures, increased snowpack and extreme weather events. Such events could materially disrupt the Company's business if they affect the Company's mineral properties, impact local infrastructure or threaten the health and safety of the Company's employees and contractors, which could result in material economic harm to the Company. Stakeholders are seeking enhanced disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change. Adverse publicity or climate-related litigation could have an adverse effect on the Company's reputation or financial condition.

### ***Construction and Start-up of New Mines***

The success of construction projects and the start-up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), and the successful completion and operation of operational elements that have to be factored in. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful; that the Company will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

### ***Competition and Agreements with Other Parties***

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties

to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

### ***Economic Conditions***

Unfavorable economic conditions may negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to the Company.

### ***Dependence on Management***

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

### ***Conflicts of Interest***

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, including Spinco, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

Since the Company's focus is primarily on its Mexican properties and Spinco's focus will be on the Canadian Properties, any common directors on the Spinco Board and the Company Board are not expected to be subject to any conflicts of interest.

### ***Insurance coverage***

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

### ***Shareholder dilution***

The Company's constituting documents permit the issuance of an unlimited number of common shares on such terms as the directors determine without the approval of shareholders, who have no pre-emptive rights in connection with such issuances. In addition, the Company is required to issue common shares upon the conversion of its outstanding convertible securities in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

### ***Uninsurable risks***

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur.

It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

### ***Coronavirus (COVID-19)***

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mexico and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause increased government regulations, business interruptions including future delays in implementing field work all of which may negatively impact the Company's business and financial condition.

### ***Disclosure Controls and Procedures***

Management is responsible for the preparation and integrity of its financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Litigation Risk***

The Company and its directors may be subject to a variety of civil or other legal proceedings, with or without merit. Neighbouring landowners and other third parties could file claims based on environmental statutes and common law for personal injury and property damage allegedly caused by the release of hazardous substances or other waste material into the environment on or around the Company's properties. There can be no assurance that the Company's defense of such claims will be successful. Given the speculative and unpredictable nature of litigation, the outcome of such disputes could have a material adverse effect on the Company.

### ***Corruption and Bribery Risk***

The Company's operations will be governed by, and involve interactions with, many levels of government in both Canada and Mexico. Like most companies, the Company is required to comply with anticorruption and anti-bribery laws, including the *Corruption of Foreign Public Officials Act* (Canada), as well as similar laws in other countries in which the Company may conduct its business. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, the Company may be found liable for violations by not only its employees, but also by its third-party agents. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines or sanctions imposed on the Company, resulting in a material adverse effect on the Company's results of its operations.

## Promoters

Other than its directors and officers, there is no person who is or who has been within the two years immediately preceding the date of the Information Circular, a promoter, as defined under applicable Securities Legislation, of the Company or its subsidiaries other than Spinco. See *Schedule "G" – "Information Concerning Spinco Post-Arrangement – Promoters"* with respect to the promoters of Spinco.

## Legal Proceedings and Regulatory Actions

Since December 31, 2020, there have been no material legal proceedings to which the Company is or was a party, or that any of its property is or was the subject of nor, to the knowledge of the Company, are any such proceedings known to be contemplated.

There have been no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Information Circular and there have been no other penalties or sanctions imposed against the Company that would be necessary to be disclosed for this Schedule to contain full, true and plain disclosure of all material facts relating to the Company.

The Company has not entered into any settlement agreements with a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Information Circular.

## Interests of Management and Others in Material Transactions

Other than as disclosed below or elsewhere in this Information Circular, none of the directors or executive officers of the Company, any shareholder directly or indirectly beneficially owning or exercising control or direction over, more than 10% of the outstanding Company Shares, nor any associate or affiliate of any of the foregoing persons, has had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or during the current financial year or in any proposed transaction that, in either case, has materially affected or would materially affect the Company or any of its subsidiaries.

The Company entered into an administrative and geological services agreement effective September 1, 2008 with a private company indirectly related to two common directors of the Company, Kenneth E. Berry and James M. McDonald, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the year ended December 31, 2020, the Company incurred expenses \$120,000 (2019 - \$120,000) under the administrative services contract.

## Auditor, Transfer Agent and Registrar

The Company's auditor will continue to be MNP LLP, Chartered Professional Accountants of Suite 2200 – 1021 West Hastings Street, Vancouver, BC V6E 0C3.

The transfer agent and registrar for the Company Shares will continue to be Computershare Investor Services Inc. of 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

## Material Contracts

The only material contract entered into by the Company, other than those entered into in the ordinary course of business, since the beginning of its financial year ended December 31, 2020, or prior to that date if such material contract is still in effect is the Arrangement Agreement. See the section of the Information Circular entitled "*Approval of the Arrangement*".

A copy of the Arrangement Agreement may be inspected at any time up to the commencement of the Meeting during normal business hours at the Company's offices located at Suite 1125 – 595 Howe Street, Vancouver, British Columbia V6C 2T5 or it may be obtained from the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **Experts**

### *Name of Experts*

MNP LLP, Chartered Professional Accountants issued an audit report in connection with the annual financial statements of the Company for the financial years ended December 31, 2020 and 2019 incorporated by reference in the Information Circular. MNP LLP is independent within the meaning of the Code of Professional Conduct applicable to members of the Institute of Chartered Professional Accountants of British Columbia.

### *Interest of Experts*

To the best of the Company's knowledge, the aforementioned expert held either less than one percent or no securities of the Company or of any associate or affiliate of the Company when they prepared the aforementioned report, valuation, statement or opinion, and no securities were subsequently received or to be received by such expert.

Neither the aforementioned expert, nor any directors, officers nor employees of such expert are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of the Company or of any associate or affiliate of the Company.

## **Qualified Person**

The Company and Spinco technical information in this Schedule has been prepared in accordance with the Canadian regulatory requirements set out in NI 43-101 and reviewed and approved on behalf of the Company and Spinco by James McDonald, P.Geo, President, CEO & Director for the Company, a Qualified Person.

## **Other Material Facts**

There are no further material facts or particulars in respect of the securities of the Company, to the knowledge of the Company, that are not already disclosed herein that are necessary to be disclosed for this Information Circular to contain full, true and plain disclosure of all material facts relating to the Company.

**SCHEDULE "G"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**INFORMATION CONCERNING SPINCO POST-ARRANGEMENT**

**(see attached)**

## INFORMATION CONCERNING SPINCO POST-ARRANGEMENT

*The following information is provided by Spinco on a post-Arrangement basis, which should be read together with the more detailed information and financial data and statements concerning Spinco contained elsewhere in the Information Circular to which this Schedule "G" is attached. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. All capitalized terms that are not otherwise defined in this Schedule "G" shall have the meanings ascribed thereto in the Information Circular. The information contained in this Schedule "G", unless otherwise indicated, is given as of the date of the Information Circular. See in the Information Circular "Cautionary Note Regarding Forward-Looking Statements" in respect of certain forward-looking statements included herein.*

### **Corporate Structure**

#### ***Name, Address and Incorporation***

Spinco was incorporated under the *Business Corporations Act* (Alberta) on March 7, 2003 under the name "Kootenay Gold Corp.". On November 9, 2006, Spinco continued to British Columbia pursuant to the BCBCA under the name "Kootenay Resources Inc.". Spinco intends to implement certain updates to its articles of incorporation prior to the Effective Date in order to bring its articles in line with the current provisions of the BCBCA.

Spinco's head and principal business address will continue to be Suite 1125 - 595 Howe Street, Vancouver, British Columbia V6C 2T5. Spinco's registered office address will continue to be Suite 910, 800 West Pender Street, Vancouver, British Columbia V6C 2V6.

Spinco is currently not a reporting issuer. On completion of the Arrangement, it is anticipated that Spinco will be a reporting issuer in British Columbia, Alberta and Ontario. Spinco will not have any of its securities listed or quoted on any stock exchange. Following completion of the Arrangement, Spinco intends to complete an equity financing by way of rights offering, private placement or other means and seek a listing of the Spinco Shares on a Canadian stock exchange; however, there can be no assurances as to if, or when, such listing will occur.

#### ***Intercorporate Relationships***

On completion of the Arrangement, Spinco will continue to have one wholly-owned Nevada subsidiary, Kootenay Gold (US) Corp., which is inactive.

### **Description of the Business**

#### ***Summary of the Business***

Following the Arrangement, Spinco intends to operate as a gold and silver exploration and development company and will advance its Canadian Properties and seek other mining assets. Spinco's principal property will be the Sweet Spot property, a gold/silver project situated in the Fort Steele Mining District of British Columbia (the "**Sweet Spot Property**"). Spinco intends to complete the exploration program for the Sweet Spot Property recommended in the Technical Report as described below in "*Material Mineral Property – Exploration, Development and Production*". See "*Material Mineral Property*" below for details regarding the Sweet Spot Property and "*Non-Material Mineral Properties*" below for details on Spinco's other Canadian Properties.

Spinco is in the exploration stage and does not mine, produce or sell any mineral products at this time, nor do any of its current properties have any known or identified current mineral reserves. As Spinco is an exploration stage company with no producing properties, it has no current operating income, cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on its properties. Spinco intends to evaluate, explore and develop its properties through additional equity or debt financing.

### ***Specialized Skill and Knowledge***

Many aspects of Spinco's business will require specialized skill and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning and implementation of exploration programs and accounting. Spinco will retain executive officers and consultants with experience in mining, metallurgy, geology, exploration and development in Canada and generally, as well as executive officers and consultants with relevant experience.

### ***Competitive Conditions***

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. Spinco competes with a number of other entities and individuals in the search for and the acquisition of attractive mineral properties. As a result of this competition, Spinco may not be able to acquire attractive properties in the future on terms it considers acceptable. Finally, Spinco competes for investment capital with other resource companies, many of whom have more advanced properties that are better able to attract equity investment and other capital. The ability of Spinco to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its present properties, but also on its ability to select, acquire and bring to production suitable properties or prospects for exploration, mining and development. Factors beyond the control of Spinco may affect the marketability of minerals mined or discovered by Spinco. See the section below entitled "*Risk Factors*".

### ***Components***

The raw materials Spinco requires to carry on its business at Spinco's mineral exploration projects are available through normal supply or business contracting channels in Canada. Over the past several years, increased mineral exploration activity on a global scale has made some services difficult to procure, particularly skilled and experienced contract drilling personnel. It is possible that delays or increased costs may be experienced in order to proceed with drilling activities during the current period. Such delays could significantly affect Spinco if, for example, commodity prices fall significantly, thereby reducing the opportunity Spinco may have had to develop a particular project had such tests been completed in a timely manner before the fall of such prices.

### ***Cycles***

The mining business, and particularly precious metals production, is subject to metal price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles.

### ***Economic Dependence***

Spinco's business is not dependent on any contract to sell the major part of its products or services or to purchase the major part of its requirements for goods, services or raw materials, or on any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

### ***Changes to Contracts***

Except in connection with the Arrangement or as described elsewhere in the Information Circular, it is not expected that Spinco's business will be affected in the current financial year by the renegotiation or termination of contracts or subcontracts.

### ***Environmental Protection***

The current and future operations of Spinco, including exploration, acquisition and development activities, are subject to extensive laws and regulations governing environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. Spinco's operations are located in Canada and are subject to national and local laws and regulations. Compliance with such laws and regulations can increase the costs of, and potentially delay exploring, planning, designing, drilling and developing Spinco's properties.

### ***Employees***

At the end of the most recently completed financial year, Spinco had no employees. No management functions of Spinco are or will, upon closing of the Arrangement, be performed to any substantial degree by a person other than the directors or executive officers of Spinco. Spinco has not experienced, and does not expect to experience, difficulty in attracting and retaining qualified personnel. However, no assurance can be given that a sufficient number of qualified employees can be retained by Spinco when necessary.

### ***Foreign Operations***

Spinco will not be dependent upon any foreign operations.

### **Two-Year History**

Spinco was incorporated on March 7, 2003 as a wholly-owned subsidiary of the Company for the general purpose of holding the Company's Canadian assets.

### **Material Mineral Property**

Spinco will have one material property interest on completion of the Arrangement, which is the Sweet Spot Property.

The following information regarding the Sweet Spot Property is based on the Technical Report on the Sweet Spot Property dated December 31, 2020 prepared by the R.I. Thompson, PhD Peng of RIT Minerals (RITM) Corp. (the "Author"), a qualified person for the purposes of NI 43-101. Unless otherwise stated, the information in this section is as of the date of the Technical Report and included with the consent of the Author. Portions of the following information are based on assumptions, qualifications and procedures that are not fully described herein and include references to other sources that are referred to in the Technical Report. Reference should be made to the full text of the Technical Report incorporated by reference into the Information Circular, which will be available for review on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Technical Report is available for inspection upon request.

### ***Property Description, Location and Access***

The Sweet Spot Property is located in the Fort Steele Mining District, British Columbia and consists of 3 contiguous claims (604,912,882,449 and 882469) totalling 1165.33 held by Robert Duncan Craig Kennedy of Kimberley, B. C., on behalf of the Kennedy-Cook Group.

Status of each mineral tenure comprising the Sweet Spot Property is summarized in the table below including tenure number and name, issue and expiry dates, ownership, and area in hectares. The Kennedy-Cook Group does not hold surface rights because the interest of a recorded holder of a mineral claim issued pursuant to the *Mineral Tenure Act* (British Columbia) is a chattel interest and therefore cannot be registered as an interest in real property.

### **Description of the Sweet Spot Property mineral tenures.**

Tenure No.	Tenure Name	Issue Date	Good to Date	Owner	Percent Ownership	Hectares
604912	SWEET SPOT	24/05/2009	17/10/2030	KENNEDY, ROBERT DUNCAN CRAIG	100%	423.76
882449	SWEET SPOT 04-11	05/08/2011	17/10/2030	KENNEDY, ROBERT DUNCAN CRAIG	100%	444.91
882469	SWEET SPOT 05-11	05/08/2011	17/10/2030	KENNEDY, ROBERT DUNCAN CRAIG	100%	296.67
<b>Total Hectares</b>						<b>1165.33</b>

In British Columbia, the holder of a mineral tenure (claim) acquires the right to the minerals available at the time of tenure acquisition as defined in the *Mineral Tenure Act* (British Columbia). Tenures are valid for one (1) year and the anniversary date is the annual occurrence of the staking completion date for the tenure (the date of record). To maintain a tenure in good standing, the holder must, on or before the anniversary date, either: 1) submit a 'statement of work' that records the type and dollar value of work performed, accompanied by an 'assessment report' (technical report)

containing geological, geophysical, and (or) geochemical data, results, compilations and interpretations resulting from the work; or, 2) pay cash in lieu of work.

The Sweet Spot Property is centered at: UTM Zone 11, 577000E, 5429200N in National Topographic System (NTS) map sheet 82G04. The nearest community, located 15 km to the north northwest, is Yahk, an unincorporated hamlet located on Highway 3/95 at the confluence of the Moyie and Yahk Rivers. In the early 1900's it was a prosperous Canadian Pacific Railroad ("CPR") lumber town; now it supports a (fence) rail mill and is a convenient rest-stop for tourists. CPR links Yahk with one of the world's largest fully integrated zinc and lead smelting and refining complexes owned and operated by Teck Resources Ltd. It is 165 km east of the Sweet Spot Property in the town of Trail, B.C. The nearest major logistical centers are: Cranbrook (population 19,259) 41 km to the northeast, and Creston (population 5,351) 64 km to the west.

Pursuant to an option agreement dated June 16, 2020 (the "**Moyie Anticline Property Agreement**") between Craig Kennedy and the Company, the Company acquired an option to acquire the mining claims comprising the Sweet Spot Property, Moyie Anticline, Lady Slipper, Kenco, Down Dip, Leaky Pipe and Hazel's Yahk properties (collectively, the "**Moyie Anticline Properties**"). In order to exercise the option, the Company is required to issue 600,000 Company Shares and incur \$250,000 of exploration work on the properties. Upon exercise of the option, the Company will acquire a 100% interest in the Moyie Anticline Properties, subject to a 2% net smelter ("NSR") royalty per property. The Company has the right to purchase 1.5% of the 2% NSR royalty per property in consideration for \$3,000,000, payable in cash or shares of the Company. The Company and Spinco intend for the Company's interest in the Moyie Anticline Properties to be assigned to Spinco prior to the completion of the Arrangement. The Author is unaware of any royalties, back-in rights, payments, or other agreements and encumbrances to which the Sweet Spot Property is subject. The Company intends to issue two tranches of shares for an aggregate total of 50,000 Company Shares upon receiving TSXV approval of the Moyie Anticline Property Agreement. It is anticipated that the share issuances will be made prior to September 15, 2021.

The Author has not identified any significant factors or risks that might affect access or title, or the right or ability to perform work on, the Sweet Spot Property, including permitting and environmental liabilities to which the Sweet Spot Property is subject.

### **History**

The Sweet Spot Property contains two primary exploration targets:

1. A 100+ m thickness of mineralized stratigraphy composed of 16.9 m at 4577.8 ppm (0.5%) combined zinc (Zn) plus lead (Pb), containing 9.3 m at 7330 ppm (0.73%) combined Zn + Pb; and 105+ m at 2620.4 ppm (0.3%) combined Zn + Pb; and
2. a robust, plume-shaped, crustal scale (electrical) conductor that rises more than 2 kilometers from deep within the Lower Aldridge Formation into the Middle Aldridge.

Exploration by Cominco Ltd. ("**Cominco**") (1989 to 2000), the Company (2010 to 2015), and Teck Resources Ltd. ("**Teck**") (2016 to 2020) has contributed to target definition through application of geological mapping, soil and rock geochemistry, geophysics and diamond drilling for a cumulative exploration investment of approximately 1.7 million dollars. Of that total, \$1,174,650 was spent by Teck within the past 3 years: \$254,923 in 2018 and \$919,727 in 2019 (Boucher and Herron, 2019 and 2020).

The Sweet Spot Property was staked as the Canam Property by Cominco in 1989 and explored until 2000 when the claims were allowed to lapse. Some of the claims were re-staked as the Sweet Spot Property in 2009 by Robert Duncan Craig Kennedy representing the Kennedy Group (later the Kennedy-Cook Group) of Kimberley B. C.; the Sweet Spot Property was optioned to the Company who explored it until 2015. Teck re-entered the picture in 2016, optioned the Sweet Spot Property and explored it until 2020. Teck withdrew from the option agreement in 2020, but continues to hold tenures coterminous with those comprising the Sweet Spot Property. The Company immediately (2020) optioned the Sweet Spot Property from the Kennedy-Cook Group and has been granted exclusive and irrevocable right and option to earn a 100% ownership interest in the Sweet Spot Property.

Summary of assessment work, Sweet Spot Property (Reproduced from: Boucher and Herron, 2020, p. 6)

Year	Company	Exploration Work
1989 - 1993	Cominco Limited	Claims staked, Soil Geochemical Survey, Geological Mapping (1:20,000), UTEM ground geophysical survey.
1989	Cominco Limited	23.5 km of reconnaissance UTEM
1990	Cominco Limited.	Line-cutting, 396 soil samples, 42.3km of UTEM and 17.6km of HLEM Surveys
1991	Cominco Limited	3 Diamond Drill holes (868.9m total) (C-91-1, C-91-2 and C-91-3)
1992	Cominco Limited	19.9km of UTEM and 12.2km HLEM Surveys
1993	Cominco Limited	31.5km UTEM Survey
1994	Cominco Limited	1 Diamond Drill hole: (C-94-1 for 132.3m) and access road
1998	Abitibi Mining Corp.	Property Optioned from Cominco Limited
2000	Abitibi Mining Corp and Cominco Limited	1 Diamond Drill hole (CA-00-1 for 540m).
2009	Sara Kennedy	Prospecting and rock geochemistry (17 samples)
2010	Craig Kennedy	Mapping and Prospecting
2012	Kootenay Silver Inc.	Prospecting, geochemical and biogeochemical sampling (7 rock samples, 19 bark samples)
2013	Kootenay Silver Inc.	18km <sup>2</sup> Geological Mapping
2016	Teck Resources Limited	Geologic Mapping, Rock sampling, pXRF and Spectral analysis of surface samples.
2017	Teck Resources Limited	Magnetotelluric (MT) geophysics survey on a single line.
2018	Teck Resources Limited	BC-horizon soil survey, rock sampling, mapping, ground gravity survey, airborne magnetic and radiometric surveys.
2019	Teck Resources Limited	2 diamond drill holes and pXRF geochemistry (SWE-19-01 to 900m and SWE-19-02 for 471m)

The historical exploration record for Sweet Spot Property reveals the following observation and conclusions expanded upon in subsequent subsections:

1. A significant thickness (100+ m) of very anomalous Zn- and Pb-bearing strata was intersected in diamond drill hole (“**DDH**”) C-91-01. Five additional holes were drilled on the Sweet Spot Property but none tested this mineralized interval located at and below the Moyie marker interval.
2. Stratigraphic thicknesses internal to the Middle Aldridge Formation for the Kimberley area may apply to the Sweet Spot Property over some intervals (based on limited drill core intersections and surface exposures). Calibrating inter-marker stratigraphic thicknesses is viewed, by the Author, as an important exploration objective and tool.
3. The Canam Fault or Fault Zone, has little evidence of offset; however, it is coincident with several geological features such as alteration, anomalous mineralization, and evidence for mud volcano activity, all of which support the notion of hydrothermal fluid flow; hence, the term Canam Structural Zone or Disturbed Zone are considered more appropriate descriptions of this feature
4. A gravity high spatially coincident with the Canam Structural Zone, is not easily explained by two relatively thin east-dipping gabbro sills; or sills at depth, because Teck DDHs SWE-91-01, 02 did not encounter a

significant volume of gabbro; however, it may link to the zone of anomalous mineralization seen in DDH C-91-01.

5. A large, near-vertical MT conductor remains untested despite close spatial linkage with a gravity high.
6. There is no single, comprehensive geological map onto which each generation of field mapping has been compiled; structural data (e.g. bedding, cleavage) have not been compiled or analysed for estimates of structural plunge, and there is no set of reasonably spaced structural cross-sections.
7. Presence of a Sullivan-like gabbro arch is suggested on one map.

### ***Geological Setting, Mineralization and Deposit Types***

The Sweet Spot Property is underlain by the Middle Aldridge Formation, a thick succession of regionally metamorphosed sand- and silt-stone turbidite belonging to the Mesoproterozoic Belt-Purcell Supergroup: Four stratigraphic groups comprise the Supergroup of which the Aldridge Formation (Prichard Formation in the United States) comprises the oldest 'rift' component (Höy et al., 2000). The Supergroup was deposited into an intracratonic basin created by extension and thinning of cratonic crust. It had a west-northwest trend (present-day coordinates), opened towards the north and received sediment from eastern and western margins. The Sullivan Pb-Zn-Ag Deposit, 8th largest in the world, formed atop 8 km (including gabbro sills) of Lower Aldridge Formation turbidite (Cook and van der Velden, 1995; Lydon 2007). Today, outcrop limit of the Supergroup extends from southeastern British Columbia and southwestern Alberta into conterminous western Montana, north-central Idaho and north-eastern Washington; Canada accounts for only 10% of the area within the outcrop limit (Chandler, 2000)

The Sweet Spot Property is part of the eastern limb of the north northeast plunging Moyie Anticline. The Anticline exposes all of the Upper and Middle Aldridge Formations as well as a portion of the Lower Aldridge; hence this large structure contains the Lower-Middle Aldridge contact – stratigraphic interval of the Sullivan Deposit – and the remaining upper portion of the turbidite-rich and metal prone “rift assemblage”.

The Sweet Spot Property occupies a gentle to moderate, east-dipping homocline of Middle Aldridge Formation quartzite, lithic quartzite, meta-greywacke and meta-siltstone intruded by Moyie gabbro sills.

Mineral showings consist of disseminated pyrite, pyrrhotite, sphalerite and galena spatially associated with an alteration mineral assemblage that includes spessartite (Mn-garnet), biotite, sericite, calcite, tourmaline and scapolite (and albite?). The host is, typically, a 'black quartzite' which, itself, is an alteration product of the quartzite, quartz wacke, siltstone and siliceous argillite assemblage that comprises the Middle Aldridge Formation. Hence, the search for mineralization is aided by the recognition of black quartzite and the alteration minerals within it. Sulfide minerals occur as disseminations, thin laminations and as fillings within seams and narrow quartz- and sericite-filled veins (Anderson, 1991).

There is a characteristic alteration mineral assemblage that accompanies Zn-Pb mineralization: black quartzite-biotite-spessartite (Mn-garnet)-sericite-carbonate-albite (scapolite?) ± chlorite. When this alteration assemblage is strongly developed, it is very likely that disseminated sphalerite and galena will be present. This alteration assemblage may occur as spheroidal or globular (concretion-like) masses that grow across bedding or as bedding parallel features (Figures 21 and 22 of the Technical Report).

Early in the exploration history, this alteration was considered the product of regional (upper green schist) metamorphism (Anderson, 1991); however, the spatial association of alteration with mineralization in quartzite, and anomalous metal concentrations in soil samples caused a recalibration of thinking, and a trenching program in 1992 demonstrated a spatial connection between alteration and mineralization in rocks, and anomalous metal concentrations in overlying soils (Anderson, 1993).

Texture and composition of typical mineralized black quartzite is shown in Figures 23 and 24 of the Technical Report. A typical modal analysis for mineralized black quartzite is (Anderson, 1993): Quartz: 65%; Biotite: 15%; Garnet (spessartite): 5%; Amphibole: 5%; Feldspar: 5%; Calcite: 1%; Opaques: 3-4%; Epidote: Tr.

The alteration seen at surface also occurs with mineralization at depth where, for example, DDH C-91-01 intersects mineralized black quartzite (Figures 25 and 26 of the Technical Report).

Textures support the transport of metal-rich fluids through the rock mass, selectively replacing the host quartzite and (or) occupying early diagenetic porosity.

### ***Exploration***

Neither Company nor Spinco has undertaken any recent exploration activities with the exception of some mapping and prospecting since acquiring an interest in the Sweet Spot Property pursuant to the Moyie Anticline Property Agreement. Certain historical exploration activities and results described above in the section entitled “*History*” were conducted by, or on behalf of, the Company.

### ***Drilling***

See “*History*” above for a summary of historical drilling activities on the Sweet Spot Property and an interpretation of relevant results. Core from the 6 DDHs completed on the Sweet Spot Property is racked, dry and securely stored at the East Kootenay Chamber of Mines Core Library. This facility is intended for geologists and mining company personnel to examine archived core from the Sullivan Mine and some parts of the Aldridge Formation. Reports and drill logs are available in the following ARs: Anderson, 1991; Anderson, 1994; Rogers, 2000; Boucher and Herron, 2020.

### ***Sampling, Analysis and Data Verification***

Soil sample grids were established by Cominco (Anderson 1991) and Teck (Boucher and Herron, 2019). Line spacing varied from 200 m (most common) to 500+ m; sample spacing was 50 m. Coverage focused west of South Hawkins Creek. Cominco collected 396 B-horizon soil samples, the Kennedy Group collected 7 Bark Samples, and Teck collected 469 B-horizon soil samples.

Rock samples were collected by Cominco (Anderson, 1990, 1993), the Kennedy Group (17 samples, C. Kennedy, 2010; 7 samples, S. Kennedy, 2012) and Teck (20 samples; Boucher and Herron, 2019). Sample density varied according to field-based geological parameters such as intensity of alteration, presence of soil anomalies requiring follow-up, and geological reconnaissance. Sampling density was greatest west of South Hawkins Creek where the combination of anomalous metal concentrations in soil samples and intensity of alteration were most significant.

The Author reviewed drill logs, recovery percentages (when available) and examined core from DDH C-91-01. Records for DDHs SWE 19-01, -02 included a comprehensive geotechnical assessment: Core recovery was typically >95% (Boucher and Herron, 2019). Sample quality was excellent and it is unlikely any biases were introduced

Surface samples were cleanly broken from bedrock exposures and secondary reference samples collected at many locations.

The Author’s review of drill logs combined with a field site inspection confirms that the Sweet Spot Property is underlain by very competent, quartzite, quartz-rich meta wacke and metasilstone. Photo micrographs illustrate sutured contacts between quartz crystals aggregates, and samples taken with a 4 kb sledge are testament to the very tough, competent nature of outcrops.

Drill core sample intervals were 1 m and were decreased to 0.5 m or less across zones having semi-massive pyrrhotite laminae and (or) beds. The Author performed a normalized grade calculation for mineralized zones within DDH C-91-01 and found the majority of samples from intervals approximating 1 m. In the Author’s opinion, sampling was done responsibly across intervals designed not to bias results. Except for rare instances, mineralized intervals and composites of mineralized intervals had grades less than 0.6 % Zn + Pb.

Preparation and quality control methods for drill core samples taken prior to 2013 are not described in published reports.

It is the Author's understanding, based on personal communication with the Kennedy Group, that rock samples taken in the field adhered to the following protocol: 1) Two fist-sized samples were collected at each site, one for analysis and the other for reference, each was placed in a separate polyurethane bag; 2) sample numbers, coordinates (GPS) and a brief lithological description were entered into a notebook; 3) an assay ticket was completed in duplicate, one copy inserted into the sample bag (sample intended for analysis) and the other maintained in the lab sample booklet, the sample field number was written onto the outside of each polyurethane sample bag and the bags secured with orange flagging tape; 4) flagging tape annotated with the appropriate sample number was secured at each field location; 5) at days end, sample data was uploaded into a spreadsheet; 6) upon completion of the sampling program, samples were sent by courier to Bureau Veritas Canada Ltd. (formerly Acme Labs Ltd.) in Vancouver, B.C. together with sample shipment forms listing the sample numbers.

The Author is not aware of soil sample protocols employed by Cominco; however, when analytical results were compared with those for proximal samples collected by Teck, they were comparable.

Bureau Veritas uses proper and secure handling procedures prior to, and during, preparation and analysis of samples. Sample analysis was the sole responsibility of the accredited laboratory.

A total of 24 rock samples were submitted by the Kennedy Group. Each sample was dried, crushed to a nominal <10 mesh (1.7mm), mechanically split (riffle) to obtain a representative sample (250g) and then pulverized in a hardened steel mill to at least 95% passing a 150-mesh (106 microns). Clean sand was milled between each sample. The samples were then analysed. The Kennedy Group relied on internal standards used by Bureau Veritas for QC/QA purposes. Since these were outcrop samples taken to identify the distribution and overall grade of surface mineralization, the Author is satisfied with the quality of results.

Cominco soil samples were processed and analysed in Cominco's Exploration Research Laboratory in Vancouver. A 0.5 g sample of -80 mesh material was digested in 3 ml of nitric acid and 1 ml hydrochloric acid. The mixture was heated, agitated and then diluted to 20 ml by 'vortexing'. About 50 samples (of 396) were analysed by 19 element ICP, the remaining samples by 9-element ICP.

Teck soil samples were processed and analysed by Bureau Veritas Labs. Laboratory certificates are provided (469 samples) as well as a comprehensive QC report completed by Teck. Each sample batch was accompanied by a set of standards provided by Teck. The failure rate on the part of Bureau Veritas was 0% for most sample batches, there were three exceptions: 1 analysis of 21 sample standards analysed, failed; 4 of 49 failed; and, 11 of 35 failed. The latter exception is considered unacceptable by the Author, otherwise, accuracy of analytical results is considered good to excellent.

It is the Author's opinion that sample preparation, security and analytical procedures met industry standards.

Laboratory analytical certificates from Bureau Veritas were vetted by the Author for unreasonable values caused by typographical errors, mistaken units, or corrupted data entries. Results were also checked against internal Bureau Veritas standards for both accuracy and precision. The Author did not identify any quality control (QC) or quality assurance (QA) issues. Each batch of samples submitted by Teck was accompanied by a set of company standards for QC/QA purposes; as well, Teck submitted duplicate field samples. Analyses were then scrutinized statistically to ensure accuracy, precision. Duplicate samples were not sent to other laboratories.

In the Author's opinion, data quality meets or surpasses industry standards and is satisfactory for the purposes of the Technical Report.

### ***Mineral Processing and Metallurgical Testing***

To the knowledge of the Author, no mineral processing or metallurgical testing has been carried on the Sweet Spot Property.

### ***Mineral Resource and Mineral Reserve Estimates***

To the knowledge of the Author, no mineral resources or mineral reserves have been identified on the Sweet Spot Property.

### ***Exploration, Development and Production***

The Author has reviewed available data and concluded the Sweet Spot Property merits additional exploration, especially the two targets described above under the section entitled “*History*”. A 2-phase exploration program has been recommended:

Phase 1, estimated to cost \$216,100.00, will consolidate and upgrade existing databases by providing for re-logging of core for marker identification purposes, compilation of existing databases, and field mapping, checking and prospecting. Acquisition of 9 line-km of additional magnetotelluric data will provide a better-constrained 3-D model of the shape and orientation of the South Hawkins Conductor.

If the phase 1 program verifies and compliments historical databases and interpretations, then a follow-up phase 2 program is recommended.

Phase 2, estimated to cost \$810,000.00, will provide for 2 DDHs: K-01, having an approximate length of 600, will test for the eastward (downslope) extension of the thick mineralized succession encountered in DDH C-91-01; and, K-02, having an approximate length of 1800 m, will test for mineralization within the South Hawkins Conductor.

### **Non-Material Mineral Properties**

It is anticipated that Spinco will have the following portfolio of mineral exploration and development properties comprising the Canadian Properties: Moyie Anticline Properties, Fox, Mark, Silver Fox, 2 X Fred, Copley, Meachen Bend, SBA and the Necho Plateau concessions. The following is a description of Spinco’s non-material Canadian Properties. The Company and Spinco intend for the Company to assign its interest in the Canadian Properties and the option agreements pertaining to the Canadian Properties to Spinco prior to the completion of the Arrangement.

#### ***Other Moyie Anticline Properties, BC***

The Moyie Anticline Properties consist of the Moyie Anticline, Sweet Spot Property, Lady Slipper, Kenco, Down Dip, Leaky Pipe and Hazel’s Yahk properties located in the Purcell Basin in southeastern British Columbia.

Pursuant to the Moyie Anticline Property Agreement, the Company obtained an option to acquire a 100% interest in the claims comprising the Moyie Anticline Properties. See “*Material Mineral Property – Property Description, Location and Access*” above for a description of the Moyie Anticline Property Agreement and “*Material Mineral Property*” generally for a description of the Sweet Spot Property.

The Moyie Anticline Properties have been held in the past by various entities and have been explored primarily for a Sullivan-type sedimentary exhalative deposit. Falconbridge Ltd., Cominco, Rio Algom Limited, Minnova Corp., and most recently, Teck has explored portions of the current Moyie Anticline Properties. Work has included soil and rock geochemical surveys, geological mapping, ground/airborne geophysical surveys (including magnetics, electromagnetic, gravity, magnetotelluric) and diamond drilling. The bulk of this work has focused principally on the Mount Mahon and Canam/Sweet Spot targets.

The Company has completed reconnaissance style prospecting and geological mapping across large portions of the Moyie Anticline Properties with reconnaissance rock chip sampling analyzed by portable X-ray fluorescence.

***Fox Property, BC***

The Fox property is located in the Nechako Plateau, British Columbia and consists of six mineral claims covering 3180 hectares located approximately south west of the Village of Fraser Lake (the “**Fox Property**”).

Pursuant to an option agreement dated March 1, 2011 between Fred Critchlow Contracting Ltd. (“**FCC**”) and the Company, the Company acquired an option to acquire a 100% interest in four mining claims comprising the Fox Property. In order to exercise the option, the Company is required to issue an aggregate of 130,000 Company Shares and pay \$80,000 in the aggregate to FCC over a five-year period. Prior to the exercise of the option, the Company is required to pay to FCC at the end of each calendar year a drilling bonus of \$5.00 per meter drilled by the Company (up to a maximum of 100,000 meters). The Company is also responsible for funding property maintenance payments. To date, the Company has fulfilled the total share issuances and cash payments due under the option. The drilling bonus remains outstanding as no drilling has been conducted on the property.

Exploration work conducted since 2011 on the Fox Property includes reconnaissance prospecting which discovered outcrops of gold-silver bearing brecciated felsic volcanic units. Subsequent work programs have included additional prospecting and rock geochemistry, soil sampling, geological mapping, ground based geophysics (magnetics, VLF-EM) hand trenching and channel sampling. This work has identified an approximately 500 x 700 m area of variably clay-silicified altered Eocene felsic volcanic units which are locally brecciated and infilled with open-space druse quartz-sulphide veinlets. Channel samples from this area have returned high-grade values for gold and silver up to 45 ppm Au and 7300 ppm Ag over 1 m. Approximately 1.5 km north of this area scattered outcrops of similarly brecciated and veined felsic volcanic units have returned grab samples values of 2.1 ppm Au and 281 ppm Ag.

***Mark Property, BC***

The Mark property is located in southeastern British Columbia and consists of 17 claims totalling 14,092.8457 ha (the “**Mark Property**”).

The Company owns the Mark Property pursuant to an option agreement dated June 7, 2017 (the “**Mark Property Agreement**”) between Craig Kennedy and the Company. Under the Mark Property Agreement, the Company acquired an option to acquire a 100% interest in the mining claims comprising the Mark Property. In order to exercise the option, the Company was required to issue an aggregate of 100,000 Company Shares as directed by Mr. Kennedy. Mr. Kennedy retains a 1% NSR on the Mark Property, of which the Company has the right to purchase, in whole or in part, in consideration of \$1,000,000 per 0.5% NSR, payable in cash or Company Shares. To date, the Company has issued all shares under the Mark Property Agreement and is deemed to have exercised the option under the Mark Property Agreement.

***Silver Fox Property, BC***

The Silver Fox property is located within proximity of the village of Moyie in southeastern British Columbia and consists of 44 mineral claims encompassing 21,318 hectares (the “**Silver Fox Property**”).

The Company owns the Silver Fox Property pursuant to an option agreement dated January 1, 2015 (the “**Silver Fox Property Agreement**”) between the Kennedy Group and the Company. In order to exercise the option, the Company was required to issue an aggregate of 100,000 Company Shares to the Kennedy Group. The Kennedy Group retain a 2% NSR upon exercise of the option, of which the Company has the right to purchase in consideration for- \$500,000 per 0.5% NSR, payable in cash or Company Shares. To date, the Company has issued all shares under the Silver Fox Property Agreement and is deemed to have exercised the option under the Silver Fox Property Agreement.

The northern portion of the Silver Fox Property surrounds the past producing St. Eugene Ag-Pb-Zn vein deposits near the village of Moyie and has been explored in the past by previous operators for polymetallic vein deposits. This work has included mapping, ground and airborne geophysics and diamond drilling. Drilling in 2007 by St. Eugene Mining Corp intersected a Pb-Zn-Ag vein system within an approximately 20 m thick bleached alteration zone in two drill holes along the North Break vein system. Highlights from the 2007 drilling included a 0.2 m interval of 5.01% Pb, 3.48% Zn and 45.5 ppm Ag.

Work by the Company on the Silver Fox Property has included property wide prospecting, rock, soil, and silt sampling, portable X-ray fluorescence rock chip analysis, geological mapping, and ground geophysics. Numerous low-grade surface showings of both disseminated/fracture-controlled Cu-Ag+/-Pb/Zn and high-grade Ag-Pb+/-Zn/Cu vein were discovered on the Silver Fox Property by the Company. Rock samples from the KRL/Sarah-Jean veins returned samples greater than 10,000 ppm Pb, greater than 100 ppm Ag, and Au to 4.6 ppm. Vein samples from the North Ward target area returned up to 67,190 ppm Pb and 832 ppm Ag. Rock samples of disseminated Pb-Zn mineralization at North Ward returned up to 9046 ppm Pb, 7897 ppm Zn and 11.1 ppm Ag. Rock sampling of disseminated Cu-Ag mineralization has returned values up to 5500 ppm Cu and 15 ppm Ag at Yahk Mountain and 2900 ppm Cu and 25 ppm Ag from the Jake Ridge area.

The Silver Fox Property was under joint venture to Chilean copper miner Antofagasta Minerals from 2016 to 2018. During this period, seven broadly spaced diamond drill holes totaling 3362 m were completed along approximately 25 km of geologic strike testing the Middle Creston Formation, the correlative unit to the Revett Formation which hosts the bulk of the economic strata-bound Cu-Ag deposits in northwest Montana. Limited drill core analysis from Jake Ridge near the center of the Silver Fox Property returned values up to 341 ppm Cu over 2.75 m. Numerous other intervals of visible weakly disseminated copper mineralization were encountered in this drill hole. Drilling in the southern portion of the Silver Fox Property (Ward-Gilnocke target) identified a thick (greater than 100 m) sequence of hydrothermally altered and weakly copper bearing quartzite/siltite units along a 5 km strike length which remains open along strike to the north and south. Historic magnetotelluric data shows the Ward-Gilnocke area to be underlain by a large conductive anomaly.

### ***2 X Fred Property, BC***

The 2 X Fred property is located approximately 30 km from the city of Vanderhoof in the Nechako Plateau, British Columbia and consists of 13 claims covering 6,363 ha (the “**2 X Fred Property**”).

The Company obtain an option to acquire the 2 X Fred Property pursuant to an option agreement dated July 1, 2014. To maintain its option, the Company is required to make total cash payments of \$80,000, issue an aggregate total of 230,000 Company Shares and make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. To date, the Company has made total cash payments of \$80,000 and issued 230,000 Company Shares, however, there are still outstanding drilling bonus payment to be made. Under a grubstake agreement with the Kennedy Group, the 2 X Fred Property is subject to a 2% NSR, which can be purchased by the Company for \$500,000 per each one-half (0.5%) percentile. Exploration work conducted since acquiring an interest in the 2 X Fred Property includes reconnaissance prospecting which discovered a number of gold-silver bearing epithermal quartz veins. Subsequent work has included prospecting, geological mapping, rock sampling, ground based geophysics (magnetics, VLF-EM, induced polarization), and trenching. Two small diamond drill programs were completed on the property in 2015 (717 m) and 2019 (911 m). Veins occur along a 1.5 km wide x 3 km long northerly trending structural zone and are hosted primarily within Eocene mafic volcanic flows. Veins range in width from decimeter scale to over 20 m. Individual veins have been traced with drilling and trenching along strike in excess of 800 m. Drilling in 2019 intersected veins to a depth of approximately 180 m below surface. Rock grab samples, channel samples, and drill core samples have returned consistently anomalous values for gold and silver, individual high values include gold to 12.7 ppm Au and 129 ppm Ag. Drilling in 2015 returned a 7.6 m interval of 1.69 ppm Au and 29 ppm Ag.

On March 30, 2021, the Company announced that it had signed an option agreement with Centerra Gold (KB) Inc. (“**Centerra**”), a wholly owned subsidiary of Centerra Gold Inc., whereby Centerra was granted an option to earn a 70% interest in the 2 X Fred Property by incurring a total of \$6,000,000 in exploration expenditures and making payments of \$500,000 in the aggregate to the Company. Upon the fulfillment of these conditions, Centerra and Centerra Gold Inc. will enter a standard joint venture agreement with the Company retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners.

### ***Copley Property, BC***

The Copley property is located in the Nechako Plateau in British Columbia and consists of 10 claims totalling 2,926.67 ha (the “**Copley Property**”).

Pursuant to an option agreement dated February 23, 2010 between FCC and the Company, the Company acquired an option to acquire a 100% interest in the mining claims comprising the Copley Property. In order to exercise the option, the Company is required to issue an aggregate of 130,000 Company Shares and pay \$80,000 in the aggregate to FCC over a five-year period. Prior to the exercise of the option, the Company is required to pay to FCC at the end of each calendar year a drilling bonus of \$5.00 per meter drilled by the Company (up to a maximum of 100,000 meters). The Company is also responsible for funding property maintenance payments. To date, the Company has issued 130,000 Company Shares and paid \$80,000 to FCC, however, there are still drilling bonus payments to be made.

Portions of the Copley Property have been held in the past by various interest including Abo Oil and Rio Algom Limited., who conducted geological mapping and rock and soil geochemical surveys across a series of Eocene rhyolite domes.

The Company acquired an interest in the Copley Property in 2010 after rock samples from a low-sulphidation vein stockwork dubbed the Smoking Pipe returned multi-gram gold and silver (14.6 ppm Au and 7.6 ppm Ag). Subsequent work has included additional rock sampling and prospecting, channel sampling, geological mapping, and recce induced polarization defining a 6.5 km x 1.5 km electrowinning oriented area of clay-silicic altered felsic volcanic units with associated gold+/-silver bearing low-sulphidation veins. Two drill programs were conducted in 2010 and 2011 (2071 m over 23 holes) at the Smoking Pipe intersecting up to 9.27 ppm Au over 2 m with broader intercepts of anomalous gold (271 ppb Au over 33.5 m). Channel samples from the Smoking Pipe have returned up to 17.3 ppm Au over 1 m.

### ***Meachen Bend Property, BC***

The Meachen Bend property is located approximately 25 kilometers southwest of the Sullivan Pb-Zn-Ag deposit at Kimberly in southeastern British Columbia and consists of six claims covering approximately 1,844 hectares (the “**Meachen Bend Property**”).

Pursuant to an option agreement dated January 1, 2018 between Craig Kennedy and the Company, the Company acquired an option to acquire a 100% interest in the mining claims comprising the Meachen Bend Property. In order to exercise the option, the Company is required to an issue an aggregate of 500,000 Company Shares and pay an aggregate of \$100,000 to Mr. Kennedy over a four-year period. Mr. Kennedy will retain a 1.5% NSR upon exercise of the option, of which the Company has the right to purchase 0.5%, in whole or in part, in consideration of \$500,000, payable in cash or Company Shares. To date, the Company issued an aggregate of 300,000 Company Shares and made cash payment of \$65,000.

The area in the vicinity of the Meachen Bend Property has been prospected since the Sullivan deposit was found and subsequently exploited. Historically, the area has been held by various interests including Cominco who conducted grassroots mapping and soil geochemistry on portions of the current property. Historic small-scale copper production occurred on and adjacent to the Meachen Bend Property in the early 1900s from narrow quartz-carbonate-chalcopryrite vein deposits.

The Company has been exploring the Meachen Bend Property for a Sullivan-type sedimentary exhalative Pb-Zn-Ag deposit. This work has included a reconnaissance magnetotelluric survey, ground very-low-frequency electromagnetic (“**VLF-EM**”), prospecting, mapping and rock sampling. Integration of the geophysical, geological, and geochemical work performed by the Company with historical and public geological, geochemical, and geophysical data in the Meachen Creek area has led to the delineation of a suite of geophysical anomalies that are spatially associated with surface showings of polymetallic veins and stratigraphically controlled sulphides. These include: 1) a prominent, approximately 2 kilometer long, seismic amplitude anomaly on seismic reflection data that is located at the same stratigraphic position as the Sullivan deposit at approximately 1200 meter depth below surface; 2) a prominent (approximately 500 nT over background) magnetic anomaly that is spatially associated with the seismic amplitude anomaly as well as surface sulphide showings; 3) an airborne electromagnetic anomaly that is partly offset from the seismic anomaly slightly to the southeast, 4) a series of near-surface conductors delineated on a reconnaissance VLF-EM profile spatially associated with both the airborne electromagnetic anomaly and the seismic anomaly at depth, and 5) two magnetotelluric anomalies that are spatially coincident with the shallow VLF-EM anomalies, one cross-cutting magnetotelluric feature from near surface to the seismic anomaly at depth, and a shallower anomaly associated with the airborne electromagnetic anomaly.

***SBA Property, BC***

The SBA property is located south of the village of Moyie in British Columbia and encompasses 16 mineral claims totaling approximately 9,627 hectares (the “**SBA Property**”).

The SBA Property area has been explored and held by various interests. Work completed by these operators has focused mainly on reconnaissance style prospecting, geological mapping, soil geochemical surveys, and limited diamond drilling at the Cruz/Rise showing.

The Company acquired the SBA Property after discovering massive sulphide Pb-Zn-Ag bearing float boulders within a recent logging cut-block which assayed 40% Pb, 2500 ppm Zn and 771 ppm Ag. Follow up work has included soil sampling, geological mapping, ground based magnetic and VLF-EM surveys and integration of public gravity and magnetic data. This work has shown that the area surrounding the massive sulphide boulders is underlain by extensive packages of conglomeratic units which have been extensively hydrothermally altered and are interpreted to indicate the area is underlain by a syn-sedimentary hydrothermal vent system. Geophysical data shows the area to be associated with a coincident magnetic/gravity anomaly and surface VLF-EM data shows the area to be bisected by a linear zone of high conductivity parallel to syn-depositional faulting.

***Nechako Plateau Concessions, BC***

The Company has three concessions within the Nechako Plateau region of central British Columbia. The area is well endowed with numerous mineral deposits including epithermal gold-silver and porphyry copper, molybdenum and gold.

**Dividends or Distributions**

There is no restriction that would prevent Spinco from paying dividends on the Spinco Shares. However, Spinco has not paid any dividends on the Spinco Shares during the three most recently completed financial years and during the current financial year, and it is not contemplated that Spinco will pay any dividends on the Spinco Shares in the immediate or foreseeable future. Any payment of dividends in the future is at the discretion of the Spinco Board.

**Management’s Discussion and Analysis**

The management’s discussion and analysis in respect of the Carve-Out Financial Statements for the years ended December 31, 2020 and 2019 and the period ended March 31, 2021 are attached to the Information Circular as Schedule “H” and Schedule “I”. The management’s discussion and analysis should be read in conjunction with the Carve-Out Financial Statements and the notes thereto attached to the Information Circular as Schedule “K” and Schedule “L”.

**Description of Spinco’s Securities**

The authorized capital of Spinco consists of an unlimited number of Spinco Shares without par value and an unlimited number of preferred shares without par value. As of the date of this Information Circular, the Company is the holder of 3,615,000 Spinco Shares, representing all of the issued and outstanding Spinco Shares, and no preferred shares are outstanding.

On completion of the Arrangement, it is anticipated that there will be approximately 16,027,747 Spinco Shares outstanding, which will be owned 80% by the Company Shareholders and 20% by the Company. Upon completion of the Arrangement, all Company Options will be exchanged for Company Replacement Options and Spinco Options, and the Company Warrants will be amended to entitle the holders thereof to acquire Spinco Shares as described in the Information Circular under the heading “*Approval of the Arrangement – Principal Steps of the Arrangement*”.

Spinco Shareholders are entitled to one vote per Spinco Share at all meetings of Spinco Shareholders. Spinco Shareholders are entitled to receive dividends as and when declared by the Spinco Board and to receive a pro rata share of the assets of Spinco available for distribution to Spinco Shareholders in the event of the liquidation,

dissolution or winding-up of Spinco. All Spinco Shares rank equally as to all benefits which might accrue to the Spinco Shareholders.

### Consolidated Capitalization

There have not been any material changes in the share and loan structure of Spinco since the date of the Carve-Out Financial Statements. As a result of the Arrangement, there will be changes to Spinco's share capital. For details of these changes please see the heading of the Information Circular entitled "Approval of the Arrangement", and the pro forma financial statements, including the notes thereto, attached as Schedule "J" to the Information Circular.

### Pro Forma Consolidated Capitalization

The following table sets out the capitalization of Spinco as at March 31, 2021 both before and after giving effect to the Arrangement. The table should be read in conjunction with the the Carve-Out Financial Statements, including the notes thereto, attached to the Information Circular as Schedule "H" and Schedule "I", and the pro forma financial statements, including the notes thereto, attached as Schedule "J" to the Information Circular.

Designation of Security	Amount Authorized or to be Authorized	Outstanding as at March 31, 2021 <sup>(1)</sup>	Outstanding as at March 31, 2021 after giving effect to the Arrangement <sup>(1)</sup>
Spinco Shares	Unlimited	\$2,828,587 (3,615,000 Spinco Shares)	\$2,828,587 (16,027,747 Spinco Shares)

<sup>(1)</sup> Calculated on an undiluted basis.

### Pro Forma Fully Diluted Share Capital

The following table shows the number and percentage of Spinco Shares expected to be outstanding on a fully-diluted basis after giving effect to the Arrangement. The table should be read in conjunction with the pro forma financial statements, including the notes thereto, attached as Schedule "J" to the Information Circular.

Description of Issue	Number of Spinco Shares After Giving Effect to the Arrangement / Percentage of Total
Spinco Shares	16,027,747 / 78.4%
Spinco Shares issuable on exercise of Company Warrants	3,723,783 / 18.22%
Spinco Shares issuable on exercise of Spinco Options	691,750 / 3.38%
<b>Fully-Diluted</b>	<b>20,443,280</b>

### Options and Other Rights to Purchase Securities

No options to purchase securities of Spinco have been issued since incorporation.

The Spinco Board has adopted the Spinco Stock Option Plan, the Spinco Share Unit Plan and the Spinco DSU Plan subject to approval by disinterested Company Shareholders and the completion of the Arrangement. See the section of the Information Circular entitled "Particulars of Matters to be Acted Upon – Approval of Spinco Stock Option Plan" for details of the Spinco Stock Option Plan, "Particulars of Matters to be Acted Upon – Approval of Spinco

*Share Unit Plan*” for details of the Spinco Share Unit Plan and “*Particulars of Matters to be Acted Upon – Approval of Spinco DSU Plan*” for details of the Spinco DSU Plan.

Upon completion of the Arrangement, Spinco will have approximately 691,750 Spinco Options outstanding, held by Company Optionholders which will be issued pursuant to the Plan of Arrangement as described in the Information Circular under the heading “*Approval of the Arrangement – Principal Steps of the Arrangement*”. These Spinco Options will be issued pursuant to and will be subject to the terms of the Spinco Stock Option Plan. In addition, Spinco will have obligations to issue approximately 3,723,783 Spinco Shares upon exercise of Company Warrants, all in accordance with the terms of the Plan of Arrangement.

### **Prior Sales**

Spinco has not issued any securities during the 12-month period prior to the date of this Information Circular.

### **Principal Shareholders**

To the knowledge of the directors and executive officers of Spinco, and based on existing information as of the date hereof, the only persons or companies, upon completion of the Arrangement will, beneficially own, or control or direct, directly or indirectly, voting securities of Spinco carrying 10% or more of the voting rights attached to any class of voting securities of Spinco are as follows:

<u>Name</u>	<u>Number of Spinco Shares Post-Arrangement</u>	<u>Percentage</u>
Kootenay Silver Inc.	3,205,549	20%

### **Escrowed Securities**

To the knowledge of Spinco, as of the date of this Information Circular, there are no securities of Spinco held in escrow or subject to contractual restrictions on transfer, and Spinco does not anticipate that any securities of Spinco will be subject to escrow or contractual restrictions on transfer as of the Effective Date.

### **Directors and Executive Officers**

#### ***Name, Occupation and Security Holding***

The following table sets out the names of directors and executive officers, the positions and offices which they are anticipated to hold post-Arrangement, their respective principal occupations within the five preceding years and the approximate number of Spinco Shares which each beneficially will own, directly or indirectly, or over which control or direction will be exercised immediately after completion of the Arrangement.

<b>Name, Province or State, and Country of Residence and Position(s)</b> <sup>(1) (2)</sup>	<b>Principal Occupation During Past Five Years</b> <sup>(1)</sup>	<b>Number of Spinco Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly, Immediately Following the Completion of the Arrangement</b> <sup>(3)</sup>	<b>Director Since</b>	<b>Percentage of Spinco Shares Issued and Outstanding Immediately Following the Completion of the Arrangement</b> <sup>(4)</sup>
<b>James M. McDonald</b> Alberta, Canada <i>President, Chief Executive Officer and Director</i>	President and Chief Executive Officer of the Company; President of Makwa Exploration Ltd., a private geological consulting company; former Director	757,050	March 7, 2005	4.72%

Name, Province or State, and Country of Residence and Position(s) <sup>(1)(2)</sup>	Principal Occupation During Past Five Years <sup>(1)</sup>	Number of Spinco Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly, Immediately Following the Completion of the Arrangement <sup>(3)</sup>	Director Since	Percentage of Spinco Shares Issued and Outstanding Immediately Following the Completion of the Arrangement <sup>(4)</sup>
	of Northern Vertex Mining Corp.; Director of Aldebaran Resources.			
<b>Rajwant S. Kang</b> British Columbia, Canada <i>Chief Financial Officer, Corporate Secretary and Director</i>	Chief Financial Officer and Corporate Secretary of the Company	146,625	N/A	0.91%
<b>Kenneth E. Berry</b> British Columbia, Canada <i>Director</i>	Self-employed consultant, providing finance and corporate communications services to various public companies; and former Director, President and CEO of Northern Vertex Mining Corp.; Chairman of the Company	160,875	November 27, 2002	1%

- (1) The information as to residence and principal occupation, not being within the knowledge of the Company or Spinco, has been furnished by the respective directors and officers individually.
- (2) Directors serve until the earlier of the next annual general meeting or their resignation.
- (3) The information as to securities beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of Company or Spinco, has been furnished by the respective directors and officers individually based on shareholdings in Company as of the date of this Information Circular.
- (4) Assuming approximately 16,027,747 Spinco Shares are outstanding after completion of the Arrangement.

Upon the completion of the Arrangement, it is expected that the directors and executive officers of Spinco as a group, will beneficially own, directly or indirectly, or exercise control or direction over an aggregate of approximately 1,064,550 Spinco Shares, representing approximately 6.64% of the issued and outstanding Spinco Shares assuming approximately 16,027,747 Spinco Shares are outstanding after completion of the Arrangement.

#### ***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

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

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director or executive officer of Spinco, or a shareholder holding a sufficient number of securities of Spinco to affect materially the control of Spinco:

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

No proposed director or executive officer of Spinco or a shareholder holding a sufficient number of securities of Spinco to affect materially the control of Spinco has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

For the purposes of the disclosure above regarding the directors or executive officers, “order” means: (a) a cease trade order, including a management cease trade order; (b) an order similar to a cease trade order; or (c) 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. Similarly, the above disclosure applies to any personal holdings companies of the directors or executive officers.

### ***Conflicts of Interest***

Certain of Spinco’s proposed directors and officers may serve as directors or officers, or may be associated with, other reporting companies, including the Company, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Spinco may participate, the directors and officers of Spinco may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, Spinco will follow the provisions of the BCBCA dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of Spinco’s directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of Spinco are required to act honestly, in good faith, and the best interest of Spinco.

Since the Company’s focus is primarily on its Mexican properties and Spinco’s focus will be on the Canadian Properties, any common directors on the Spinco Board and the Company Board are not expected to be subject to any conflicts of interest.

### ***Management of Spinco***

*James M. McDonald – President, Chief Executive Officer and a Director (Age: 61)*

Mr. McDonald holds a P.Geo. designation and has over 30 years’ experience in the international mining sector. He is currently President, Chief Executive Officer and a director of the Company. He has a proven track record developing and advancing projects from the start-up phase to production. Among his credits, he co-founded and successfully developed National Gold Corporation, which merged with Alamos Minerals Ltd. to form Alamos Gold Inc. for which he was a director and served on the technical committee until June 2012. He also formerly served as President of

Genco Resources Ltd. during which time it operated the La Guitarra Mine, an underground silver mine located in Mexico. Mr. McDonald has experience in reviewing financial statements.

As the President and Chief Executive Officer of Spinco, Mr. McDonald will be responsible for the management of the affairs of Spinco, reporting directly to the Spinco Board. Mr. McDonald intends to work part time on the affairs of Spinco. Mr. McDonald may enter into a consulting agreement with Spinco, which may include certain non-disclosure and non-competition provisions.

*Rajwant S. Kang – Chief Financial Officer, Corporate Secretary and a Director (Age: 48)*

Mr. Kang is the founder & president of RSK Management Consulting Inc. a private company that provides management services and has over 25 years of accounting and finance experience. He has proficient knowledge of capital markets, raising capital, M&A and corporate regulation of publicly listed companies. He has held the role of CFO with the Company since 2007 and a number of other executive positions with listed companies. Mr. Kang is CPA, CMA and has an HND in Business and Finance from East Berkshire College in Berkshire, United Kingdom.

As the Chief Financial Officer and Corporate Secretary of Spinco, Mr. Kang will be responsible for managing the financial affairs and advancement of corporate development initiatives of Spinco and performing corporate secretary services, and will report directly to the Chief Executive Officer. Mr. Kang intends to work part time on the affairs of Spinco. Mr. Kang may enter into a consulting agreement with Spinco, which may include certain non-disclosure and non-competition provisions.

*Kenneth E. Berry – Director (Age: 60)*

Mr. Berry has over 30 years of experience in finance and venture capital markets. He began his career in the Canadian brokerage industry as an investment advisor before moving on to found various publicly traded companies. His roles have included senior management positions and directorships responsible in areas of finance, business development, strategic planning and corporate restructuring. Mr. Berry is a founder of the Company and is the co-founder and Director/Chairman of Northern Vertex Mining Corp. He held the role of President and CEO of Northern Vertex until early 2021 and during his tenure successfully bought the Moss Gold Mine into production in Arizona, USA. Prior to his career in the capital markets, Mr. Berry enjoyed a professional hockey career and was a participant in the 1980 and 1988 Winter Olympics.

Mr. Berry will devote the time necessary to perform the work required in connection with acting as a director of Spinco. Management does not anticipate that Mr. Berry will enter into a non-competition or non-disclosure agreement with Spinco.

### **Statement of Executive Compensation**

The following disclosure is presented in accordance with applicable provisions of Form 51-102F6V and sets out the anticipated compensation for each of the proposed directors and Named Executive Officers (as defined under Applicable Securities Legislation) of Spinco for the 12-month period after giving effect to the Transaction.

The anticipated Named Executive Officers of Spinco for the 12-month period after giving effect to the Transaction are as follows:

- James M. McDonald, President and Chief Executive Officer
- Rajwant S. Kang, Chief Financial Officer and Corporate Secretary

### ***Director and Named Executive Officer Compensation***

Spinco has not yet developed a compensation program. Spinco anticipates that it will adopt a compensation program that reflects its stage of development, the main elements of which are expected to be comprised of base salary, option-based awards and annual cash incentives, which elements are similar to those paid by Company and described in this

Information Circular. Please see Schedule “F” “*Information Concerning Kootenay Silver Inc. Post-Arrangement – Statement of Executive Compensation*” attached to the Information Circular. There will be a cost-sharing arrangement between Company and Spinco to be implemented upon completion of the Arrangement.

### ***Oversight and Description of Director and Named Executive Officer Compensation***

#### ***Named Executive Officer Compensation***

No compensation has been paid to date. In addition, Spinco has no compensatory plan or other arrangements in respect of compensation received or that may be received by its directors and officers in its current financial year.

It is expected that Spinco will provide its executive officers with base salary/consulting fees and may provide for long-term incentives in the form of awards under the Spinco Stock Option Plan and the Spinco Share Unit Plan.

The base salary/consulting fees proposed to be paid to Spinco’s executive officers will be commensurate with the nature of Spinco’s business and the individual’s experience, duties and scope of responsibilities. Following completion of the Arrangement, Spinco intends to pay competitive base salary/consulting fees required to recruit and retain executives of the quality that it must employ to ensure success.

Spinco intends for base salary/consulting fee levels to be consistent with competitive practices of comparable institutions and each executive officer’s level of responsibility. Spinco intends to appoint a compensation committee to make recommendations to the Spinco Board to determine the level of any base salary/consulting fee (or fee increase) after reviewing the qualifications, experience and performance of the particular executive officer and the nature of Spinco’s business, the complexity of its activities and the importance of the executive officer’s contribution to the success of the business. The Spinco Board and the compensation committee may also take into consideration salaries and consulting fees paid to others in similar positions in Spinco’s industry based on the experience of the executive officers and review of publicly available information. The discussion of the information and factors to be considered and given weight by the compensation committee and the Spinco Board is not intended to be exhaustive, but it is believed to include all material factors to be considered by the compensation committee and the Spinco Board. In reaching the determination to approve and recommend the base salaries/consulting fees of Spinco’s executive officers following completion of the Arrangement, the Spinco Board will not assign any relative or specific weight to the factors which are considered, and the members may give a different weight to each factor. The Spinco Board will review and adjust the base salary/consulting fees of Spinco’s executive officers when deemed appropriate and will also take into consideration the percentage of time spent by each executive officer on Spinco matters.

Long-term incentive compensation may be provided through the granting of Spinco Options and Spinco Share Units. Equity incentive awards will be designed to motivate executive officers to achieve long-term sustainable business results, align their interest with those of Spinco Shareholders and to attract and retain executives.

#### ***Director Compensation***

Upon completion of the Arrangement, the Spinco Board, with the recommendation of the compensation committee, will determine the compensation to be paid to the directors for services rendered in that capacity to be based upon, among other factors, compensation paid to directors of companies in the same industry as Spinco.

It is expected that directors of the Spinco Board will be entitled to participate in the Spinco Stock Option Plan and directors who are not employees or officers of Spinco will be entitled to participate in the Spinco DSU Plan, at the discretion of the Spinco Board. Spinco may also pay directors’ fees to its directors in amounts to be determined.

#### ***Stock Options and Other Compensation Securities***

The Spinco Board has adopted the Spinco Stock Option Plan, which plan is subject to approval by the Company Shareholders and the completion of the Arrangement. For a summary of the terms of the Spinco Stock Option Plan see “*Particulars of Matters to be Acted Upon – Approval of Spinco Stock Option Plan*”.

On August 12, 2021, the Spinco Board approved the adoption of the Spinco Share Unit Plan and the Spinco DSU Plan, subject to the completion of the Arrangement and the disinterested Company Shareholders. For a summary of the Spinco Share Unit Plan and the Spinco DSU Plan, see “*Particulars of Matters to be Acted Upon – Approval of Spinco Share Unit Plan*” and “*Particulars of Matters to be Acted Upon – Approval of Spinco DSU Plan*” of the Information Circular.

No compensation securities have been granted by Spinco since the date of its incorporation.

### ***Employment, Consulting and Management Agreements***

Spinco has no employment contracts between it and its Named Executive Officers. Further, it has no contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of Spinco or its subsidiaries, if any, or a change in responsibilities of a Named Executive Officer following a change of control. Spinco will consider entering into contracts with its Named Executive Officers following completion of the Arrangement.

### ***Pension Plan Benefits***

Spinco does not anticipate having a pension plan that provides for payments or benefits to the Named Executive Officers or directors at, following, or in connection with retirement.

### **Indebtedness of Directors and Executive Officers**

Since the beginning of the last completed financial year, no current or former director, executive officer, employee or proposed director of Spinco or any associate of such persons, or of any of its subsidiaries, has been indebted to Spinco or to any of its subsidiaries, nor have any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Spinco or any of its subsidiaries..

### **Audit Committee**

Spinco will appoint an audit committee following the completion of the Arrangement. Each member of the audit committee to be appointed will have adequate education and experience that is relevant to their performance as an audit committee member and, in particular, the requisite education and experience that have provided the member with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Spinco’s financial statements.

It is intended that the audit committee will establish a practice of approving audit and non-audit services provided by the external auditor. The audit committee may delegate to its Chair the authority, to be exercised between regularly scheduled meetings of the audit committee, to preapprove audit and non-audit services provided by the independent auditor. All such preapprovals would be reported by the Chair at the meeting of the audit committee next following the pre-approval.

The charter to be adopted by the audit committee of Spinco is expected to be substantially similar to that of Company’s Audit Committee, which is appended to this Information Circular as Schedule “N”.

To date, Spinco has paid no fees to its external auditor.

## Corporate Governance

### *Board of Directors*

On completion of the Arrangement, Spinco anticipates the Spinco Board will consist of three directors: Kenneth E. Berry, James M. McDonald and Rajwant S. Kang.

Kenneth E. Berry will be an independent director as defined in NI 58-101 and NI 52-110. James M. McDonald, as President and Chief Executive Officer of Spinco and Rajwant S. Kang, the Chief Financial Officer and Corporate Secretary of Spinco, will be executive officers of the Company and therefore, not independent.

It is anticipated that the Spinco Board will meet for formal board meetings periodically on an ad hoc basis during the year on an as needed basis to review and discuss Spinco's business activities and to consider and, if thought fit, to approve matters presented to Spinco Board for approval, and to provide guidance to management. In addition, management will informally provide updates to Spinco Board at least once per quarter between formal Spinco Board meetings. In general, management will consult with Spinco Board when deemed appropriate to keep Spinco Board informed regarding Spinco's affairs.

Following completion of the Arrangement, it is anticipated that the Spinco Board will facilitate the exercise of independent supervision over management through these various meetings. It is anticipated that Spinco Board will establish the formal committees and, when necessary, Spinco Board will strike a special committee of independent directors to deal with matters requiring independence. The composition of Spinco Board will be such that the independent directors have significant experience in business affairs. As a result, the Spinco Board members will be able to provide significant and valuable independent supervision over management.

It is anticipated that in the event of a conflict of interest at a meeting of Spinco Board, the conflicted director will in accordance with corporate law and in accordance with his fiduciary obligations as a director of Spinco, disclose the nature and extent of his interest to the meeting and abstain from voting on or against the approval of such participation.

### *Directorships*

The following proposed directors of Spinco are also directors of other reporting issuers as set out below:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
James M. McDonald	Aldebaran Resources Inc. Kootenay Silver Inc.
Kenneth E. Berry	Kootenay Silver Inc.

### *Orientation and Continuing Education*

At present, Spinco does not provide a formal orientation and education program for new directors. Following completion of the Arrangement, it is anticipated that prior to joining Spinco Board, potential Spinco Board members will be encouraged to meet with management and inform themselves regarding management and Spinco affairs. After joining Spinco Board, management and Spinco Board chair will provide orientation both at the outset and on an ongoing basis. Spinco currently has no specific policy regarding continuing education for directors; it is anticipated that requests for education will be encouraged and dealt with on an ad hoc basis.

### *Ethical Business Conduct*

It is anticipated that the primary step to be taken by Spinco to encourage and promote a culture of ethical business conduct will be to conduct appropriate due diligence on proposed directors and ensure that proposed directors are of the highest ethical standards.

### *Nomination of Directors*

Following completion of the Arrangement, Spinco anticipates that it will establish a compensation committee to assist Spinco Board in fulfilling its responsibilities with respect to the composition, compensation and operation of Spinco Board and Spinco Board committees and the appointment of the Chief Executive Officer of Spinco. Once a decision has been made to add or replace a director, the task of identifying new candidates will fall on the Spinco Board and management. Proposals will be put forth by Spinco Board and management and considered and discussed. If a candidate looks promising, Spinco Board and management will conduct due diligence on the candidate and if the results are satisfactory, the candidate will be invited to join Spinco Board. It is anticipated that the Chief Executive Officer's compensation will be determined by Spinco Board (excluding the Chief Executive Officer), based on the recommendation of the compensation committee of Spinco Board formed to conduct research into compensation matters and make a recommendation to Spinco Board. Compensation for Spinco Board members will be determined by Spinco Board as a whole and in accordance with industry norms.

### *Other Board Committees*

Following completion of the Arrangement, Spinco anticipates that it will establish other Spinco Board committees.

### *Assessments*

At present, Spinco Board does not have a formal process for assessing the effectiveness of Spinco Board. It is anticipated that it will consider that its committees and individual directors are performing effectively. These matters will be dealt with on a case by case basis at Spinco Board level.

### **Risk Factors**

**An investment in the Spinco Shares, as well as Spinco's prospects, is highly speculative due to the high-risk nature of its business and the present stage of its development. Spinco Shareholders may lose their entire investment.** In addition to the other information contained in this Information Circular, the following factors, among others, should be considered carefully when considering risks related to Spinco's business assuming completion of the Arrangement (including, without limitation, the documents incorporated by reference). If any of the following risks actually occur, Spinco's business, financial condition and operating results could be adversely affected. Spinco's Shareholders should consult with their professional advisors to assess the Arrangement and their resulting investment in Spinco.

The risks described herein and in the documents incorporated by reference in this Information Circular are not the only risks that Spinco will face. Additional risks and uncertainties not currently known to Spinco, or that Spinco currently deems immaterial, may also materially and adversely affect its business.

### *Nature of the Securities and No Assurance of any Listing*

Spinco Shares will not be listed on any stock exchange upon completion of the Arrangement and there is no assurance that the shares will be listed. Even if a listing is obtained, the holding of Spinco Shares will involve a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Spinco Shares should not be held by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in securities of Spinco should not constitute a major portion of an investor's portfolio.

### *Nature of Mineral Exploration and Mining*

Spinco will continue to be in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. Spinco currently has no source of revenue other than project management fees, and interest on cash balances. Spinco will rely mainly on equity financing to fund exploration activities on its mineral properties.

### ***Early Stage – Need for Additional Funds***

Spinco currently has no cash. Upon completion of the Arrangement, Spinco intends to complete an equity financing by way of rights offering, private placement or other means. There can be no assurance that Spinco will be able to complete such financing, and as a result, there is a risk that Spinco will not have sufficient funds to conduct operations.

Spinco has no history of profitable operations and its present business is at an early stage. As such, Spinco will continue to be subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Spinco will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

Spinco anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of Spinco may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

### ***Exploration and Development***

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which Spinco will have an interest or own on completion of the Arrangement will be in the exploration stages, without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### ***Acquiring Title and Earn-In Agreements***

The acquisition of title to mineral properties is a very detailed and time-consuming process. Spinco may not be the registered holder of some or all of the claims, concessions and leases comprising any of the mineral properties of Spinco. These claims, concessions or leases may currently be registered in the names of other individuals or entities, which may make it difficult for Spinco to enforce its rights with respect to such claims, concessions or leases. There can be no assurance that proposed or pending transfers will be effected as contemplated. Failure to acquire title to any of the claims, concessions or leases at one or more of Spinco's properties may have a material adverse impact on the financial condition and results of operations of Spinco.

In particular, there is no guarantee that Spinco will be able to acquire title to the Canadian Properties. The acquisition of the Canadian Properties is dependent the Company assigning its interest in the Canadian Properties to Spinco and, subsequently, Spinco completing certain conditions under the option agreements described above in "*Material Mineral Property*" and "*Non-Material Mineral Properties*". There can be no assurance that the Company will be able to assign its interest in the agreements to Spinco or that Spinco will be able to fulfill such conditions required to acquire the Canadian Properties. If Spinco is unable to fulfill the conditions of the options agreements, there is no assurance that Spinco will be able to acquire another mineral property of merit or that such an acquisition would obtain necessary regulatory approval.

Spinco will continue to enter into or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments and or issuing shares to Spinco and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these

commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby Spinco will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of Spinco.

### ***Title Risks***

Once acquired, title to and the area of Spinco's mineral properties may be disputed. There is no guarantee that title to one or more claims, concessions or leases at Spinco's mineral properties will not be challenged or impugned. There may be challenges to title of any of Spinco's mineral properties which, if successful, could result in the loss or reduction of Spinco's interest in such titles. Spinco's properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Spinco may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes or to carry out and file assessment work, can lead to the unilateral termination of concessions by mining authorities or other governmental entities.

### ***Indigenous Peoples' Title Claims and Rights to Consultation and Accommodation***

Indigenous peoples' title claims and rights to consultation and accommodation may affect Spinco's existing operations as well as development projects and future acquisitions. Governments in many jurisdictions must consult Indigenous peoples with respect to grants of mineral rights and the issuance or amendment of exploration and project authorizations. Consultation and other rights of Indigenous peoples may require accommodations, including undertakings regarding financial compensation, employment and other matters in impact and benefit agreements. This may affect Spinco's ability to acquire, explore or develop, within a reasonable time frame, mineral titles in these jurisdictions and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen Indigenous peoples' title claims and consultation and accommodation rights also could affect existing operations as well as exploration and development projects and future acquisitions. These legal requirements may increase Spinco's operating costs and affect its ability to expand its operations or to explore and develop new projects.

### ***Community Groups***

There is an ongoing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While Spinco intends to operate in a socially responsible manner and believes it has good relationships with local communities in Canada, NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of Spinco in respect of one or more of its properties due to political factors, activities of unrelated third parties on lands in which Spinco has an interest or Spinco's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of Spinco or its relationships with the communities in which it operates, which could have a material adverse effect on Spinco's business, financial condition, results of operations, cash flows or prospects.

### ***Metal Prices***

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of Spinco may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond Spinco's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### ***Operating Hazards and Risks***

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which Spinco has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although Spinco intends to maintain liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Spinco could incur significant costs that could have a materially adverse effect upon its financial conditions.

### ***Environmental Regulations, Permits and Licenses***

Spinco's operations will be subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Canada provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Spinco intends to fully comply with all environmental regulations.

The current operations of Spinco require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

Spinco believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which Spinco may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which Spinco might undertake.

### ***Climate Change***

Governments are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulations relating to emission levels (such as carbon taxes) and energy efficiency are becoming more stringent. In addition, the physical risks of climate change may also have an adverse effect on Spinco's business. These physical risks include changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures, increased snowpack and extreme weather events. Such events could materially disrupt Spinco's business if they affect Spinco's mineral properties, impact local infrastructure or threaten the health and safety of Spinco's employees and contractors, which could result in material economic harm to Spinco. Stakeholders are seeking enhanced disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change. Adverse publicity or climate-related litigation could have an adverse effect on Spinco's reputation or financial condition.

### ***Construction and Start-up of New Mines***

The success of construction projects and the start-up of new mines by Spinco is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers

and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), and the successful completion and operation of operational elements that have to be factored in. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which Spinco is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by Spinco will be successful; that Spinco will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that Spinco will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by Spinco. Any of the foregoing factors could adversely impact the operations and financial condition of Spinco.

### ***Supplies, Infrastructure, Weather and Inflation***

Spinco's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, Spinco is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns.

### ***Competition and Agreements with Other Parties***

The mining industry is intensely competitive in all its phases, and Spinco competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect Spinco's ability to acquire suitable properties or prospects in the future.

Spinco may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, Spinco may not be able to finance the expenditures required to complete recommended programs.

### ***Economic Conditions***

Unfavorable economic conditions may negatively impact Spinco's financial viability. Unfavorable economic conditions could also increase Spinco's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of credit facilities to Spinco.

### ***Dependence on Management***

Spinco will be very dependent upon the personal efforts and commitment of its management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Spinco could result, and other persons would be required to manage and operate Spinco.

### ***Conflicts of Interest***

Spinco's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, including the Company, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which Spinco may participate, the directors and officers of Spinco may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, Spinco will follow the provisions of the BCBCA dealing with

conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of Spinco's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of Spinco are required to act honestly, in good faith, and the best interest of Spinco.

### ***Insurance coverage***

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

Spinco's policies of insurance may not provide sufficient coverage for losses related to these or other risks. Spinco's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse Spinco for all losses sustained. In particular, Spinco does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on Spinco's cash flows, results of operation and financial condition.

### ***Shareholder dilution***

Spinco's constating documents permit the issuance of an unlimited number of common shares issuable on such terms as the directors determine without the approval of shareholders, who have no pre-emptive rights in connection with such issuances. In addition, Spinco will be required to issue common shares upon the conversion of its outstanding convertible securities in accordance with their terms. Accordingly, holders of common shares may suffer dilution.

### ***Uninsurable risks***

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Spinco may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Spinco.

### ***Coronavirus (COVID-19)***

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian government regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Spinco as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause increased government regulations, business interruptions including future delays in implementing field work all of which may negatively impact Spinco's business and financial condition.

### ***Disclosure Controls and Procedures***

Management is responsible for the preparation and integrity of its financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of Spinco's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS.

Readers are cautioned that Spinco is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent

limitations on the ability of Spinco's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for Spinco may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Litigation Risk***

Spinco and its directors may be subject to a variety of civil or other legal proceedings, with or without merit. Neighbouring landowners and other third parties could file claims based on environmental statutes and common law for personal injury and property damage allegedly caused by the release of hazardous substances or other waste material into the environment on or around Spinco's properties. There can be no assurance that Spinco's defense of such claims will be successful. Given the speculative and unpredictable nature of litigation, the outcome of such disputes could have a material adverse effect on Spinco.

### ***Corruption and Bribery Risk***

Spinco's operations will be governed by, and involve interactions with, many levels of government in Canada and elsewhere. Like most companies, Spinco is required to comply with anticorruption and anti-bribery laws, including the *Corruption of Foreign Public Officials Act* (Canada), as well as similar laws in other countries in which Spinco may conduct its business. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, Spinco may be found liable for violations by not only its employees, but also by its third-party agents. If Spinco finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines or sanctions imposed on Spinco, resulting in a material adverse effect on Spinco's results of its operations.

### **Promoters**

The Company took the initiative in Spinco's organization and, accordingly, may be considered a promoter of Spinco within the meaning of applicable Securities Legislation. As at the date of the Information Circular, the Company is the holder of 3,615,000 Spinco Shares, representing all of the issued and outstanding Spinco Shares. On the Effective Date and pursuant to the Arrangement, 80% of the Spinco Shares will be distributed to the Company Shareholders and 20% of the Spinco Shares will be retained by the Company. See "*Principal Shareholders*" above for details regarding the Spinco Shares to be held by the Company post-Arrangement.

Within the two years immediately preceding the date of the Information Circular and up to the Effective Date, the only material thing of value which Company has or will receive from Spinco is the Spinco Spinout Shares to be issued to the Company Shareholders in consideration for the transfer to Spinco by Company of its interest in the Canadian Properties, which Spinco Spinout Shares will be distributed to the Company Shareholders pursuant to the Arrangement. For further information, see the section of the Information Circular entitled "*Approval of the Arrangement*".

Other than the Company and the directors and officers of Spinco, there is no person who is or who has been within the two years immediately preceding the date of the Information Circular, a promoter, as defined under applicable Securities Legislation, of Spinco or a subsidiary of Spinco.

### **Legal Proceedings and Regulatory Actions**

Since December 31, 2020, there have been no material legal proceedings to which Spinco is or was a party, or that any of its property is or was the subject of nor, to the knowledge of Spinco, are any such proceedings known to be contemplated.

There have been no penalties or sanctions imposed against Spinco by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Information Circular and there have been no other penalties or sanctions imposed against Spinco that would be

necessary to be disclosed for this Schedule to contain full, true and plain disclosure of all material facts relating to Spinco.

Spinco has not entered into any settlement agreements with a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Information Circular.

### **Interest of Management and Others in Material Transactions**

None of the directors or executive officers of Spinco, any shareholder directly or indirectly beneficially owning or exercising control or direction over, more than 10% of the outstanding Company Shares, nor any associate or affiliate of any of the foregoing persons, has had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or during the current financial year or in any proposed transaction that, in either case, has materially affected or would materially affect Spinco or any of its subsidiaries, except for the Company in connection with the Arrangement and the transfer of the Canadian Properties to Spinco, or as disclosed elsewhere in this Information Circular. See the section of the Information Circular entitled “*Approval of the Arrangement*”.

### **Auditor, Transfer Agent and Registrar**

Spinco’s auditor will be MNP LLP, Chartered Professional Accountants of Suite 2200 – 1021 West Hastings Street, Vancouver, BC V6E 0C3.

The transfer agent and registrar for the Spinco Shares will be Computershare Investor Services Inc. of 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

### **Material Contracts**

The only material contract entered into by Spinco, other than those entered into in the ordinary course of business, since the beginning of its financial year ended December 31, 2020, or prior to that date if such material contract is still in effect is the Arrangement Agreement. See the section of the Information Circular entitled “*Approval of the Arrangement*”. A copy of the Arrangement Agreement may be inspected at any time up to the commencement of the Meeting during normal business hours at Spinco’s offices located Suite 1125 - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

### **Experts**

#### ***Name of Experts***

The following prepared or certified a report, valuation, statement or opinion described or included or incorporated by reference in this Schedule to the Information Circular:

1. MNP LLP, Chartered Professional Accountants issued an audit report in connection with the Carve-Out Financial Statements. MNP LLP is independent within the meaning of the Code of Professional Conduct applicable to members of the Institute of Chartered Professional Accountants of British Columbia.
2. R.I. Thompson, PhD Peng of RIT Minerals (RITM) Corp. is the Author of the Technical Report, a qualified person for the purposes of NI 43-101 and independent of Spinco and the Company.

#### ***Interest of Experts***

To the best of Spinco’s knowledge, the aforementioned experts held either less than one percent or no securities of Spinco or of any associate or affiliate of Spinco when they prepared the aforementioned report, valuation, statement or opinion, and no securities were subsequently received or to be received by such experts.

None of the aforementioned experts, nor any directors, officers or employees of such experts are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of Spinco or of any associate or affiliate of Spinco.

**Qualified Person**

The Company and Spinco technical information in this Schedule has been prepared in accordance with the Canadian regulatory requirements set out in NI 43-101 and reviewed and approved on behalf of the Company and Spinco by James McDonald, P.Geo, President, CEO & Director for the Company, a Qualified Person.

**Other Material Facts**

There are no further material facts or particulars in respect of the securities of Spinco, to the knowledge of Spinco, that are not already disclosed herein that are necessary to be disclosed for this Information Circular to contain full, true and plain disclosure of all material facts relating to Spinco.

**SCHEDULE “H”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY RESOURCES INC. CARVE-OUT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(see attached)**

**KOOTENAY RESOURCES INC.**

**CARVE-OUT FINANCIAL STATEMENTS**

**For the years ended**

**December 31, 2020 and 2019**

**(Expressed in Canadian dollars)**

## Independent Auditor's Report

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To the Shareholders of Kootenay Silver Inc.:

### Opinion

We have audited the carve-out financial statements of Kootenay Resource Inc. (the "SpinCo"), a carve-out of Kootenay Silver Inc., which comprise the carve-out statements of financial position as at December 31, 2020 and December 31, 2019, and the carve-out statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the carve-out financial position of SpinCo as at December 31, 2020 and December 31, 2019, and its carve-out financial performance and its carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the carve-out Financial Statements section of our report. We are independent of the Company and SpinCo in accordance with the ethical requirements that are relevant to our audits of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management Information Circular.

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the carve-out financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management Information Circular prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the carve-out financial statements, which indicates that SpinCo has incurred operating losses to date and does not generate cash flows from operations to support its activities. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance for the Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing SpinCo's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SpinCo or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SpinCo's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements**

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SpinCo's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SpinCo's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SpinCo to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

June 2, 2021

  
Chartered Professional Accountants

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**CARVE-OUT FINANCIAL STATEMENTS**

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# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## CARVE-OUT STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current Assets:</b>			
Advances		\$ 10,000	\$ 10,000
		10,000	10,000
Fixed assets	4	27,542	39,346
Exploration deposits		84,252	77,500
Exploration and evaluation assets	6	2,679,794	2,142,018
<b>Total Assets</b>		<b>\$ 2,801,588</b>	<b>\$ 2,268,864</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 47,530	\$ 62,935
		47,530	62,935
<b>Equity</b>			
Net parent Investment		2,754,058	2,205,929
<b>Total equity</b>		<b>2,754,058</b>	<b>2,205,929</b>
<b>Total liabilities and equity</b>		<b>\$ 2,801,588</b>	<b>\$ 2,268,864</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 11)

Approved on Behalf of the Board:

“Jon Morda”

Director

“James McDonald”

Director

- See Accompanying Notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Year ended December 31, 2020	Year ended December 31, 2019
<b>General and administrative expenses</b>		
Office and general	\$ 60,801	\$ 68,400
Rent	13,200	13,200
Depreciation (Note 4)	11,804	16,863
<b>Loss before exploration and other item</b>	<b>85,805</b>	<b>98,463</b>
<b>Exploration</b>		
Mineral property investigation (Note 6)	65,085	7,202
	<b>65,085</b>	<b>7,202</b>
<b>Other Items</b>		
Loss on disposal (Note 4)	-	2,401
	-	<b>2,401</b>
<b>Loss and comprehensive loss for the year</b>	<b>\$ 150,890</b>	<b>\$ 108,066</b>

- see accompanying notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## CARVE-OUT STATEMENTS OF CASH FLOWS

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Operating activities</b>		
Loss for the year	\$ (150,890)	\$ (108,066)
Non-cash transactions:		
Loss on disposal of assets	-	2,401
Depreciation	11,804	16,863
Changes on non-cash working capital items:		
Accounts payable and accrued liabilities	(15,405)	57,506
<b>Cash used in operations</b>	<b>(154,491)</b>	<b>(31,296)</b>
<b>Investing activities</b>		
Exploration deposits	(6,752)	-
Exploration and evaluation assets	(520,526)	(756,223)
<b>Cash used in investing activities</b>	<b>(527,278)</b>	<b>(756,223)</b>
<b>Financing activities</b>		
Contributions from parent	681,769	787,519
<b>Cash provided by financing activities</b>	<b>681,769</b>	<b>787,519</b>
<b>Change in cash</b>	<b>-</b>	<b>-</b>
<b>Cash, beginning of the year</b>	<b>-</b>	<b>-</b>
<b>Cash, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure of cash and non-cash activities (Note 10)

**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Expressed in Canadian dollars)

**NOTES TO CARVE-OUT FINANCIAL STATEMENTS**

**December 31, 2020**

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**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Expressed in Canadian dollars)

**CARVE-OUT STATEMENTS OF CHANGES IN EQUITY**

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	<b>December 31</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
<b>Balance, beginning of the year</b>	2,205,929	1,491,721
Contributions from parent	699,019	822,274
Loss for the year	(150,890)	(108,066)
<b>Balance, end of the year</b>	<b>2,754,058</b>	<b>2,205,929</b>

- see accompanying notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 1 Nature of Operation and Going Concern:

Kootenay Silver Inc. and its wholly owned subsidiaries (the “Company” or “Kootenay”) is a Canadian exploration stage Company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company’s registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KTN”.

The Company intends to reorganize its assets and operations into two separate companies: Kootenay and Kootenay Resources Inc. (“SpinCo”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (“Arrangement”).

Under the Arrangement, SpinCo will acquire the following from the Company:

- Cash
- Rights to all mineral exploration properties held by the Company in British Columbia, Canada, and
- Rights to all mineral exploration properties held by the Company in Yukon, Canada

The Arrangement involves distribution of SpinCo shares to existing Kootenay shareholders such that each Kootenay shareholder will hold one (1) share of SpinCo for every twenty-five (25) Kootenay shares they hold on the effective date of the Arrangement. There will also be special provisions for Kootenay options and warrants holders as of the effective date pursuant to the Arrangement.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Kootenay shareholders and receipt of court and necessary regulatory approvals.

These carve-out financial statements reflect the financial position, results of operations, and cash flows for SpinCo and have been compiled for purposes of inclusion in an Information Circular for Kootenay in connection with the Arrangement described above.

SpinCo has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon its ability to obtain the financing necessary to continue to fund its mineral properties through intercompany loans from the ultimate parent company, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. These conditions create a material uncertainty that may cast significant doubt about the SpinCo’s ability to continue as a going concern.

These carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the SpinCo be unable to continue as a going concern. Such adjustments could be material.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 2 Basis of Presentation:

#### Statement of Compliance

These financial statements have been prepared on a carve-out basis from the books and records of Kootenay and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These carve-out financial statements were authorized for issue by the Board of Directors on June 2, 2021.

#### Basis of Measurement

These carve-out financial statements have been prepared on a historical costs basis, modified where applicable. In addition, these carve-out financial statement has been prepared using the accrual basis of accounting.

#### Functional and presentation currency

These carve-out financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of SpinCo.

### 3 Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all periods presented in these carved-out financial statements. The significant accounting policies adopted by SpinCo are as follows:

#### Critical accounting estimates and judgements

The preparation of the carve-out financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the carved-out financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the carved-out financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the carved-out financial statements are as follows:

- (i) Exploration and evaluation assets

SpinCo makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 3 Significant Accounting Policies (continued):

#### Critical accounting estimates and judgements (continued)

(ii) Decommissioning liabilities

SpinCo recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. SpinCo assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. SpinCo holds reclamation bonds with the Ministry of Mines for Canadian exploration properties

(iii) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

Significant judgments used in the preparation of these carve-out financial statements include, but are not limited to the:

(i) Going concern assumption

In the determination of the SpinCo's ability to meet its ongoing obligations and future contractual commitments, management relies on the SpinCo's planning, budgeting and forecasting process to help determine the funds required to support the SpinCo's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the SpinCo in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

#### Foreign currency transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which SpinCo operates (the “functional currency”).

At the end of each reporting period, the SpinCo translates foreign currency transactions as follows:

- Monetary items are translated at the closing rate in effect at the date of the statement of financial position;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- Income statement items are translated using the average exchange rate during the period (as this is considered a reasonable approximation to actual rates);
- All resulting foreign exchange gains or losses are recognized in statements of loss and comprehensive loss as foreign exchange gain and loss.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 3 Significant Accounting Policies (continued):

#### Mineral property interests

Mineral properties correspond to acquired interests in mining exploration claim tenures and concessions, which include the right to explore, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, SpinCo stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development costs according to the nature of the assets. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of SpinCo to obtain the necessary financing and permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Although the SpinCo has taken steps to verify title to mineral properties in which it has an interest, according to usual industry standards for the stage of exploration of such properties, these procedures do not guarantee SpinCo's title. Such properties may be subject to prior agreements or transfers and title that are not in the public domain or the title registry office and/or may be affected by undetected defects.

#### Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Depreciation is recognized using the declining balance method at the following annual rates:

Office furniture	20%
Computer equipment	30%
Exploration equipment	30%
Vehicles	30%

At each statement of financial position date, SpinCo assesses whether there is any indication that any property, plant and equipment are impaired. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost of disposal and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

# KOOTENAY RESOURCES INC. ("SPINCO")

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 3 Significant Accounting Policies (continued):

#### Decommissioning liabilities

SpinCo recognizes the present value of estimated costs of legal and constructive obligations for decommissioning liabilities in the year in which it is incurred or when there is a legal or constructive obligation. The fair value of asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for decommissioning liabilities due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statements of loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the decommissioning liabilities. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in the statements of loss in the year in which the settlement occurs. Estimated future site restoration costs for SpinCo's mineral property interests are considered not significant for the years ended December 31, 2020 and 2019.

#### Impairment

##### i) Financial assets

SpinCo recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, SpinCo measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, SpinCo measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. SpinCo recognizes in the consolidated statements loss, as an impairment gain or loss for the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### ii) Non-financial assets

The carrying amounts of mineral properties are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered, and exploration and evaluation activities will be discontinued; or
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the mineral properties' recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 3 Significant Accounting Policies (continued):

#### Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

#### Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### Financial instruments

Financial assets and financial liabilities are recognized in the SpinCo's carve-out statement of financial position when SpinCo becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss (“FVTPL”). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 3 Significant Accounting Policies (continued):

#### Financial instruments (continued)

##### Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cashflows, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income (“FVTOCI”):

- The financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

SpinCo, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

An equity instrument is any contract that evidences a residual interest in the assets of SpinCo after deducting all its liabilities. Equity instruments issued by SpinCo are recognized at the proceeds received, net of direct issue costs. Repurchase of the SpinCo's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of SpinCo own equity instruments.

##### Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Under IFRS 9, SpinCo classifies its financial instruments as follows:

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Accounts payable and accrued liabilities	Amortized cost
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# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

### 3 Significant Accounting Policies (continued):

#### Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the SpinCo's operations are within the mineral exploration sector. SpinCo's mining exploration operations are centralized whereby the SpinCo's head office is responsible for the exploration results and for providing support in addressing local and regional issues. SpinCo's resource properties are located in British Columbia and Yukon, Canada. The resource properties are as disclosed in Note 6.

#### Current and future accounting standards

There are no new and amended standards that are applicable to the business of SpinCo.

### 4 Fixed Assets:

	Vehicle	Equipment	Total
<b>Cost</b>			
Balance December 31, 2018	\$ 35,432	\$ 64,526	\$ 99,958
Addition	-	-	-
Disposal	-	(10,000)	(10,000)
Balance December 31, 2019	35,432	54,526	89,958
Addition	-	-	-
Balance December 31, 2020	\$ 35,432	\$ 54,526	\$ 89,958
<b>Accumulated Depreciation</b>			
Balance December 31, 2018	\$ 32,387	\$ 8,962	\$ 41,349
Depreciation for the year	914	15,949	16,863
Disposal	-	(7,599)	(7,599)
Balance December 31, 2019	33,301	17,312	50,613
Depreciation for the year	640	11,164	11,804
Balance December 31, 2020	\$ 33,940	\$ 28,476	\$ 62,416
<b>Carrying value</b>			
December 31, 2019	\$ 2,132	\$ 37,214	\$ 39,346
December 31, 2020	\$ 1,492	\$ 26,050	\$ 27,542

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

### 5 Income Taxes:

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019.

	2020	2019
Loss before income taxes	\$ 150,890	\$ 108,066
Canadian statutory income tax rate	27.0%	27.0%
Expected income taxes (recovery)	(40,740)	(29,178)
Change in deferred tax assets not recognized	40,740	29,178
Total income taxes expense (recovery)	\$ -	\$ -

Deferred Taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences at December 31, 2020 and 2019 are as follows:

	2020	2019
Non-capital loss carryforwards	\$ 1,840,144	\$ 1,689,254
Total	\$ 1,840,144	\$ 1,689,254

As at December 31, 2020, the Company has non-capital loss carryforwards for Canadian tax purposes of approximately \$ 1,840,144 (2019: 1,689,254) which may be carried forward to apply against future income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiration	Total
2026	\$ 17,368
2027	40,407
2028	75,432
2029	136,241
2030	148,805
2031	154,116
2032	154,508
2033	138,406
2034	120,701
2035	138,336
2036	193,728
2037	129,601
2038	133,538
2039	108,066
2040	150,890
Total	\$ 1,840,144

**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Expressed in Canadian dollars)

**NOTES TO CARVE-OUT FINANCIAL STATEMENTS**

**December 31, 2020**

**6 Exploration and evaluation assets:**

	CANADA								2020 Canada Total \$
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region \$	Silver Fox \$	Other \$	
<b>Acquisition Costs</b>									
Balance, beginning	-	159,613	144,675	161,453	149,965	23,705	59,250	1,141,825	<b>1,840,486</b>
Incurred	49,877	3,688	-	-	-	-	-	33,562	<b>87,127</b>
Balance, ending	<b>49,877</b>	<b>163,301</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>23,705</b>	<b>59,250</b>	<b>1,175,387</b>	<b>1,927,613</b>
<b>Exploration Expenditures</b>									
Balance, beginning	-	57,065	397,054	632,105	117,846	44,377	1,949,881	6,287,417	<b>9,485,745</b>
Assaying and Lab	3,388	10,275	260	542	-	328	-	946	<b>13,847</b>
Camp Costs	-	-	-	-	-	-	-	-	<b>-</b>
Drafting	39,285	-	4,821	874	1,286	3,776	-	4,092	<b>45,950</b>
Drilling	-	-	900	-	-	-	-	-	<b>900</b>
Geological mapping	-	3,113	-	-	-	203	-	3,150	<b>6,466</b>
Geophysics	-	-	31,927	-	-	-	-	-	<b>31,927</b>
Maintenance	5,033	-	4,225	-	3,165	22,489	-	6,455	<b>41,367</b>
Miscellaneous	182	-	-	5,325	575	12,911	-	-	<b>18,993</b>
Geological Consulting and Prospecting	90,783	61,725	1,544	2,728	1,478	88,704	-	43,180	<b>290,142</b>
Incurred	<b>138,671</b>	<b>75,113</b>	<b>43,677</b>	<b>9,469</b>	<b>6,504</b>	<b>128,411</b>	<b>-</b>	<b>47,747</b>	<b>449,592</b>
Balance, ending	138,671	132,178	440,731	641,574	124,350	172,788	1,949,881	6,335,164	<b>9,935,337</b>
Total properties balance	<b>188,548</b>	<b>295,479</b>	<b>585,406</b>	<b>803,027</b>	<b>274,315</b>	<b>196,493</b>	<b>2,009,131</b>	<b>7,510,551</b>	<b>11,862,950</b>
Cost recovery / Impairment	-	-	(144,567)	(540,650)	(65,191)	(8,295)	(1,368,003)	(7,056,450)	<b>(9,183,156)</b>
Carrying value mineral properties	<b>188,548</b>	<b>295,479</b>	<b>440,839</b>	<b>262,377</b>	<b>209,124</b>	<b>188,198</b>	<b>641,128</b>	<b>454,101</b>	<b>2,679,794</b>

**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Expressed in Canadian dollars)

**NOTES TO CARVE-OUT FINANCIAL STATEMENTS**

**December 31, 2020**

**6 Exploration and evaluation assets** *(continued)*:

	CANADA								2019 Canada Total \$
	Mark \$	Rackla \$	Two Times Fred \$	Copley \$	Fox \$	Nechako Region \$	Silver Fox \$	Other \$	
<b>Acquisition Costs</b>									
Balance, beginning	26,133	-	135,750	161,453	149,965	168,380	59,250	989,317	<b>1,690,248</b>
Incurred	-	116,813	8,925	-	-	-	-	24,500	<b>150,238</b>
Balance, ending	<b>26,133</b>	<b>116,813</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>168,380</b>	<b>59,250</b>	<b>1,013,817</b>	<b>1,840,486</b>
<b>Exploration Expenditures</b>									
Balance, beginning	256,845	-	154,197	576,356	89,910	517,346	1,955,487	5,281,106	<b>8,831,247</b>
Assaying and Lab	-	3,340	12,678	-	12,837	7,805	893	3,085	<b>40,638</b>
Camp Costs	-	23,867	-	-	-	-	-	-	<b>23,867</b>
Drafting	9,413	8,250	2,550	1,350	2,000	8,400	4,300	4,778	<b>41,041</b>
Drilling	-	-	176,126	-	-	-	3,363	-	<b>179,489</b>
Geological mapping	-	37,140	-	-	-	-	-	-	<b>37,140</b>
Geophysics	-	-	46,928	51,699	-	-	-	-	<b>98,627</b>
Maintenance	-	-	3,625	-	-	-	4,500	26,576	<b>34,701</b>
Miscellaneous	-	-	-	2,700	-	-	-	-	<b>2,700</b>
Geological Consulting and Prospecting	89	18,470	950	-	13,099	26,750	-	136,937	<b>196,295</b>
Incurred	<b>9,502</b>	<b>91,067</b>	<b>242,857</b>	<b>55,749</b>	<b>27,936</b>	<b>42,955</b>	<b>13,056</b>	<b>171,376</b>	<b>654,498</b>
Balance, ending	266,347	91,067	397,054	632,105	117,846	560,301	1,968,543	5,452,482	<b>9,485,745</b>
Total properties balance	<b>292,480</b>	<b>207,880</b>	<b>541,729</b>	<b>793,558</b>	<b>267,811</b>	<b>728,681</b>	<b>2,027,793</b>	<b>6,466,299</b>	<b>11,326,231</b>
Cost recovery / Impairment	(268,044)	-	(144,567)	(540,650)	(65,191)	(617,714)	(1,585,178)	(5,962,869)	<b>(9,184,213)</b>
Carrying value mineral properties	<b>24,436</b>	<b>207,880</b>	<b>397,162</b>	<b>252,908</b>	<b>202,620</b>	<b>110,967</b>	<b>442,615</b>	<b>503,430</b>	<b>2,142,018</b>

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 6 Exploration and evaluation assets *(continued)*:

#### **Copley Property** – Nechako Plateau, British Columbia

On February 23, 2010, the Company entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the Company must make total cash payments of \$80,000; issue an aggregate total of 130,000 common shares and make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. The Company has issued 130,000 shares with a fair value of \$84,400 and has made the total cash payments due under the agreement.

#### **Silver Fox** – Southern British Columbia

Under the terms of the Underlying Option Agreement, the Company can acquire a 100% interest in Silver Fox by issuing 100,000 common shares to Kennedy Group (“Kennedy Group”) by July 3, 2018 (the “Underlying Option”). The Company completed the acquisition during the year ended December 31, 2018. The Silver Fox is subject to a 2.0% net smelter returns royalty in favour of Kennedy (the “Underlying Royalty”). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying \$500,000 for each 0.5% of the Underlying Royalty.

On September 29, 2015, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta plc (“Antofagasta”) granting Antofagasta the option to earn up to an 80% interest in the Silver Fox property located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest (“First Option”) by funding or incurring an aggregate total of US\$2.5 million (the “First Option Expenditures”) in exploration expenditures on or before September 29, 2021, amended from September 29, 2019. Antofagasta has the right to accelerate the First Option Expenditures. Antofagasta will have the right to acquire a further 15% interest (“Second Option”) by incurring an additional aggregate total US\$1.65 million in exploration expenditures within two years of the First Option exercise date. If Antofagasta decides not to exercise the Second Option, a joint venture based on a 65/35% interest will form under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

#### **The Fox and Two Times Fred Properties** – Nechako Plateau, British Columbia

The Two Times Fred property was optioned to the Company effective July 1, 2014, pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of \$80,000; issue an aggregate total of 230,000 common shares and make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by the Company for \$500,000 per each one-half (0.5%) percentile. The Company has made total cash payments of \$80,000 and issued 230,000 shares with a fair value of \$58,425, included in the respective amounts are 35,000 shares with a fair value of \$8,925 issued during the year ended December 31, 2019.

On March 1, 2011, the Company optioned the Fox property. To maintain its option, the Company made total cash payments of \$80,000; issued an aggregate total of 130,000 common shares and if applicable make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 6 Exploration and evaluation assets *(continued)*:

#### **Mark Property** – Southern British Columbia

On June 7, 2017, the Company exercised its right under a Grub Stake Agreement (the “Grub Stake Agreement”) with the Kennedy Group to acquire a 100% interest in the Mark Project (the “Acquisition”). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares. Pursuant to the terms of the Grub Stake Agreement, the Company completed the Acquisition by issuing 100,000 common shares with a fair value of \$15,500 to the Kennedy Group. Following completion of the Acquisition, the Kennedy Group retains an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for \$1,000,000 per each one-half percent (0.5%).

On June 16, 2017, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta Minerals S.A. (“Antofagasta S.A.”) granting Antofagasta S.A. the option to earn up to an 65% interest in the Mark Project located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest by funding or incurring an aggregate total of US\$3 million in exploration expenditures (the “Expenditures”) on or before June 16, 2021. Upon exercising their earn-in, a joint venture based on a 65/35% interest will be formed under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

#### **Meachen Bend Project** – British Columbia

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”). Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years upon receipt of TSXV approval. During the year ended December 31, 2020, the Company issued 50,000 common shares with a fair value of \$17,250 and made cash a payment of \$20,000. During the year ended December 31, 2019, the Company issued 10,000 common shares with a fair value of \$9,500 and made cash a payment of \$15,000. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

#### **Generative Properties** – British Columbia

The Moyie Anticline, Rackla, Nechako and Other are various properties that the Company staked. The Company continues to conduct exploration work on with a view of retaining and exploring or finding a option partner or to sell.

#### **Property Investigation and Impairment**

During the year ended December 31, 2020, SpinCo expended \$65,085 (2019 - \$7,202) related to other property investigation expense, which is related to mineral properties located in Canada. Once SpinCo has made its evaluations, the properties will either be abandoned or acquired.

#### **Title to mineral property interests**

Although SpinCo has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee SpinCo’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 7 Related Party Transactions and Balances:

SpinCo considers a person or entity a related party if they are a member of key management personnel, including their close relatives, those having significant influence SpinCo, as well as entities that are controlled by related parties. Key management personnel comprise the SpinCo’s Board of Directors and executive officers. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties

During the year ended December 31, 2020 and 2019, there were no related party transactions. As at December 31, 2020 and 2019, there were no amounts due to related parties.

### 8 Financial Instruments and Financial Risk Management:

SpinCo’s financial instruments include accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

SpinCo’s risk management policies are established to identify and analyse the risks faced by SpinCo, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the SpinCo’s activities. SpinCo has exposure to liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the SpinCo’s exposure to each of the above risks and SpinCo’s objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these carve-out financial statements. The Board of Directors has overall responsibility for the establishment and oversight of SpinCo’s risk management framework. The Board has implemented and monitors compliance with risk management policies.

#### (a) Liquidity risk:

Liquidity risk is the risk that SpinCo will incur difficulties meeting its financial obligations as they are due. SpinCo’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the SpinCo’s reputation.

SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, SpinCo will raise funds through private equity placements.

SpinCo anticipates it will have adequate liquidity to fund its financial liabilities.

As at December 31, 2020 and 2019, SpinCo’s liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

#### (b) Market risk:

Market risk consists of commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS December 31, 2020

### 8 Financial Instruments and Financial Risk Management *(continued)*:

#### c) Fair value of financial instruments

SpinCo classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and 2019, SpinCo did not have financial instruments measured at fair value. SpinCo's carrying values of accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

### 9 Capital Management:

SpinCo's objectives when managing capital are to safeguard the SpinCo's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, SpinCo monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

SpinCo's capital structure includes working capital and shareholders' equity. SpinCo monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, SpinCo may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

SpinCo's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. SpinCo is not subject to externally imposed capital requirements. There has been no change in the SpinCo's approach to capital management during the year ended December 31, 2020 and 2019.

### 10 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the year did not include cash:

	2020	2019
Kootenay issuance of share capital for acquisition of mineral property interests	\$ 17,250	\$ 34,755

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Expressed in Canadian dollars)

## NOTES TO CARVE-OUT FINANCIAL STATEMENTS

December 31, 2020

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### 11 Subsequent Event:

On March 30, 2021, SpinCo announced the signing of an option agreement with a wholly owned subsidiary of Centerra Gold Inc. ("Centerra"), whereby Centerra is granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia.

A total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000. Upon earn in, the two companies will enter a standard joint venture agreement with SpinCo retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners.

**SCHEDULE “I”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY RESOURCES INC. CARVE-OUT FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

**(see attached)**

**KOOTENAY RESOURCES INC.**

**CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS**

**For the three months ended**

**March 31, 2021 and 2020**

**(Expressed in Canadian dollars)**

**(unaudited)**

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**CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS**

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# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## CONDENSED INTERIM CARVE-OUT STATEMENTS OF FINANCIAL POSITION

	Notes	March 31, 2021	December 31, 2020
<b>Assets</b>			
<b>Current Assets:</b>			
Advances		\$ 10,000	\$ 10,000
		10,000	10,000
Fixed assets	4	25,476	27,542
Exploration deposits		84,252	84,252
Exploration and evaluation assets	5	2,715,439	2,679,794
<b>Total Assets</b>		<b>\$ 2,835,167</b>	<b>\$ 2,801,588</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 6,580	\$ 47,530
		6,580	47,530
<b>Equity</b>			
Net parent Investment		2,828,587	2,754,058
<b>Total equity</b>		<b>2,828,587</b>	<b>2,754,058</b>
<b>Total liabilities and equity</b>		<b>\$ 2,835,167</b>	<b>\$ 2,801,588</b>

Nature of operations and going concern (Note 1)

Approved on Behalf of the Board:

“Jon Morda”  
Director

“James McDonald”  
Director

- See Accompanying Notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## CONDENSED INTERIM CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three months ended March 31, 2021		Three months ended March 31, 2020	
<b>General and administrative expenses</b>				
Office and general	\$	13,116	\$	27,838
Rent		3,300		3,300
Depreciation (Note 4)		2,066		2,951
<b>Loss before exploration and other item</b>		<b>18,482</b>		<b>34,089</b>
<b>Exploration</b>				
Mineral property investigation (Note 5)		1,500		2,800
		<b>1,500</b>		<b>2,800</b>
<b>Loss and comprehensive loss for the period</b>	\$	<b>19,982</b>	\$	<b>36,889</b>

- see accompanying notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## CONDENSED INTERIM CARVE-OUT STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2021	Three months ended March 31, 2020
<b>Operating activities</b>		
Loss for the period	\$ (19,982)	\$ (36,889)
Non-cash transactions:		
Depreciation	2,066	2,951
Changes on non-cash working capital items:		
Accounts payable and accrued liabilities	(40,950)	(48,685)
<b>Cash used in operations</b>	<b>(58,866)</b>	<b>(82,623)</b>
<b>Investing activities</b>		
Exploration and evaluation assets	(35,645)	(137,654)
<b>Cash used in investing activities</b>	<b>(35,645)</b>	<b>(137,654)</b>
<b>Financing activities</b>		
Contributions from parent	94,511	220,277
<b>Cash provided by financing activities</b>	<b>94,511</b>	<b>220,277</b>
<b>Change in cash</b>	<b>-</b>	<b>-</b>
<b>Cash, beginning of the period</b>	<b>-</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>\$ -</b>	<b>\$ -</b>

- see accompanying notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## CONDENSED INTERIM CARVE-OUT STATEMENTS OF CHANGES IN EQUITY

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		<b>March 31</b>		<b>March 31</b>
		<b>2021</b>		<b>2020</b>
<b>Balance, beginning of the period</b>	\$	2,754,058	\$	2,205,929
Contributions from parent		94,511		220,277
Loss for the period		(19,982)		(36,889)
<b>Balance, end of the period</b>	<b>\$</b>	<b>2,828,587</b>	<b>\$</b>	<b>2,389,317</b>

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- see accompanying notes -

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

### 1 Nature of Operation and Going Concern:

Kootenay Silver Inc. and its wholly owned subsidiaries (the “Company” or “Kootenay”) is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company’s registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KTN”.

The Company intends to reorganize its assets and operations into two separate companies: Kootenay and Kootenay Resources Inc. (“SpinCo”). The Company intends to complete a share capital reorganization by way of statutory plan of arrangement (“Arrangement”).

Under the Arrangement, SpinCo will acquire the following from the Company:

- Cash
- Rights to all mineral exploration properties held by the Company in British Columbia, Canada, and
- Rights to all mineral exploration properties held by the Company in Yukon, Canada

The Arrangement involves distribution of SpinCo shares to existing Kootenay shareholders such that each Kootenay shareholder will hold one (1) share of SpinCo for every twenty-five (25) Kootenay shares they hold on the effective date of the Arrangement. There will also be special provisions for Kootenay options and warrants holders as of the effective date pursuant to the Arrangement.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Kootenay shareholders and receipt of court and necessary regulatory approvals.

These condensed interim carve-out financial statements reflect the financial position, results of operations, and cash flows for SpinCo and have been compiled for purposes of inclusion in an Information Circular for Kootenay in connection with the Arrangement described above.

SpinCo has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon its ability to obtain the financing necessary to continue to fund its mineral properties through intercompany loans from the ultimate parent company, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. These conditions create a material uncertainty that may cast significant doubt about the SpinCo’s ability to continue as a going concern.

These condensed interim carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the SpinCo be unable to continue as a going concern. Such adjustments could be material.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

### 2 Basis of Presentation:

#### Statement of Compliance

These condensed interim carve-out financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using accounting policies consistent with IFRS. Certain disclosures required by IFRS have been condensed or omitted in the following note disclosures as they are disclosed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the carve-out financial statements for the year ended December 31, 2020.

These condensed interim carve-out financial statements follow the same accounting policies and methods of application as the carve-out financial statements for the year ended December 31, 2020.

These carve-out financial statements were authorized for issue by the Board of Directors on July 13, 2021.

#### Basis of Measurement

These carve-out financial statements have been prepared on a historical costs basis, modified where applicable. In addition, these carve-out financial statement has been prepared using the accrual basis of accounting.

#### Functional and presentation currency

These carve-out financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of SpinCo.

### 3 Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all periods presented in these carved-out financial statements. The significant accounting policies adopted by SpinCo are as follows:

#### Critical accounting estimates and judgements

The preparation of the carve-out financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the carved-out financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the carved-out financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the carved-out financial statements are as follows:

- (i) Exploration and evaluation assets

SpinCo makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

### 3 Significant Accounting Policies (continued):

#### Critical accounting estimates and judgements (continued)

##### (ii) Decommissioning liabilities

SpinCo recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. SpinCo assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. SpinCo holds reclamation bonds with the Ministry of Mines for Canadian exploration properties

##### (iii) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

Significant judgments used in the preparation of these carve-out financial statements include, but are not limited to the:

##### (i) Going concern assumption

In the determination of the SpinCo's ability to meet its ongoing obligations and future contractual commitments, management relies on the SpinCo's planning, budgeting and forecasting process to help determine the funds required to support the SpinCo's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the SpinCo in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

#### Foreign currency transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which SpinCo operates (the “functional currency”).

At the end of each reporting period, the SpinCo translates foreign currency transactions as follows:

- Monetary items are translated at the closing rate in effect at the date of the statement of financial position;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured;
- Income statement items are translated using the average exchange rate during the period (as this is considered a reasonable approximation to actual rates);
- All resulting foreign exchange gains or losses are recognized in statements of loss and comprehensive loss as foreign exchange gain and loss.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

### 3 Significant Accounting Policies (continued):

#### Mineral property interests

Mineral properties correspond to acquired interests in mining exploration claim tenures and concessions, which include the right to explore, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, SpinCo stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development costs according to the nature of the assets. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of SpinCo to obtain the necessary financing and permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Although the SpinCo has taken steps to verify title to mineral properties in which it has an interest, according to usual industry standards for the stage of exploration of such properties, these procedures do not guarantee SpinCo's title. Such properties may be subject to prior agreements or transfers and title that are not in the public domain or the title registry office and/or may be affected by undetected defects.

#### Fixed assets

Fixed assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. Depreciation is recognized using the declining balance method at the following annual rates:

Office furniture	20%
Computer equipment	30%
Exploration equipment	30%
Vehicles	30%

At each statement of financial position date, SpinCo assesses whether there is any indication that any property, plant and equipment are impaired. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost of disposal and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

## KOOTENAY RESOURCES INC. ("SPINCO")

(Unaudited - Expressed in Canadian dollars)

### NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

#### 3 Significant Accounting Policies (continued):

##### Decommissioning liabilities

SpinCo recognizes the present value of estimated costs of legal and constructive obligations for decommissioning liabilities in the year in which it is incurred or when there is a legal or constructive obligation. The fair value of asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for decommissioning liabilities due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statements of loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the decommissioning liabilities. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in the statements of loss in the year in which the settlement occurs. Estimated future site restoration costs for SpinCo's mineral property interests are considered not significant for the year ended December 31, 2020 and the three months ended March 31, 2021.

##### Impairment

###### i) Financial assets

SpinCo recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, SpinCo measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, SpinCo measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. SpinCo recognizes in the consolidated statements loss, as an impairment gain or loss for the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

###### ii) Non-financial assets

The carrying amounts of mineral properties are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered, and exploration and evaluation activities will be discontinued; or
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the mineral properties' recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

## KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

### NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

#### 3 Significant Accounting Policies (continued):

##### Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

##### Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### Financial instruments

Financial assets and financial liabilities are recognized in the SpinCo's carve-out statement of financial position when SpinCo becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss (“FVTPL”). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred. Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

### 3 Significant Accounting Policies (continued):

#### Financial instruments (continued)

##### Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cashflows, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income (“FVTOCI”):

- The financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

SpinCo, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

An equity instrument is any contract that evidences a residual interest in the assets of SpinCo after deducting all its liabilities. Equity instruments issued by SpinCo are recognized at the proceeds received, net of direct issue costs. Repurchase of the SpinCo’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of SpinCo own equity instruments.

##### Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Under IFRS 9, SpinCo classifies its financial instruments as follows:

<u>Accounts payable and accrued liabilities</u>	<u>Amortized cost</u>
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## KOOTENAY RESOURCES INC. ("SPINCO")

(Unaudited - Expressed in Canadian dollars)

### NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

#### 3 Significant Accounting Policies (continued):

##### Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the SpinCo's operations are within the mineral exploration sector. SpinCo's mining exploration operations are centralized whereby the SpinCo's head office is responsible for the exploration results and for providing support in addressing local and regional issues. SpinCo's resource properties are located in British Columbia and Yukon, Canada. The resource properties are as disclosed in Note 5.

##### Current and future accounting standards

There are no new and amended standards that are applicable to the business of SpinCo.

#### 4 Fixed Assets:

	Vehicle	Equipment	Total
<b>Cost</b>			
Balance December 31, 2019	\$ 35,432	\$ 54,526	\$ 89,958
Addition	-	-	-
Balance December 31, 2020	35,432	\$ 54,526	89,958
Addition	-	-	-
Balance March 31, 2021	<b>\$ 35,432</b>	<b>\$ 54,526</b>	<b>\$ 89,958</b>
<b>Accumulated Depreciation</b>			
Balance December 31, 2019	33,301	17,312	50,613
Depreciation for the year	640	11,164	11,804
Balance December 31, 2020	33,940	28,476	62,416
Depreciation for the period	112	1,954	2,066
Balance March 31, 2021	<b>\$ 34,052</b>	<b>\$ 30,430</b>	<b>\$ 64,482</b>
<b>Carrying value</b>			
December 31, 2020	\$ 1,492	\$ 26,050	\$ 27,542
<b>March 31, 2021</b>	<b>\$ 1,380</b>	<b>\$ 24,096</b>	<b>\$ 25,476</b>

**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS**  
**Three months ended March 31, 2021 and 2020**

**5 Exploration and evaluation assets:**

	CANADA								2021 Canada Total \$	2020 Canada Total \$
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region \$	Silver Fox \$	Other \$		
<b>Acquisition Costs</b>										
Balance, beginning	49,877	163,301	144,675	161,453	149,965	23,705	59,250	1,175,387	<b>1,927,613</b>	<b>1,840,486</b>
Incurred	-	-	-	-	-	-	-	-	-	<b>87,127</b>
Balance, ending	<b>49,877</b>	<b>163,301</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>23,705</b>	<b>59,250</b>	<b>1,175,387</b>	<b>1,927,613</b>	<b>1,927,613</b>
<b>Exploration Expenditures</b>										
Balance, beginning	138,671	132,178	440,731	641,574	124,350	172,788	1,949,881	6,335,164	<b>9,935,337</b>	<b>9,485,745</b>
Assaying and Lab	-	-	-	-	-	6,570	-	-	<b>6,570</b>	<b>13,847</b>
Camp Costs	-	-	-	-	-	-	-	-	-	-
Drafting	-	-	-	-	-	1,275	-	1,275	<b>2,550</b>	<b>45,950</b>
Drilling	-	-	225	-	-	-	-	-	<b>225</b>	<b>900</b>
Geological mapping	-	9,375	-	-	-	-	-	-	<b>9,375</b>	<b>6,466</b>
Geophysics	-	-	-	-	-	-	-	-	-	<b>31,927</b>
Maintenance	-	-	300	50	50	964	-	1,950	<b>3,314</b>	<b>41,367</b>
Miscellaneous	-	-	-	900	-	210	-	-	<b>1,110</b>	<b>18,993</b>
Geological Consulting and Prospecting	-	-	-	-	-	-	-	12,500	<b>12,500</b>	<b>290,142</b>
Incurred	-	<b>9,375</b>	<b>525</b>	<b>950</b>	<b>50</b>	<b>9,019</b>	-	<b>15,725</b>	<b>35,645</b>	<b>449,592</b>
Balance, ending	138,671	141,553	441,256	642,524	124,400	181,807	1,949,881	6,350,889	<b>9,970,982</b>	<b>9,935,337</b>
Total properties balance	<b>188,548</b>	<b>304,854</b>	<b>585,931</b>	<b>803,977</b>	<b>274,365</b>	<b>205,512</b>	<b>2,009,131</b>	<b>7,526,276</b>	<b>11,898,595</b>	<b>11,862,950</b>
Cost recovery / Impairment	-	-	<b>(144,567)</b>	<b>(540,650)</b>	<b>(65,191)</b>	<b>(8,295)</b>	<b>(1,483,198)</b>	<b>(6,941,255)</b>	<b>(9,183,156)</b>	<b>(9,183,156)</b>
Carrying value mineral properties	<b>188,548</b>	<b>304,854</b>	<b>441,364</b>	<b>263,327</b>	<b>209,174</b>	<b>197,217</b>	<b>525,933</b>	<b>585,021</b>	<b>2,715,439</b>	<b>2,679,794</b>

(a) Certain prior year amounts have been reclassified for consistency with the period year presentation. These reclassifications had no effect on the reported results of operations.

**KOOTENAY RESOURCES INC. (“SPINCO”)**

(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS**

**Three months ended March 31, 2021 and 2020**

**5 Exploration and evaluation assets (continued):**

	CANADA								2020 Canada Total \$
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region	Silver Fox	Other	
						\$	\$	\$	\$
<b>Acquisition Costs</b>									
Balance, beginning	-	159,613	144,675	161,453	149,965	23,705	59,250	1,141,825	<b>1,840,486</b>
Incurred	49,877	3,688	-	-	-	-	-	33,562	<b>87,127</b>
Balance, ending	<b>49,877</b>	<b>163,301</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>23,705</b>	<b>59,250</b>	<b>1,175,387</b>	<b>1,927,613</b>
<b>Exploration Expenditures</b>									
Balance, beginning	-	57,065	397,054	632,105	117,846	44,377	1,949,881	6,287,417	<b>9,485,745</b>
Assaying and Lab	3,388	10,275	260	542	-	328	-	946	<b>13,847</b>
Camp Costs	-	-	-	-	-	-	-	-	<b>-</b>
Drafting	39,285	-	4,821	874	1,286	3,776	-	4,092	<b>45,950</b>
Drilling	-	-	900	-	-	-	-	-	<b>900</b>
Geological mapping	-	3,113	-	-	-	203	-	3,150	<b>6,466</b>
Geophysics	-	-	31,927	-	-	-	-	-	<b>31,927</b>
Maintenance	5,033	-	4,225	-	3,165	22,489	-	6,455	<b>41,367</b>
Miscellaneous	182	-	-	5,325	575	12,911	-	-	<b>18,993</b>
Geological Consulting and Prospecting	90,783	61,725	1,544	2,728	1,478	88,704	-	43,180	<b>290,142</b>
Incurred	<b>138,671</b>	<b>75,113</b>	<b>43,677</b>	<b>9,469</b>	<b>6,504</b>	<b>128,411</b>	<b>-</b>	<b>47,747</b>	<b>449,592</b>
Balance, ending	138,671	132,178	440,731	641,574	124,350	172,788	1,949,881	6,335,164	<b>9,935,337</b>
Total properties balance	<b>188,548</b>	<b>295,479</b>	<b>585,406</b>	<b>803,027</b>	<b>274,315</b>	<b>196,493</b>	<b>2,009,131</b>	<b>7,510,551</b>	<b>11,862,950</b>
Cost recovery / Impairment	-	-	(144,567)	(540,650)	(65,191)	(8,295)	(1,483,198)	(6,941,255)	<b>(9,183,156)</b>
Carrying value mineral properties	<b>188,548</b>	<b>295,479</b>	<b>440,839</b>	<b>262,377</b>	<b>209,124</b>	<b>188,198</b>	<b>525,933</b>	<b>569,296</b>	<b>2,679,794</b>

(a) Certain prior year amounts have been reclassified for consistency with the period year presentation. These reclassifications had no effect on the reported results of operations.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

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### 5 Exploration and evaluation assets *(continued)*:

#### **Copley Property** – Nechako Plateau, British Columbia

On February 23, 2010, the Company entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the Company must make total cash payments of \$80,000; issue an aggregate total of 130,000 common shares and make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. The Company has issued 130,000 shares with a fair value of \$84,400 and has made the total cash payments due under the agreement.

#### **Silver Fox** – Southern British Columbia

Under the terms of the Underlying Option Agreement, the Company can acquire a 100% interest in Silver Fox by issuing 100,000 common shares to Kennedy Group (“Kennedy Group”) by July 3, 2018 (the “Underlying Option”). The Company completed the acquisition during the year ended December 31, 2018. The Silver Fox is subject to a 2.0% net smelter returns royalty in favour of Kennedy (the “Underlying Royalty”). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying \$500,000 for each 0.5% of the Underlying Royalty.

#### **The Fox and Two Times Fred Properties** – Nechako Plateau, British Columbia

The Two Times Fred property was optioned to the Company effective July 1, 2014, pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of \$80,000; issue an aggregate total of 230,000 common shares and make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by the Company for \$500,000 per each one-half (0.5%) percentile. The Company has made total cash payments of \$80,000 and issued 230,000 shares with a fair value of \$58,425.

On March 30, 2021, SpinCo announced the signing of an option agreement with a wholly owned subsidiary of Centerra Gold Inc. (“Centerra”), whereby Centerra is granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia.

A total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000. Upon earn in, the two companies will enter a standard joint venture agreement with SpinCo retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners.

On March 1, 2011, the Company optioned the Fox property. To maintain its option, the Company made total cash payments of \$80,000; issued an aggregate total of 130,000 common shares and if applicable make a cash payment of \$5 per metre drilled to a maximum of 100,000 metres.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

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### 5 Exploration and evaluation assets *(continued)*:

#### **Mark Property** – Southern British Columbia

On June 7, 2017, the Company exercised its right under a Grub Stake Agreement (the “Grub Stake Agreement”) with the Kennedy Group to acquire a 100% interest in the Mark Project (the “Acquisition”). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares. Pursuant to the terms of the Grub Stake Agreement, the Company completed the Acquisition by issuing 100,000 common shares with a fair value of \$15,500 to the Kennedy Group. Following completion of the Acquisition, the Kennedy Group retains an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for \$1,000,000 per each one-half percent (0.5%).

#### **Meachen Bend Project** – British Columbia

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”). Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years upon receipt of TSXV approval. During the year ended December 31, 2020, the Company issued 50,000 common shares with a fair value of \$17,250 and made cash a payment of \$20,000. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

#### **Generative Properties** – British Columbia

The Moyie Anticline, Rackla, Nechako and Other are various properties that the Company staked. The Company continues to conduct exploration work on with a view of retaining and exploring or finding a option partner or to sell.

#### **Property Investigation and Impairment**

During the three months ended March 31, 2021, SpinCo expended \$1,500 (2020 - \$2,800) related to other property investigation expense, which is related to mineral properties located in Canada. Once SpinCo has made its evaluations, the properties will either be abandoned or acquired.

#### **Title to mineral property interests**

Although SpinCo has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee SpinCo’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

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### 6 Related Party Transactions and Balances:

SpinCo considers a person or entity a related party if they are a member of key management personnel, including their close relatives, those having significant influence over SpinCo, as well as entities that are controlled by related parties. Key management personnel comprise the SpinCo’s Board of Directors and executive officers. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the three months ended March 31, 2021 and 2020, there were no related party transactions other than the Parent company contributions. As at March 31, 2021 and December 31, 2020, there were no amounts due to related parties.

### 7 Financial Instruments and Financial Risk Management:

SpinCo’s financial instruments include accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

SpinCo’s risk management policies are established to identify and analyse the risks faced by SpinCo, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the SpinCo’s activities. SpinCo has exposure to liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the SpinCo’s exposure to each of the above risks and SpinCo’s objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these carve-out financial statements. The Board of Directors has overall responsibility for the establishment and oversight of SpinCo’s risk management framework. The Board has implemented and monitors compliance with risk management policies.

#### (a) Liquidity risk:

Liquidity risk is the risk that SpinCo will incur difficulties meeting its financial obligations as they are due. SpinCo’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the SpinCo’s reputation.

SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, SpinCo will raise funds through private equity placements.

SpinCo anticipates it will have adequate liquidity to fund its financial liabilities.

As at the three months ended March 31, 2021 and the year ended December 31, 2020, SpinCo’s liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

#### (b) Market risk:

Market risk consists of commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices

# KOOTENAY RESOURCES INC. (“SPINCO”)

(Unaudited - Expressed in Canadian dollars)

## NOTES TO CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS Three months ended March 31, 2021 and 2020

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### 7 Financial Instruments and Financial Risk Management *(continued)*:

#### c) Fair value of financial instruments

SpinCo classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2021 and December 31, 2020, SpinCo did not have financial instruments measured at fair value. SpinCo’s carrying values of accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

### 8 Capital Management:

SpinCo’s objectives when managing capital are to safeguard the SpinCo’s ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, SpinCo monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

SpinCo’s capital structure includes working capital and shareholders’ investment. SpinCo monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, SpinCo may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

SpinCo’s investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. SpinCo is not subject to externally imposed capital requirements. There has been no change in the SpinCo’s approach to capital management during three months ended March 31, 2021 and the year ended December 31, 2020.

**SCHEDULE “J”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY SILVER INC. *PRO FORMA* FINANCIAL STATEMENTS**

**(see attached)**

**KOOTENAY SILVER INC.**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months period ended**

**March 31, 2021**

**(Expressed in Canadian dollars)**

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**PROFORMA CONSOLIDATED FINANCIAL STATEMENTS**

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# KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Kootenay Silver Inc. As of March 31, 2021	Kootenay Resources Inc. Carve Out Adjustments	Kootenay Silver Inc. Upon Arrangement
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 9,066,164	\$ -	\$ 9,066,164
Receivables and advances	1,727,323	(10,000)	1,717,323
Prepaid expenses	74,761	-	74,761
Marketable securities	746,070	-	746,070
	11,614,318	(10,000)	11,604,318
<b>Non-current assets:</b>			
Fixed assets	957,041	(25,476)	931,565
Exploration advances and deposits	89,136	(84,252)	4,884
Exploration and evaluation assets	80,578,308	(2,715,439)	77,862,869
<b>Total assets</b>	\$ 93,238,803	\$ (2,835,167)	\$ 90,403,636
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 279,613	\$ (6,580)	\$ 273,033
	279,613	(6,580)	273,033
<b>Shareholders' equity:</b>			
Share capital	102,271,426	-	102,271,426
Reserves	37,303,471		37,303,471
Accumulated other comprehensive loss	2,779,037	-	2,779,037
Deficit	(49,394,744)	(2,828,587)	(52,223,331)
<b>Total shareholders' equity</b>	92,959,190	(2,828,587)	90,130,603
<b>Total liabilities and shareholders' equity</b>	\$ 93,238,803	\$ (2,835,167)	\$ 90,403,636

(Unaudited – prepared by  
Management)

- See Accompanying Notes -

# KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

## PROFORMA CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Kootenay Silver Inc. for the Three Months Ended March 31, 2021	Kootenay Resources Inc. Carve Out Adjustments	Kootenay Silver Inc. Upon Arrangement
<b>General and administrative expenses</b>			
Office and general	\$ 169,022	\$ (13,116)	\$ 155,906
Professional fees	146,909	-	146,909
Management fees	90,000	-	90,000
Rent	19,288	(3,300)	15,988
Regulatory and filing fees	26,546	-	26,546
Depreciation	14,034	(2,066)	11,968
<b>Loss before exploration and other Items</b>	<b>465,799</b>	<b>(18,482)</b>	<b>447,317</b>
<b>Exploration</b>			
Mineral property investigation	44,225	(1,500)	42,725
	44,225	(1,500)	42,725
<b>Other Items</b>			
Foreign exchange loss	133,821	-	133,821
Finance income	(17,262)	-	(17,262)
	116,559	-	116,559
<b>Loss and comprehensive loss for the period</b>	<b>\$ 626,583</b>	<b>\$ (19,982)</b>	<b>\$ 606,601</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.002)</b>	<b>\$</b>	<b>\$ (0.002)</b>
<b>Weighted average number of shares outstanding</b>	<b>318,934,860</b>		<b>318,934,860</b>

(Unaudited – prepared by  
Management

- see accompanying notes -

**KOOTENAY SILVER INC.**  
(Expressed in Canadian dollars)

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2021**

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**1 Plan of Arrangement:**

These unaudited pro forma consolidated financial statements have been compiled for purposes of inclusion in an Information Circular for Kootenay Silver Inc. ("Kootenay") dated August 12, 2021.

Kootenay intends to reorganize its assets and operations into two separate companies: Kootenay and Kootenay Resources Inc. ("SpinCo"). Kootenay intends to complete a share capital reorganization by way of statutory plan of arrangement ("Arrangement").

Under the Arrangement, SpinCo will acquire the following from Kootenay:

- cash
- Rights to all mineral exploration properties held by Kootenay in British Columbia, Canada, and
- Rights to all mineral exploration properties held by Kootenay in the Yukon, Canada

The Arrangement involves distribution of SpinCo shares to existing Kootenay shareholders such that each Kootenay shareholder will hold one (1) share of SpinCo for every twenty-five (25) Kootenay shares they hold on the effective date of the Arrangement. There will also be special provisions for Kootenay options and warrants holders as of the effective date pursuant to the Arrangement.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Kootenay shareholders and receipt of court and necessary regulatory approvals.

**2 Basis of Presentation:**

These unaudited pro forma consolidated financial statements give effect to the Arrangement agreement, hereby Kootenay will spin out certain current assets and Canadian mineral exploration tenures to SpinCo.

These unaudited pro forma consolidated financial statements have been compiled from and include:

- An unaudited pro forma consolidated statement of financial position, giving effect to the Arrangement agreement as if it occurred on March 31, 2021.
- An unaudited pro forma consolidated statement of loss and comprehensive loss, giving effect to the Arrangement agreement as if it had occurred on March 31, 2021.

These unaudited pro forma consolidated financial statements are provided for illustrative purposes only, and do not purport to represent the financial position that would have resulted had the Arrangement agreement actually occurred on March 31, 2021 or the results of operations that would have resulted had the Arrangement agreement actually occurred on March 31, 2021. Further, these pro forma consolidated financial statements are not necessarily indicative of the future financial position or results of operations of the Kootenay as a result of the Arrangement agreement. These unaudited pro forma consolidated financial statements should be read in conjunction with the condensed interim consolidated financial statements of Kootenay and the condensed interim carve out financial statements of SpinCo for the three months ended March 31, 2021 and 2020, and the audited consolidated financial statements of Kootenay and the carve out financial statements of SpinCo for the year ended December 31, 2020 and 2019.

**3 Significant Accounting Policies:**

The significant accounting policies applied in the preparation of these unaudited pro forma consolidated financial statements are consistent with the accounting policies disclosed in the Kootenay Silver Inc. audited consolidated financial statements for the year ended December 31, 2020 and 2019.

## KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

### NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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#### 4 Pro Forma Adjustments and Assumptions:

- a) As at March 31, 2021, Spinco will acquire certain advances which have been paid to consultants performing work on the mineral exploration properties and are of a short term nature for ongoing out of pocket expenditures.
- b) As at March 31, 2021, certain accounts payable related to the normal course of activities were due.
- c) Upon completion of the Arrangement, Kootenay will distribute one new SpinCo common shares to its shareholders for every twenty-five (25) Kootenay share that the participating shareholder is holding as of the effective date of the Arrangement. Kootenay will hold 20% of new SpinCo common shares.
- d) Upon completion of the Arrangement, SpinCo will also issue the participating Kootenay, warrant and option holders, warrant and option rights to purchase additional SpinCo shares. Although no SpinCo warrants will be issued pursuant to the Arrangement, SpinCo will have an obligation to issue shares to Kootenay shareholders upon their exercise of Kootenay warrants at a ratio of 1/25 share per each one (1) Kootenay share. Kootenay option holders will receive options to purchase SpinCo shares.

#### 5 Income Taxes:

No value has been ascribed to any acquired tax loss carry forwards obtained by SpinCo. as part of the Arrangement, as SpinCo is an early stage company, and it is not known whether sufficient future taxable profits will be available to utilize these losses prior to expiry.

**SCHEDULE “K”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY RESOURCES INC. CARVE- OUT MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**(see attached)**

**KOOTENAY RESOURCES INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2020  
MANAGEMENT DISCUSSION AND ANALYSIS**

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## FOR THE YEAR ENDED DECEMBER 31, 2020 MANAGEMENT DISCUSSION AND ANALYSIS

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### **DATE**

This Management Discussion & Analysis (“MD&A”) of Kootenay Resources Inc. (referred to as “SpinCo”) was prepared by management as at June 2, 2021. The following discussion of performance, financial condition and future prospects should be read in conjunction with the carve out audited financial statement for the year ended December 31, 2020 and 2019, and notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The information provided herein supplements but does not form part of the Financial Statements. This discussion covers the year ended December 31, 2020, and the subsequent period up to the date of issue of this MD&A.

SpinCo has prepared this MD&A following the requirements of National Instrument 51-102 (“NI-51-102”). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the technical disclosure contained within this MD&A has been reviewed and approved by Kootenay's President & CEO, James McDonald, P. Geo (a qualified person for the purpose of National Instrument 43-101 (“NI 43-101”), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

### **Forward-Looking Information**

This MD&A contains “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). All statements, other than statements of historical fact, which address activities, events or developments that SpinCo believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to anticipated developments in SpinCo’s continuing and future operations, the adequacy of SpinCo’s financial resources and financial projections; statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates; the conversion of mineral properties to resources; the potential to expand resources; future exploration budgets, plans, targets and work programs; development plans; activities and timetables; grades; metal prices; exchange rates; results of drill programs; environmental risks; political risks and uncertainties; unanticipated reclamation expenses; statements about SpinCo’s plans for its mineral properties; acquisitions of new properties and the entering into of options or joint ventures; and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimated,” “potential,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. Forward-looking statements are statements concerning SpinCo’s current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of SpinCo or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Canada, unforeseen government actions or other events; (iv) SpinCo experiences the loss of key personnel; (v) SpinCo’s mine operations are adversely affected by other political or military, or terrorist activities; (vi) SpinCo becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) SpinCo is subjected to any hostile takeover or other unsolicited attempts to acquire control of SpinCo. Other factors that could cause the actual results to differ materially from current expectations include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions, as well as those risks described under the heading “RISKS AND UNCERTAINTIES” below. These forward-looking statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of SpinCo and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. SpinCo’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and SpinCo assumes no obligation to

update such forward-looking statements in the future, except as required by law. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on SpinCo's forward-looking statements.

## **DESCRIPTION OF BUSINESS**

Kootenay Silver Inc. and its wholly owned subsidiaries (the "Company" or "Kootenay") is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of SpinCo's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. Kootenay is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company intends to reorganize its assets and operations into two separate companies: Kootenay and Kootenay Resources Inc. ("SpinCo"). Kootenay intends to complete a share capital reorganization by way of statutory plan of arrangement ("Arrangement").

Under the Arrangement, SpinCo will acquire the following from the Company:

- Cash
- Rights to all mineral exploration properties held by SpinCo in British Columbia, Canada, and
- Rights to all mineral exploration properties held by SpinCo in Yukon, Canada

The Arrangement involves distribution of SpinCo shares to existing Kootenay shareholders such that each Kootenay shareholder will hold one (1) share of SpinCo for every twenty-five (25) Kootenay shares they hold on the effective date of the Arrangement. There will also be special provisions for Kootenay options and warrants holders as of the effective date pursuant to the Arrangement.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Kootenay shareholders and receipt of court and necessary regulatory approvals.

These carve-out financial statements reflect the financial position, results of operations, and cash flows for SpinCo and have been compiled for purposes of inclusion in an Information Circular for Kootenay in connection with the Arrangement described above.

SpinCo has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon its ability to obtain the financing necessary to continue to fund its mineral properties through intercompany loans from the ultimate parent company, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. These conditions create a material uncertainty that may cast significant doubt about the SpinCo's ability to continue as a going concern.

These carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the SpinCo be unable to continue as a going concern. Such adjustments could be material.

## **OBJECTIVES AND STRATEGY**

The primary objective and business plan of SpinCo is to discover or acquire silver dominant mineral deposits that have the potential to become economically viable for further development. SpinCo assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary

economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and, when appropriate, funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management's assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, community involvement to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for commodities are favorable towards precious metals and exploration then capital is more accessible, allowing the Company more flexibility in the balance between advancing select projects while maintaining a 100% interest and seeking partner funded programs on other projects through option or joint venture agreements. When markets are not favorable towards equity investment more emphasis is given to seeking funding through option or joint venture agreements to advance projects for ongoing development.

The Company has been successful in discovering mineral resources through grassroots exploration with two significant silver discoveries on its Promontorio property in Sonora, Mexico, namely Promontorio and La Negra. SpinCo will be focused on exploration of properties located in British Columbia and Yukon.

## **OVERVIEW OF PERFORMANCE - 2020**

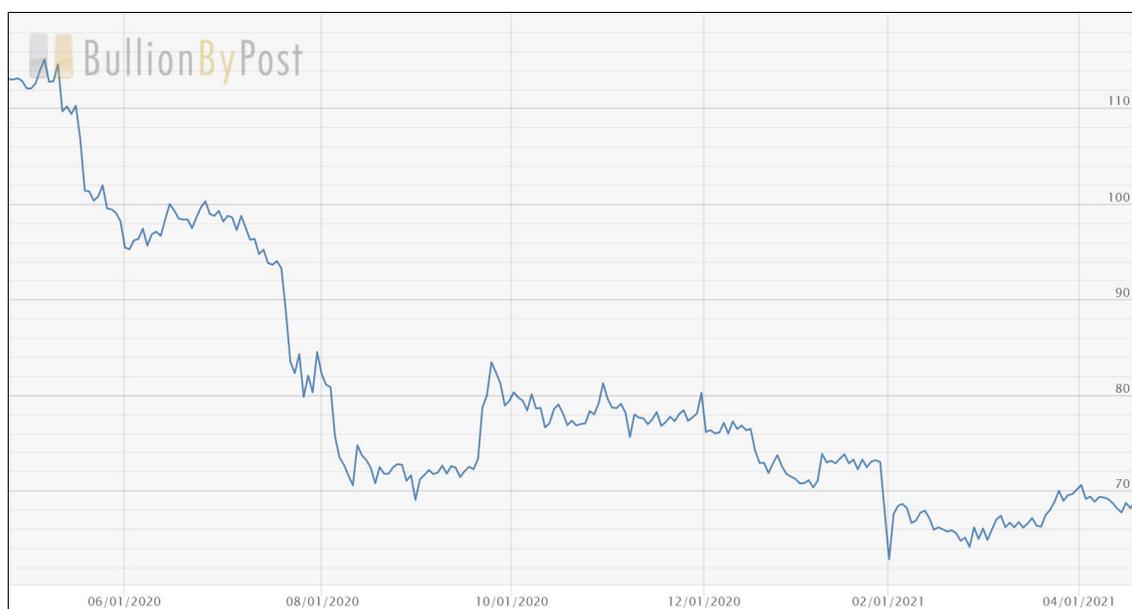
During 2020, there was a global pandemic caused by the outbreak of Coronavirus ("COVID-19"), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, municipal and foreign governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on SpinCo, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, and other countries to fight the virus.

## **SILVER MARKET**

Over the past year interest in global silver investment has risen significantly resulting in all-time highs for silver in exchange-traded products (ETPs), global mint bullion coin sales and strong net-long positioning on COMEX. The silver price, which began the year at \$17.85 per ounce, is up over 47% percent as of December 31, 2020, posting a 52-week high of \$29.275 on August 7, 2020, a level not seen since 2016. The silver spot price at the time of this MD&A is \$26.57 per ounce up from the 52-week low of \$11.66 hit on March 18, 2020.

The strong performance in the silver price has been a welcome contrast for silver investors in comparison to previous years. For most commodities, supply and demand fundamentals dominate price behaviour, however this does not always apply to silver and gold because of their monetary qualities and reactions to macroeconomic factors. Although the price of silver can be strongly linked to gold, silver differs from gold in the fact that it is also considered to be an industrial metal and can also be linked to the performance of base metals production and industrial demand. That said a gold: silver divergence can emerge when the macroeconomic environment deteriorates, however because of its lower liquidity, silver can outperform gold in the event of a financial crisis. The gold to silver ratio as of the date of this MD&A is approximately 1:68 ounces, with the 1-year average being 1:85 and the 20-year average being approximately 1:64 ounces.

Chart: One year Gold to Silver Ratio



## SUBSEQUENT EVENTS

There continues to be a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, variants of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The Company signed an option agreement with Centerra Gold (KB) Inc. a wholly owned subsidiary of Centerra Gold Inc, whereby Centerra was granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia. Under the terms of the option a total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000. Current plans for this year's work include up to 1,000 meters of trenching and 20 drill holes. Upon the fulfillment of these conditions, the two companies will enter a standard joint venture agreement with Kootenay retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners (see news release dated March 30, 2021 for further details).

## PORTFOLIO OF EXPLORATION AND EVALUATION ASSETS

The Company has pursued the advancement of its Promontorio and La Cigarra Projects as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia, Canada. The Company continues to seek joint venture partners to option its generative exploration projects to conduct exploration and make option payments to the Company to obtain a right to an earn-in interest in the project. The Company currently has a mineral property under option namely, La Mina and is in the process of finalizing a joint venture agreement on the Cervantes property with Aztec Minerals Corp., both properties are located in Sonora State, Mexico.

## GENERATIVE EXPLORATION PROJECTS

SpinCo continues to seek partners to option its projects under its generative model, which minimizes financial and exploration risk by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized for further work or dropped based on ongoing exploration work. SpinCo continues to market generative properties including properties that have been returned after termination of option agreements.

### **Mark Project**

The Company exercised its right under an option agreement dated June 7, 2017 (the “Mark Project Agreement”) with the Kennedy Group to acquire a 100% interest in the Mark Project (the “Acquisition”). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares located in southeastern British Columbia. Pursuant to the terms of the Mark Project Agreement, in order to complete the Acquisition, the Company issued 100,000 common shares to the Kennedy Group upon receipt of TSX Venture Exchange (“TSXV”) approval. Following completion of the Acquisition, the Kennedy Group retains an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for \$1,000,000 per each one-half percent (0.5%).

### **Meachen Bend Project**

The Company entered into an option agreement dated January 1, 2018 between the Company and Craig Kennedy to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”) located 30 kilometers southwest of the famous Sullivan silver-lead-zinc mine which hosted 350 million ounces of silver, within 160 million tonnes grading 12% lead plus zinc and 68 gpt silver. The Meachen Property is comprised of three mineral tenures totaling approximately 1,844 hectares and covers elevated base metals, alteration and stratigraphy consistent with those areas peripheral to a silver-lead-zinc Sullivan style deposit. In addition, a strong single line MT conductor sits at relatively shallow depths, which the Company believes could be caused by massive sulfides distinctive to a Sullivan type deposit.

Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years, the Company have issued a total of 150,000 common shares with a fair value of \$26,750, with 50,000 common shares with a fair value of \$17,250 and paid \$35,000 in cash payments during the year ended December 31, 2020. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

### **Moyie Anticline Program**

During 2020, the Company initiated a program aimed specifically at the discovery of large silver-base metal deposits. One such program is focused in the famous Purcell Basin in southeastern B.C. that is host to billions of ounces of silver in the Coeur D’Alene, Montana Copper-Silver and Sullivan mining districts. The Company staked approximately 35,000 additional hectares during 2020 in the southeast of British Columbia. The Moyie Anticline is comprised of six collective properties totaling approximately 32,232 hectares. In addition to the tenures that make up the Moyie Anticline property the Sweet Spot, Lady Slipper, Kenco, Down Dip and Leaky Pipe round out the properties included in the program. During 2021, the Company is planning detailed geologic mapping and prospecting combined with deep seeing geophysics this may lead to a drilling plan.

Pursuant to the terms of the option agreement dated June 16, 2020 between Craig Kennedy and the Company in which the Company obtained an option to acquire a 100% interest in the Moyie Anticline property, the Company must issue 100,000 common shares for each of the six properties for an aggregate total of 600,000 common shares by June 16, 2023. Following the exercise of the option, the Kennedy Group will retain an underlying 2% net smelter returns royalty, of which, one and one-half percent (1.5%) can be purchased by the Company, for \$3,000,000.

### **EARN-IN OPTION AGREEMENT**

As at the date of this MD&A SpinCo had the following property that was subject to an earn-in option agreement:

<b>Property</b>	<b>Company</b>	<b>Interest of partner</b>
Two Times Fred	Centerra Gold (KB) Inc.	70% earn-in option

### **FINANCING ACTIVITIES**

During the year ended December 31, 2020 and 2019, there were no related party transactions other than the Parent company contributions. Contributions for 2020: \$699,019 (2019: \$822,274).

### **INVESTING ACTIVITIES**

As at December 31, 2020, capitalized mineral property expenditure totaled \$2,679,794 (2019 - \$2,142,018). During 2020, SpinCo incurred \$536,719 (2019 - \$804,736) which includes acquisition and exploration costs as disclosed in the table below.

	CANADA								2020 Canada Total \$
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region \$	Silver Fox \$	Other \$	
<b>Acquisition Costs</b>									
Balance, beginning	-	159,613	144,675	161,453	149,965	23,705	59,250	1,141,825	<b>1,840,486</b>
Incurred	49,877	3,688	-	-	-	-	-	33,562	<b>87,127</b>
Balance, ending	<b>49,877</b>	<b>163,301</b>	<b>144,675</b>	<b>161,453</b>	<b>149,965</b>	<b>23,705</b>	<b>59,250</b>	<b>1,175,387</b>	<b>1,927,613</b>
<b>Exploration Expenditures</b>									
Balance, beginning	-	57,065	397,054	632,105	117,846	44,377	1,949,881	6,287,417	<b>9,485,745</b>
Assaying and Lab	3,388	10,275	260	542	-	328	-	946	<b>13,847</b>
Camp Costs	-	-	-	-	-	-	-	-	-
Drafting	39,285	-	4,821	874	1,286	3,776	-	4,092	<b>45,950</b>
Drilling	-	-	900	-	-	-	-	-	<b>900</b>
Geological mapping	-	3,113	-	-	-	203	-	3,150	<b>6,466</b>
Geophysics	-	-	31,927	-	-	-	-	-	<b>31,927</b>
Maintenance	5,033	-	4,225	-	3,165	22,489	-	6,455	<b>41,367</b>
Miscellaneous	182	-	-	5,325	575	12,911	-	-	<b>18,993</b>
Geological Consulting and Prospecting	90,783	61,725	1,544	2,728	1,478	88,704	-	43,180	<b>290,142</b>
Incurred	<b>138,671</b>	<b>75,113</b>	<b>43,677</b>	<b>9,469</b>	<b>6,504</b>	<b>128,411</b>	-	<b>47,747</b>	<b>449,592</b>
Balance, ending	<b>138,671</b>	<b>132,178</b>	<b>440,731</b>	<b>641,574</b>	<b>124,350</b>	<b>172,788</b>	<b>1,949,881</b>	<b>6,335,164</b>	<b>9,935,337</b>
Total properties balance	<b>188,548</b>	<b>295,479</b>	<b>585,406</b>	<b>803,027</b>	<b>274,315</b>	<b>196,493</b>	<b>2,009,131</b>	<b>7,510,551</b>	<b>11,862,950</b>
Cost recovery / Impairment	-	-	(144,567)	(540,650)	(65,191)	(8,295)	(1,483,198)	(6,941,255)	<b>(9,183,156)</b>
Carrying value mineral properties	<b>188,548</b>	<b>295,479</b>	<b>440,839</b>	<b>262,377</b>	<b>209,124</b>	<b>188,198</b>	<b>525,933</b>	<b>569,296</b>	<b>2,679,794</b>

## RESULTS OF OPERATIONS

### Year ended December 31, 2020

SpinCo recorded a net loss of \$150,890 (2019 – \$108,066) for the year ended December 31, 2020.

Corporate general and administrative expenditure for the year ended December 31, 2020 totaled \$85,805 (2019 – \$98,643). Office and general costs decreased to \$74,001 (2019 – \$81,600) which includes SpinCo's offices \$13,200 (2019 – \$13,200) (in Kimberley, British Columbia. Depreciation expense decreased to \$11,804 (2019 – \$16,863).

For the year ended December 31, 2020, incurred property investigation expense of mineral properties totaling \$65,085 (2019 – \$7,202).

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, SpinCo had negative working capital of \$37,530 (2019 - \$52,935), with current assets totaling \$10,000 (2019 - \$10,000).

SpinCo plans to continue its exploration efforts in 2021 in Canada with the use of SpinCo's current cash position until the plan of arrangement is triggered, see Outlook section of the MD&A. It also plans to generate opportunities to acquire new properties and to enter into options or joint ventures with third parties to manage risk. SpinCo also plans to finance its future activities primarily through raising capital from private placements of equity capital in SpinCo and through payments it receives from option and joint ventures of SpinCo's properties to qualified mineral exploration companies. There can be no assurance that the SpinCo will succeed in going public and obtaining financing, now or in the future or that it will be successful in obtaining payments through optioning and joint venturing some or all its properties. Failure to raise sufficient funding for its operations and ongoing business activities on a timely basis could cause the SpinCo or Company to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

## OUTLOOK

Due to the Coronavirus pandemic SpinCo continues to monitor current events and restrictions as outlined by both the Canadian and Mexican government and adhering to strict safety procedures.

Exploration plans are being planned on the various properties held by SpinCo and primarily on the Moyie Anticline, which includes the Sweet Spot property.

### **Two Times Fred, Nechako Plateau, British Columbia, Canada** (100% Kootenay owned and optioned to Centerra Gold (KB).)

Current plans for 2021 exploration include up to 1,000 meters of trenching and 20 drill holes. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000.

SpinCo continues to review and investigate the progression of its generative portfolio of properties including projects that have been returned from third parties.

## SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2020 and 2019 and are expressed in Canadian dollars.

<b>As at December 31:</b>	<b>2020</b>	<b>2019</b>
Total Assets	\$ 2,801,588	\$ 2,268,864
Current Liabilities	47,530	62,935
Shareholders' Equity	2,754,058	2,205,929
Total Shareholders' Equity & Liabilities	\$ 2,801,588	\$ 2,268,864
<b>For the year ended December 31:</b>	<b>2020</b>	<b>2019</b>
Total Revenue	\$ Nil	\$ Nil
Net Loss	(150,890)	(108,066)

## RISKS AND UNCERTAINTIES

SpinCo is in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. SpinCo currently has no source of revenue. SpinCo will rely mainly on the Company for contributions and equity financing after going public to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which SpinCo may be subject.

### Early Stage – Need for Additional Funds

SpinCo has no history of profitable operations and its present business is at an early stage. As such, the SpinCo is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that SpinCo will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

SpinCo anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

### Exploration and Development

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which SpinCo has a right to acquire an interest or owns are in the exploration stages and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### **Estimates of mineral resources may not be realized**

The mineral resource estimates contained in SpinCo's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

### **Earn-In agreements**

SpinCo continue to enter or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments and or issuing shares to SpinCo and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the SpinCo will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of SpinCo.

### **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which SpinCo has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although SpinCo maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event they could incur significant costs that could have a materially adverse effect upon its financial conditions.

### **Political Risk**

Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of SpinCo.

### **Supplies, Infrastructure, Weather and Inflation**

SpinCo's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, SpinCo is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of SpinCo may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond SpinCo's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

Although SpinCo has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. SpinCo's mineral property

interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or indigenous claims, and title may be affected by undetected defects.

### **Environmental Regulations, Permits and Licenses**

SpinCo's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in British Columbia, Canada provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. SpinCo intends to fully comply with all environmental regulations.

The current operations of SpinCo require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

SpinCo believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which SpinCo may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which SpinCo might undertake.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases, and SpinCo will compete with other companies that have greater financial resources and technical capacity. Competition could adversely affect the SpinCo's ability to acquire suitable properties or prospects in the future.

SpinCo may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, SpinCo may not be able to finance the expenditures required to complete recommended programs.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the SpinCo's financial viability. Unfavorable economic conditions could also increase the SpinCo's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of future credit facilities to SpinCo.

### **Dependence on Management**

SpinCo is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of SpinCo could result, and other persons would be required to manage and operate SpinCo.

### **Conflicts of Interest**

SpinCo's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which SpinCo may participate, the directors and officers of SpinCo may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, SpinCo will follow the provisions of the Business Corporations Act (British Columbia) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of SpinCo's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of SpinCo are required to act honestly, in good faith, and the best interest of SpinCo.

### **Insurance coverage**

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

SpinCo's policies of insurance may not provide sufficient coverage for losses related to these or other risks. SpinCo's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse SpinCo for all losses sustained. In particular, SpinCo does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on SpinCo's cash flows, results of operation and financial condition.

### **Uninsurable risks**

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and SpinCo may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of SpinCo.

### **Coronavirus (COVID-19)**

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the government regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause increased government regulations, business interruptions including future delays in implementing field work all of which may negatively impact SpinCo's business and financial condition.

### **Disclosure Controls and Procedures**

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of SpinCo's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that SpinCo is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of SpinCo's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for SpinCo may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

SpinCo's financial instruments include accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

SpinCo's risk management policies are established to identify and analyse the risks faced by SpinCo, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the SpinCo's activities. SpinCo has exposure to liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about SpinCo's exposure to each of the above risks and SpinCo's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these carve-out financial statements. The Board of Directors has overall responsibility for the establishment and oversight of SpinCo's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Liquidity risk:

Liquidity risk is the risk that SpinCo will incur difficulties meeting its financial obligations as they are due. SpinCo's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the SpinCo's reputation.

SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, SpinCo will raise funds through private equity placements.

SpinCo anticipates it will have adequate liquidity to fund its financial liabilities. As at December 31, 2020 and 2019, SpinCo's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(b) Market risk:

Market risk consists of commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(c) Fair value of financial instruments

SpinCo classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and 2019, SpinCo did not have financial instruments measured at fair value. SpinCo's carrying values of accounts payable and accrued liabilities approximate their fair value due to their short-term nature

## **OFF BALANCE SHEET ARRANGEMENTS**

SpinCo had no Off-Balance Sheet Arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

SpinCo considers a person or entity a related party if they are a member of key management personnel, including their close relatives, those having significant influence SpinCo, as well as entities that are controlled by related parties. Key management personnel comprise the SpinCo's Board of Directors and executive officers. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties

During the year ended December 31, 2020 and 2019, there were no related party transactions, other than the Parent company contributions. As at December 31, 2020 and 2019, there were no amounts due to related parties.

## **FUTURE ACCOUNTING STANDARDS**

### **Critical Accounting Estimates**

Please refer to Note 3 of SpinCo's Audited Financial Statements for the year ended December 31, 2020, for additional information under "Significant Accounting Policies".

The preparation of the carved-out financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the carved-out financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the carved-out

financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the carved-out financial statements are as follows:

(i) Exploration and evaluation assets

SpinCo makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

(ii) Decommissioning liabilities

SpinCo recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. SpinCo assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. SpinCo holds reclamation bonds with the Ministry of Mines for Canadian exploration properties

(iii) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies. Significant judgments used in the preparation of these carve-out financial statements include, but are not limited to the:

(i) Going concern assumption

In the determination of the SpinCo's ability to meet its ongoing obligations and future contractual commitments, management relies on the SpinCo's planning, budgeting and forecasting process to help determine the funds required to support the SpinCo's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the SpinCo in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

### **Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for SpinCo. Based on an evaluation of SpinCo's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

### **Cautionary note regarding preparation of Mineral Reserves and Resources**

This MD&A uses the terms "reserves" and "resources" and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that is part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination". In addition, the term "resource", which does not equate to the term "reserve", is not recognized by the SEC and the SEC's disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of SpinCo's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of

mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

**Approval**

This MD&A has been prepared by management with an effective date of June 1, 2021. The MD&A and the Consolidated Financial Statements were approved by the Board of Directors of SpinCo on June 2, 2021.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on the Company's website at [www.kootenaysilver.com](http://www.kootenaysilver.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

**SCHEDULE “L”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY RESOURCES INC. CARVE- OUT MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2021**

**(see attached)**

**KOOTENAY RESOURCES INC.**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021  
MANAGEMENT DISCUSSION AND ANALYSIS**

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## FOR THE THREE MONTHS ENDED MARCH 31, 2021 MANAGEMENT DISCUSSION AND ANALYSIS

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### DATE

This Management Discussion & Analysis (“MD&A”) of Kootenay Resources Inc. (referred to as “SpinCo”) was prepared by management as at July 12, 2021 and was reviewed and approved by the Board of Directors of Kootenay Silver Inc. The following discussion of performance, financial condition and future prospects should be read in conjunction with the condensed interim carve-out financial statements for the three months ended March 31, 2021 and audited carve-out financial statement for the year ended December 31, 2020 and 2019, and notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The information provided herein supplements but does not form part of the Financial Statements. This discussion covers three months ended March 31, 2021 and the subsequent period up to the date of issue of this MD&A.

SpinCo has prepared this MD&A following the requirements of National Instrument 51-102 (“NI-51-102”). These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise indicated the technical disclosure contained within this MD&A has been reviewed and approved by Kootenay's President & CEO, James McDonald, P. Geo (a qualified person for the purpose of National Instrument 43-101 (“NI 43-101”), Standards of Disclosure for Mineral Projects). Mr. McDonald is also a director of Kootenay.

### Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). All statements, other than statements of historical fact, which address activities, events or developments that SpinCo believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to anticipated developments in SpinCo’s continuing and future operations, the adequacy of SpinCo’s financial resources and financial projections; statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates; the conversion of mineral properties to resources; the potential to expand resources; future exploration budgets, plans, targets and work programs; development plans; activities and timetables; grades; metal prices; exchange rates; results of drill programs; environmental risks; political risks and uncertainties; unanticipated reclamation expenses; statements about SpinCo’s plans for its mineral properties; acquisitions of new properties and the entering into of options or joint ventures; and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimated,” “potential,” “possible” and similar expressions, or statements that events, conditions or results “will,” “may,” “could” or “should” occur or be achieved. Forward-looking statements are statements concerning SpinCo’s current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of SpinCo or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect; (ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions, (iii) operations are disrupted or suspended due to acts of god, internal conflicts in the country of Canada, unforeseen government actions or other events; (iv) SpinCo experiences the loss of key personnel; (v) SpinCo’s mine operations are adversely affected by other political or military, or terrorist activities; (vi) SpinCo becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vii) SpinCo is subjected to any hostile takeover or other unsolicited attempts to acquire control of SpinCo. Other factors that could cause the actual results to differ materially from current expectations include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions, as well as those risks described under the heading “RISKS AND UNCERTAINTIES” below. These forward-looking statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of SpinCo and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service

providers to deliver services in a timely manner. SpinCo's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and SpinCo assumes no obligation to update such forward-looking statements in the future, except as required by law. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on SpinCo's forward-looking statements.

## **DESCRIPTION OF BUSINESS**

Kootenay Silver Inc. and its wholly owned subsidiaries (the "Company" or "Kootenay") is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of SpinCo's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. Kootenay is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company intends to reorganize its assets and operations into two separate companies: Kootenay and Kootenay Resources Inc. ("SpinCo"). Kootenay intends to complete a share capital reorganization by way of statutory plan of arrangement ("Arrangement").

Under the Arrangement, SpinCo will acquire the following from the Company:

- Cash
- Rights to all mineral exploration properties held by SpinCo in British Columbia, Canada, and
- Rights to all mineral exploration properties held by SpinCo in Yukon, Canada

The Arrangement involves distribution of SpinCo shares to existing Kootenay shareholders such that each Kootenay shareholder will hold one (1) share of SpinCo for every twenty-five (25) Kootenay shares they hold on the effective date of the Arrangement. There will also be special provisions for Kootenay options and warrants holders as of the effective date pursuant to the Arrangement.

Closing of the Arrangement is subject to several conditions including, but not limited to, approval by Kootenay shareholders and receipt of court and necessary regulatory approvals.

These carve-out financial statements reflect the financial position, results of operations, and cash flows for SpinCo and have been compiled for purposes of inclusion in an Information Circular for Kootenay in connection with the Arrangement described above.

SpinCo has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon its ability to obtain the financing necessary to continue to fund its mineral properties through intercompany loans from the ultimate parent company, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. These conditions create a material uncertainty that may cast significant doubt about the SpinCo's ability to continue as a going concern.

These condensed interim carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the SpinCo be unable to continue as a going concern. Such adjustments could be material.

## **OBJECTIVES AND STRATEGY**

The primary objective and business plan of SpinCo is to discover or acquire silver dominant mineral deposits that have the potential to become economically viable for further development. SpinCo assesses financial, technical and market risk associated with a particular project before deciding whether to advance the project with its own capital or share the risk by optioning all or a portion of the project to a partner to conduct further exploration work or to provide funding to

advance the project. If a project demonstrates potential to be economically viable via completion of a preliminary economic assessment, prefeasibility or feasibility study then it will be moved to a production decision and, when appropriate, funding will be sought to build a mine through traditional mine finance sources, joint venture or sale of the company or project. The rate at which a given project is advanced is dependent on several factors including management’s assessment of project and the risks of development, including the probability of discovery and potential economic viability based on past work, results of additional drilling, resource estimates, metallurgy, environmental impact, community involvement to operate and permitting among others. It is also strongly influenced by access to capital to advance the various stages of assessment. When markets for commodities are favorable towards precious metals and exploration then capital is more accessible, allowing the Company more flexibility in the balance between advancing select projects while maintaining a 100% interest and seeking partner funded programs on other projects through option or joint venture agreements. When markets are not favorable towards equity investment more emphasis is given to seeking funding through option or joint venture agreements to advance projects for ongoing development.

The Company has been successful in discovering mineral resources through grassroots exploration with two significant silver discoveries on its Promontorio property in Sonora, Mexico, namely Promontorio and La Negra. SpinCo will be focused on exploration of properties located in British Columbia and Yukon.

## OVERVIEW OF PERFORMANCE - 2021

During the three months ended March 2021, the ongoing global pandemic caused by the outbreak of Coronavirus (“COVID-19”), has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, municipal and foreign governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on SpinCo, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, and other countries to fight the virus.

## SILVER MARKET

Over the past year interest in global silver investment has risen significantly resulting in all-time highs for silver in exchange-traded products (ETPs), global mint bullion coin sales and strong net-long positioning on COMEX. The silver price, which began the year at \$26.38 per ounce, and hit a 12-month high of \$29.59 on February 1, 2021. The silver spot price at the time of this MD&A is \$27.78 per ounce up with a 12-month low of \$17.09 hit on June 15, 2020.

Chart: One year Silver price



The strong performance in the silver price has been a welcome contrast for silver investors in comparison to previous years. For most commodities, supply and demand fundamentals dominate price behaviour, however this does not always apply to silver and gold because of their monetary qualities and reactions to macroeconomic factors. Although the price of silver can be strongly linked to gold, silver differs from gold in the fact that it is also considered to be an industrial metal and can also be linked to the performance of base metals production and industrial demand. That said a gold: silver divergence can emerge when the macroeconomic environment deteriorates, however because of its lower liquidity, silver can outperform gold in the event of a financial crisis. The gold to silver ratio as of the date of this MD&A is approximately 1:68 ounces, with the 1-year high of 1:100 and a low of 1:63 ounces.

Chart: One year Gold to Silver Ratio



## SUBSEQUENT EVENTS

There continues to be a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, variants of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The Company signed an option agreement with Centerra Gold (KB) Inc. a wholly owned subsidiary of Centerra Gold Inc, whereby Centerra was granted an option to earn a 70% interest in the Two Times Fred property located in the Nechako Plateau of Central British Columbia. Under the terms of the option a total of C\$6 million in exploration expenditures and C\$500,000 in cash payments must be incurred and made over a four-year period for Centerra to earn a 70% interest. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000. Current plans for this year's work include up to 1,000 meters of trenching and 20 drill holes. Upon the fulfillment of these conditions, the two companies will enter a standard joint venture agreement with Kootenay retaining a 30% interest, and funding of further work will be done on a pro rata basis amongst the joint venture partners (see news release dated March 30, 2021 for further details).

## PORTFOLIO OF EXPLORATION AND EVALUATION ASSETS

The Company has pursued the advancement of its Promontorio and La Cigarra Projects as well as establishing Generative Exploration Teams in Northwest Mexico and British Columbia, Canada. The Company continues to seek joint venture partners to option its generative exploration projects to conduct exploration and make option payments to the Company

to obtain a right to an earn-in interest in the project. The Company currently has a mineral property under option namely, La Mina and is in the process of finalizing a joint venture agreement on the Cervantes property with Aztec Minerals Corp., both properties are located in Sonora State, Mexico.

## **GENERATIVE EXPLORATION PROJECTS**

SpinCo continues to seek partners to option its projects under its generative model, which minimizes financial and exploration risk by granting external exploration companies a right to earn an interest in properties, subject to exploration expenditures and share payments made by them. Generative properties are continuously prioritized for further work or dropped based on ongoing exploration work. SpinCo continues to market generative properties including properties that have been returned after termination of option agreements.

### **Mark Project**

The Company exercised its right under an option agreement dated June 7, 2017 (the “Mark Project Agreement”) with the Kennedy Group to acquire a 100% interest in the Mark Project (the “Acquisition”). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares located in southeastern British Columbia. Pursuant to the terms of the Grub Stake Agreement, in order to complete the Acquisition, the Company issued 100,000 common shares to the Kennedy Group upon receipt of TSX Venture Exchange (“TSXV”) approval. Following completion of the Acquisition, the Kennedy Group retains an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for \$1,000,000 per each one-half percent (0.5%).

### **Meachen Bend Project**

The Company entered into an option agreement dated January 1, 2018 between the Company and Craig Kennedy to acquire a 100% interest in the Meachen Bend Project (the “Meachen Property”) located 30 kilometers southwest of the famous Sullivan silver-lead-zinc mine which hosted 350 million ounces of silver, within 160 million tonnes grading 12% lead plus zinc and 68 gpt silver. The Meachen Property is comprised of six mineral tenures totaling approximately 1,844 hectares and covers elevated base metals, alteration and stratigraphy consistent with those areas peripheral to a silver-lead-zinc Sullivan style deposit. In addition, a strong single line MT conductor sits at relatively shallow depths, which the Company believes could be caused by massive sulfides distinctive to a Sullivan type deposit.

Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling \$100,000 over 4 years, the Company have issued a total of 150,000 common shares with a fair value of \$26,750, with 50,000 common shares with a fair value of \$17,250 and paid \$35,000 in cash payments during the year ended December 31, 2020. Subsequent to March 31, 2021, the Company issued 150,000 common shares and paid \$30,000 in cash payments related to the third anniversary payments. Following the exercise of the option, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for \$500,000.

### **Moyie Anticline Program**

During 2020, the Company initiated a program aimed specifically at the discovery of large silver-base metal deposits. One such program is focused in the famous Purcell Basin in southeastern B.C. that is host to billions of ounces of silver in the Coeur D’Alene, Montana Copper-Silver and Sullivan mining districts. The Company staked approximately 35,000 additional hectares during 2020 in the southeast of British Columbia. The Moyie Anticline is comprised of six collective properties totaling approximately 32,232 hectares. In addition to the tenures that make up the Moyie Anticline property the Sweet Spot, Lady Slipper, Kenco, Down Dip and Leaky Pipe round out the properties included in the program. During 2021, the Company is planning detailed geologic mapping and prospecting combined with deep seeing geophysics this may lead to a drilling plan.

Pursuant to the terms of the option agreement dated June 16, 2020 between Craig Kennedy and the Company in which the Company obtained an option to acquire a 100% interest in the Moyie Anticline property, the Company must issue 100,000 common shares for each of the six properties for an aggregate total of 600,000 common shares by June 16, 2023. Following the exercise of the option, the Kennedy Group will retain an underlying 2% net smelter returns royalty, of which, one and one-half percent (1.5%) can be purchased by the Company, for \$3,000,000.

## **EARN-IN OPTION AGREEMENT**

As at the date of this MD&A SpinCo had the following property that was subject to an earn-in option agreement:

Property	Company	Interest of partner
Two Times Fred	Centerra Gold (KB) Inc.	70% earn-in option

## FINANCING ACTIVITIES

During the three months ended March 31, 2021 and 2020, there were no related party transactions other than the Parent company contributions. Contributions for 2021: \$94,511 (2020: \$220,277).

## INVESTING ACTIVITIES

As at March 31, 2021, capitalized mineral property expenditure totaled \$2,715,439 (2020 - \$2,679,794). During 2020, SpinCo incurred \$35,645 (2020 - \$536,719) which includes acquisition and exploration costs as disclosed in the table below.

	CANADA								2021 Canada Total \$	2020 Canada Total \$
	Moyie Anticline	Rackla	Two Times Fred	Copley	Fox	Nechako Region	Silver Fox	Other		
<b>Acquisition Costs</b>										
Balance, beginning	49,877	163,301	144,675	161,453	149,965	23,705	59,250	1,175,387	1,927,613	1,840,486
Incurred	-	-	-	-	-	-	-	-	-	87,127
Balance, ending	49,877	163,301	144,675	161,453	149,965	23,705	59,250	1,175,387	1,927,613	1,927,613
<b>Exploration Expenditures</b>										
Balance, beginning	138,671	132,178	440,731	641,574	124,350	172,788	1,949,881	6,335,164	9,935,337	9,485,745
Assaying and Lab	-	-	-	-	-	6,570	-	-	6,570	13,847
Camp Costs	-	-	-	-	-	-	-	-	-	-
Drafting	-	-	-	-	-	1,275	-	1,275	2,550	45,950
Drilling	-	-	225	-	-	-	-	-	225	900
Geological mapping	-	9,375	-	-	-	-	-	-	9,375	6,466
Geophysics	-	-	-	-	-	-	-	-	-	31,927
Maintenance	-	-	300	50	50	964	-	1,950	3,314	41,367
Miscellaneous	-	-	-	900	-	210	-	-	1,110	18,993
Geological Consulting and Prospecting	-	-	-	-	-	-	-	12,500	12,500	290,142
Incurred	-	9,375	525	950	50	9,019	-	15,725	35,645	449,592
Balance, ending	138,671	141,553	441,256	642,524	124,400	181,807	1,949,881	6,350,889	9,970,982	9,935,337
Total properties balance	188,548	304,854	585,931	803,977	274,365	205,512	2,009,131	7,526,276	11,898,595	11,862,950
Cost recovery / Impairment	-	-	(144,567)	(540,650)	(65,191)	(8,295)	(1,483,198)	(6,941,255)	(9,183,156)	(9,183,156)
Carrying value mineral properties	188,548	304,854	441,364	263,327	209,174	197,217	525,933	585,021	2,715,439	2,679,794

## RESULTS OF OPERATIONS

### Three-month period ended March 31, 2021

SpinCo recorded a net loss of \$19,982 (2020 – \$36,889) for the three-month period ended March 31, 2020.

Corporate general and administrative expenditure for the three-month period ended March 31, 2021 totaled \$18,482 (2020 – \$34,089). Office and general costs decreased to \$13,116 (2020 – \$27,838). Rent expense related to SpinCo's offices remained consistent at \$3,300 (2020 – \$3,300) (in Kimberley, British Columbia). Depreciation expense decreased to \$2,066 (2020 – \$2,951).

For the three-month period ended March 31, 2021, SpinCo incurred property investigation expense of mineral properties totaling \$1,500 (2020 – \$2,800).

## LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2021, SpinCo had working capital of \$3,420 (2020 - negative \$37,530), with current assets totaling \$10,000 (2020 - \$10,000).

SpinCo plans to continue its exploration efforts in 2021 in Canada with the use of SpinCo's current cash position until the plan of arrangement is triggered, see Outlook section of the MD&A. It also plans to generate opportunities to acquire new properties and to enter into options or joint ventures with third parties to manage risk. SpinCo also plans to finance its future activities primarily through raising capital from private placements of equity capital in SpinCo and through payments it receives from option and joint ventures of SpinCo's properties to qualified mineral exploration companies.

There can be no assurance that the SpinCo will succeed in going public and obtaining financing, now or in the future or that it will be successful in obtaining payments through optioning and joint venturing some or all its properties. Failure to raise sufficient funding for its operations and ongoing business activities on a timely basis could cause the SpinCo to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

## OUTLOOK

Due to the Coronavirus pandemic SpinCo continues to monitor current events and restrictions as outlined by both the Canadian and Mexican government and adhering to strict safety procedures.

Exploration plans are being planned on the various properties held by SpinCo and primarily on the Moyie Anticline, which includes the Sweet Spot property.

### **Two Times Fred, Nechako Plateau, British Columbia, Canada** (100% Kootenay owned and optioned to Centerra Gold (KB).)

Current plans for 2021 exploration include up to 1,000 meters of trenching and 20 drill holes. The first year requires a work expenditure of \$1 million with a minimum commitment of \$650,000.

SpinCo continues to review and investigate the progression of its generative portfolio of properties including projects that have been returned from third parties.

## SELECTED ANNUAL INFORMATION

The financial statements have been prepared in accordance with IFRS for fiscal years 2020 and 2019 and are expressed in Canadian dollars.

<b>As at December 31:</b>	<b>2020</b>	<b>2019</b>
Total Assets	\$ 2,801,588	\$ 2,268,864
Current Liabilities	47,530	62,935
Shareholders' Equity	2,754,058	2,205,929
Total Shareholders' Equity & Liabilities	\$ 2,801,588	\$ 2,268,864
<b>For the year ended December 31:</b>	<b>2020</b>	<b>2019</b>
Total Revenue	\$ Nil	\$ Nil
Net Loss	(150,890)	(108,066)

## RISKS AND UNCERTAINTIES

SpinCo is in the business of acquiring, exploring mineral properties. It is exposed to several risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. SpinCo currently has no source of revenue. SpinCo will rely mainly on the Company for contributions and equity financing after going public to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which SpinCo may be subject.

### **Early Stage – Need for Additional Funds**

SpinCo has no history of profitable operations and its present business is at an early stage. As such, the SpinCo is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that

SpinCo will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered considering its early stage of operations.

SpinCo anticipates future expenditures will require additional infusions of capital; there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Resulting Issuer may change, and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any may not be satisfied and could result in a loss of the shareholders entire investment.

### **Exploration and Development**

Mineral exploration and development is a speculative business, characterized by several significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All the mineral claims to which SpinCo has a right to acquire an interest or owns are in the exploration stages and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### **Estimates of mineral resources may not be realized**

The mineral resource estimates contained in SpinCo's Technical Reports are only estimates and no assurance can be given that an identified resource will ever qualify as a commercially mineable (or viable) deposit, which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Material changes in resources, grades and other factors, may affect the economic viability of projects.

### **Earn-In agreements**

SpinCo continue to enter or seek to enter into separate option agreements with publicly listed companies on its various mineral properties. The terms of such option agreements vary but primarily optioning companies are granted an option to earn an ownership interest in an exploration property by making cash payments and or issuing shares to SpinCo and incurring exploration expenditures. These are not firm payments or expenditure commitments and are subject to these companies obtaining sufficient financing to fulfill their earn-in requirements. The agreements are also subject to termination if such payment and expenditure commitments are not fulfilled. On fulfillment of these commitments, the ownership arrangement and future development of the property will be subject to a joint venture agreement whereby the SpinCo will be required to finance its proportionate share of exploration expenditures based on the ownership ratio of each of the parties. There is no certainty that any of these companies will complete the required expenditures on the properties to earn-in on the properties or that they will be able to obtain the necessary financing to complete the expenditure requirements in which case the costs of carrying and developing the properties will be the responsibility of SpinCo.

### **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which SpinCo has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although SpinCo maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company and SpinCo could incur significant costs that could have a materially adverse effect upon its financial conditions.

### **Political Risk**

Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of SpinCo.

### **Supplies, Infrastructure, Weather and Inflation**

SpinCo's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surfaces access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated on site.

Due to the partial remoteness of its exploration projects, SpinCo is forced to rely on the accessibility of secondary roads resulting in potentially unavoidable delays in planned programs and/or cost overruns.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of SpinCo may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond SpinCo's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

Although SpinCo has exercised due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. SpinCo's mineral property interest may be subject to prior unregistered agreements, or transfers, or conflicting claims; or indigenous claims, and title may be affected by undetected defects.

### **Environmental Regulations, Permits and Licenses**

SpinCo's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in British Columbia, Canada provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines, penalties and work stoppage. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. SpinCo intends to fully comply with all environmental regulations.

The current operations of SpinCo require permits from various government authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

SpinCo believes that it is in compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which SpinCo may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which SpinCo might undertake.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases, and SpinCo will compete with other companies that have greater financial resources and technical capacity. Competition could adversely affect the SpinCo's ability to acquire suitable properties or prospects in the future.

SpinCo may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, SpinCo may not be able to finance the expenditures required to complete recommended programs.

### **Economic Conditions**

Unfavorable economic conditions may negatively impact the SpinCo's financial viability. Unfavorable economic conditions could also increase the SpinCo's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact any of the availability of future credit facilities to SpinCo.

### **Dependence on Management**

SpinCo is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of SpinCo could result, and other persons would be required to manage and operate SpinCo.

### **Conflicts of Interest**

SpinCo's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which SpinCo may participate, the directors and officers of SpinCo may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, SpinCo will follow the provisions of the Business Corporations Act (British Columbia) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of SpinCo's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of SpinCo are required to act honestly, in good faith, and the best interest of SpinCo.

### **Insurance coverage**

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

SpinCo's policies of insurance may not provide sufficient coverage for losses related to these or other risks. SpinCo's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse SpinCo for all losses sustained. In particular, SpinCo does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on SpinCo's cash flows, results of operation and financial condition.

### **Uninsurable risks**

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and SpinCo may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of SpinCo.

### **Coronavirus (COVID-19)**

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the government regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on SpinCo as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause increased government regulations, business interruptions including future delays in implementing field work all of which may negatively impact SpinCo's business and financial condition.

### **Disclosure Controls and Procedures**

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. Management is also responsible for the design of SpinCo's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that SpinCo is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of SpinCo's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for SpinCo may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

SpinCo's financial instruments include accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

SpinCo's risk management policies are established to identify and analyse the risks faced by SpinCo, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the SpinCo's activities. SpinCo has exposure to liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the SpinCo's exposure to each of the above risks and SpinCo's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these carve-out financial statements. The Board of Directors has overall responsibility for the establishment and oversight of SpinCo's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Liquidity risk:

Liquidity risk is the risk that SpinCo will incur difficulties meeting its financial obligations as they are due. SpinCo's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the SpinCo's reputation.

SpinCo prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, SpinCo will raise funds through private equity placements.

SpinCo anticipates it will have adequate liquidity to fund its financial liabilities.

As at the three months ended March 31, 2021 and the year ended December 31, 2020, SpinCo's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(b) Market risk:

Market risk consists of commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(c) Fair value of financial instruments

SpinCo classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2021 and December 31, 2020, SpinCo did not have financial instruments measured at fair value. SpinCo's carrying values of accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

## **OFF BALANCE SHEET ARRANGEMENTS**

SpinCo had no Off-Balance Sheet Arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

SpinCo considers a person or entity a related party if they are a member of key management personnel, including their close relatives, those having significant influence SpinCo, as well as entities that are controlled by related parties. Key management personnel comprise the SpinCo's Board of Directors and executive officers. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the three months ended March 31, 2021 and 2020, there were no related party transactions other than the Parent company contributions. As at March 31, 2021 and December 31, 2020, there were no amounts due to related parties.

## **FUTURE ACCOUNTING STANDARDS**

### **Critical Accounting Estimates**

Please refer to Note 3 of SpinCo's Audited Financial Statements for the year ended December 31, 2020, for additional information under "Significant Accounting Policies".

The preparation of the carved-out financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the carved-out financial statements, and revenues and expenses for the year. By their nature, these estimates and judgments are subject to uncertainty and the effect on the carved-out financial statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the carved-out financial statements are as follows:

- (i) Exploration and evaluation assets

SpinCo makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded.

- (ii) Decommissioning liabilities

SpinCo recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. SpinCo assesses its provision for site reclamation on an ongoing basis. Significant estimates and assumptions are made in determining the provision for site reclamation, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. SpinCo holds reclamation bonds with the Ministry of Mines for Canadian exploration properties

- (iii) Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies. Significant judgments used in the preparation of these carve-out financial statements include, but are not limited to the:

- (i) Going concern assumption

In the determination of the SpinCo's ability to meet its ongoing obligations and future contractual commitments, management relies on the SpinCo's planning, budgeting and forecasting process to help determine the funds required to support the SpinCo's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the SpinCo in this process include forecasted capital deployment, results from operations, results from the exploration and development of its properties and general industry conditions.

### **Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for SpinCo. Based on an evaluation of SpinCo's disclosure controls and procedures as of the end

period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

**Cautionary note regarding preparation of Mineral Reserves and Resources**

This MD&A uses the terms “reserves” and “resources” and derivations thereof. These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum’s Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless the determination has been made that is part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination”. In addition, the term “resource”, which does not equate to the term “reserve”, is not recognized by the SEC and the SEC’s disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of SpinCo’s jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of mineralization and resources contained in this Management’s Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

**Approval**

This MD&A has been prepared by management with an effective date of July 12, 2021. The MD&A and the Consolidated Financial Statements were approved by the Board of Directors of the Company on July 13, 2021.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on the Company’s website at [www.kootenaysilver.com](http://www.kootenaysilver.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

**SCHEDULE “M”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY SILVER INC. CORPORATE GOVERNANCE DISCLOSURE**

**(see attached)**

## KOOTENAY SILVER INC.

### CORPORATE GOVERNANCE DISCLOSURE

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”), the Corporation must disclose its approach to corporate governance which is as follows:

#### **Board of Directors**

The Company Board currently consists of six directors, Kenneth E. Berry, James M. McDonald, Brian Groves, Jon Morda, Andrea Zaradic and Antonio Reda.

Messrs. Berry, Groves, Morda, Reda and Ms. Zaradic are independent directors as defined in NI 58-101 and NI 52-110. James M. McDonald, as President and CEO of the Company, is an executive officer of the Company and therefore, not independent.

The Company Board meets for formal board meetings periodically on an ad hoc basis during the year on an as needed basis to review and discuss the Company’s business activities and to consider and, if thought fit, to approve matters presented to the Company Board for approval, and to provide guidance to management. In addition, management informally provides updates to the Company Board at least once per quarter between formal Company Board meetings. In general, management consults with the Company Board when deemed appropriate to keep the Company Board informed regarding the Company’s affairs.

The Board facilitates the exercise of independent supervision over management through these various meetings. At present, the Company Board has the following formal committees: Audit Committee, Compensation Committee, Nominating Committee and Governance Committee. When necessary, the Company Board will strike a special committee of independent directors to deal with matters requiring independence. The composition of the Company Board is such that the independent directors have significant experience in business affairs and one is a chartered accountant. As a result, these Company Board members are able to provide significant and valuable independent supervision over management.

In the event of a conflict of interest at a meeting of the Company Board, the conflicted director will in accordance with corporate law and in accordance with his fiduciary obligations as a director of the Company, disclose the nature and extent of his interest to the meeting and abstain from voting on or against the approval of such participation.

#### **Directorships**

The following directors of the Company are also directors of other reporting issuers as set out below:

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>
James M. McDonald	Aldebaran Resources
Kenneth E. Berry	None
Brian Groves	Riverside Resources Inc.
Jon Morda	Besra Gold Inc.
Andrea Zaradic	Reservoir Capital Corp.
Antonio Reda	Tectonic Metals Inc.

#### **Orientation and Continuing Education**

At present, the Company does not provide a formal orientation and education program for new directors. Prior to joining the Company Board, potential Company Board members are encouraged to meet with management and inform

themselves regarding management and the Company affairs. After joining the Company Board, management and the Company Board chair provide orientation both at the outset and on an ongoing basis. The Company currently has no specific policy regarding continuing education for directors; requests for education are encouraged and dealt with on an ad hoc basis.

### **Ethical Business Conduct**

The primary step taken by the Company to encourage and promote a culture of ethical business conduct is to conduct appropriate due diligence on proposed directors and ensure that proposed directors are of the highest ethical standards.

### **Nomination of Directors**

The Company has a Nominating and Compensation Committee comprised of James M. McDonald and Kenneth E. Berry and Brian Groves to assist the Company Board in fulfilling its responsibilities with respect to the composition, compensation and operation of the Company Board and Company Board committees and the appointment of the CEO of the Company. Once a decision has been made to add or replace a director, the task of identifying new candidates falls on the Board and management. Proposals are put forth by the Company Board and management and considered and discussed. If a candidate looks promising, the Company Board and management will conduct due diligence on the candidate and if the results are satisfactory, the candidate is invited to join the Company Board. Brian Groves and Kenneth Berry are independent directors of the Company. The CEO's compensation is determined by the Company Board (excluding the CEO), based on the recommendation of the Compensation Committee of the Company Board formed to conduct research into compensation matters and make a recommendation to the Company Board. Compensation for Company Board members is determined by the Company Board as a whole and in accordance with industry norms. See "*Statement of Executive Compensation – Oversight and Description of Directors and Named Executive Officer Compensation*".

### **Other Board Committees**

The Company has a Governance Committee comprised of Kenneth E. Berry and Andrea Zaradic. Both of which are independent directors of the Company. The Governance Committee assists the Company Board in fulfilling its responsibilities with respect to corporate governance standards, policies and practices. The Governance Committee identifies corporate governance standards and practices applicable to the Company and monitors new developments in corporate governance, and makes recommendations to the Company Board periodically. The Governance Committee assists the Company Board in reviewing and approving the disclosure with respect to corporate governance practices required to be included in the regulatory filings and the annual management information circular of the Company based on advice from legal and accounting advisors and assists the Company Board in reviewing and approving any other corporate governance practices disclosure before it is publicly disclosed by the Company based on advice from legal and accounting advisors. .

### **Assessments**

At present, the Company Board does not have a formal process for assessing the effectiveness of the Company Board, it considers that its committees and individual directors are performing effectively. These matters are dealt with on a case by case basis at the Company Board level.

**SCHEDULE “N”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY SILVER INC. AUDIT COMMITTEE CHARTER**

**(see attached)**

**KOOTENAY SILVER INC.**  
Audit Committee (the “Audit Committee”)  
of the Board of Directors  
**CHARTER**

**A. Composition and Process**

1. The Audit Committee shall be composed of a minimum of three members of Board of Directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates (as defined in the *Business Corporations Act* (British Columbia)).
2. Members shall serve one—year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chairperson shall be appointed by the Board of Directors for a one-year term, and may serve any number of consecutive terms.
4. All members of the Audit Committee shall be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity comparable to the Corporation’s financial statements.
5. The Chairperson shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Audit Committee. The Audit Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
6. At the discretion of the Audit Committee Members, the Audit Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Audit Committee shall be its Chairperson and one of its other members or the Chairman of the Board of Directors. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone conference if this is deemed appropriate.
7. The minutes of the Audit Committee meetings shall accurately record the decisions reached and shall be distributed to Audit Committee members with copies to the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
8. The Audit Committee reviews, prior to their presentation to the Board of Directors and their release, all material financial information required by securities legislation and policies.
9. The Audit Committee enquires about potential claims, assessments and other contingent liabilities.
10. The Audit Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.
11. The Charter of the Audit Committee shall be reviewed by the Board of Directors on an annual basis

**B. Authority**

1. Appointed by the Board of Directors pursuant to provisions of the *Business Corporations Act* (British Columbia) and the Articles of the Corporation.
2. Primary responsibility for the Corporation’s financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board of Directors. The Audit Committee is a standing committee of the Board of Directors established to assist it in fulfilling its responsibilities in this regard. The

Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.

3. In fulfilling its responsibilities, the Audit Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
4. The Audit Committee shall have direct communication channels with the internal auditor (if any) and the external auditor to discuss and review specific issues, as appropriate.
5. The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.
6. The Audit Committee shall establish the compensation to be paid to any advisors employed by the Audit Committee and such compensation shall be paid by the Corporation as directed by the Audit Committee.

**C. Relationship with External Auditors**

1. An external auditor must report directly to the Audit Committee.
2. The Audit Committee is directly responsible for overseeing the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting.
3. The Audit Committee shall implement structures and procedures to ensure that it meets with the external auditor on at least annually in the absence of management.

**D. Accounting Systems, Internal Controls and Procedures**

1. Obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.
2. The Audit Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.
3. Direct the external auditor's examinations to particular areas.
4. Review control weaknesses identified by the external auditor, together with management's response.
5. Review with the external auditor its view of the qualifications and performance of the key financial and accounting executives.
6. In order to preserve the independence of the external auditor the Audit Committee will:
  - (a) recommend to the Board of Directors the external auditor to be nominated; and
  - (b) recommend to the Board of Directors the compensation of the external auditor's engagement;
7. The Audit Committee shall review and pre-approve any engagements for non-audit services to be provided by the external auditor or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.

8. Review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
9. The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and most recent former external auditor of the Corporation.
10. The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
11. The Audit Committee shall on an annual basis, prior to public disclosure of its annual financial statements, ensure that the external auditor has entered into a participation agreement and has not had its participant status terminated, or, if its participant status was terminated, has been reinstated in accordance with the Canadian Public Accountability Board ("CPAB") bylaws and is in compliance with any restriction or sanction imposed by the CPAB.

#### **E. Statutory and Regulatory Responsibilities**

1. Annual Financial Information — review the annual audited financial statements, including any letter to shareholders and related press releases and recommend their approval to the Board of Directors, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.
2. Annual Report — review the management discussion and analysis ("MD & A") section and all other relevant sections of the annual report to ensure consistency of all financial information included in the annual report.
3. Interim Financial Statements — review the quarterly interim financial statements, including any letter to shareholders and related press releases and recommend their approval to the Board of Directors.
4. Earnings Guidance/Forecasts — review forecasted financial information and forward looking statements.
5. Review the Corporation's financial statements, MD & A and earnings press releases before the Corporation publicly discloses this information.

#### **F. Reporting**

1. Report, through the Chairperson of the Audit Committee, to the Board of Directors following each meeting on the major discussions and decisions made by the Audit Committee.
2. Report annually to the Board of Directors on the Audit Committee's responsibilities and how it has discharge them.
3. Review the Audit Committee's Charter annually and recommend the approval of any proposed amendments to the Board of Directors.

#### **G. Other Responsibilities**

1. Investigating fraud, illegal acts or conflicts of interest.
2. Discussing selected issues with corporate counsel or the external auditor or management.

**SCHEDULE “O”**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY SILVER INC. SHARE UNIT PLAN**

**(see attached)**

**KOOTENAY SILVER INC.**

**SHARE UNIT PLAN  
(RSU & PSU)**

**Effective Date: [●], 2021**

*Approved by the Board on August 12, 2021  
Approved by the Shareholders on [●], 2021*

## ARTICLE 1. INTERPRETATION

### 1.1 Purpose

The purposes of the Plan are:

- (a) to promote a further alignment of interests between officers, employees and Consultants (as defined herein) and the shareholders of the Corporation;
- (b) to associate a portion of officers', employees' and Consultants' compensation with the returns achieved for shareholders of the Corporation over the medium term; and
- (c) to attract and retain officers, employees and Consultants with the knowledge, experience and expertise required by the Corporation.

### 1.2 Definitions

Whenever used in this Plan, the following words and terms have the respective meanings set out below unless the context otherwise requires:

- (a) "Account" has the meaning ascribed thereto in Section 4.3;
- (b) "Affiliate" has the meaning ascribed to that term in the *Securities Act* (British Columbia);
- (c) "Applicable Law" means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and the rules of any stock exchange upon which the Shares are listed;
- (d) "Applicable Withholding Taxes" has the meaning ascribed thereto in Section 2.2(b);
- (e) "Beneficiary" means, subject to Applicable Law, an individual who has been designated by an Eligible Participant, in such form and manner as the Board may determine, to receive benefits payable under the Plan upon the death of the Eligible Participant, or, where no such designation is validly in effect at the time of death, or where the designated individual does not survive the Eligible Participant, the Eligible Participant's legal representative;
- (f) "Board" means the board of directors of the Corporation or, if established and duly authorized to act with respect to this Plan, any committee of the board of directors of the Corporation;
- (g) "Cause" in respect of an Eligible Participant means:
  - (i) the Eligible Participant committing theft, embezzlement, fraud, obtaining funds or property under false pretences or similar acts of gross misconduct with respect to the property of the Corporation or its employees or the Corporation's customers or suppliers;
  - (ii) the Eligible Participant entering into a guilty plea or being convicted of any crime involving fraud, misrepresentation, breach of trust or indictable offence;
  - (iii) the material breach by the Eligible Participant of the Eligible Participant's employment agreement or consulting agreement or arrangement, the Corporation's Code of Conduct or any of the Eligible Participant's confidentiality, non-solicitation or non-competition obligations; or

- (iv) any other act that would constitute just cause for termination of employment according to Applicable Law;

except that if, at the time of such Eligible Participant's Termination Date, the Eligible Participant is party to an employment, consulting, severance, retention or similar contract or agreement with the Corporation or an Affiliate of the Corporation that contains a definition of the term "cause" or a similar term, the term "cause" shall have the meaning, if any, assigned thereto (or to such similar term) in such contract or agreement;

- (h) "Cease Trade Date" has the meaning ascribed thereto in Section 6.9(e);
- (i) "Change of Control" will mean the occurrence of any of the following events:
  - (i) the direct or indirect acquisition or conversion from time to time of more than 50% of the issued and outstanding shares of the Corporation, in aggregate, by a person or group of persons acting in concert, other than through an employee share purchase plan or employee share ownership plan;
  - (ii) a change in the composition of the Board which results in the majority of the directors of the Corporation not being individuals nominated by the Corporation's then incumbent directors; or
  - (iii) a merger or amalgamation of the voting shares of the Corporation where the voting shares of the resulting merged or amalgamated company are owned or controlled by shareholders of whom more than 50% are not the same as the shareholders of the Corporation immediately prior to the merger.

Notwithstanding the foregoing, if, at the time of a Change of Control, the Eligible Participant is party to an employment, consulting, severance, retention or similar contract or agreement with the Corporation or an Affiliate of the Corporation that contains a definition of the term "Change of Control" or a similar term, the term "Change of Control" shall have the meaning, if any, assigned thereto (or to such similar term) in such contract or agreement;

- (j) "Code" means the *United States Internal Revenue Code*, as amended from time to time;
- (k) "Consultant" means a person, other than an employee, officer or director of the Corporation, or of an Affiliate of the Corporation, that:
  - (i) is engaged to provide services to the Corporation or an Affiliate of the Corporation other than services provided in relation to a distribution;
  - (ii) provides the services under a written contract with the Corporation or an Affiliate of the Corporation; and
  - (iii) spends or will spend a significant amount of time and attention to the affairs and business of the Corporation or an Affiliate of the Corporation,

and includes:

- (iv) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner; and
- (v) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or

will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation;

- (l) “Corporation” means Kootenay Silver Inc. and includes any successor corporation thereof, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board;
- (m) “Disability” means the Eligible Participant’s physical or mental incapacity that prevents such Eligible Participant from substantially fulfilling his or her duties and responsibilities on behalf of the Corporation or, if applicable, an Affiliate of the Corporation; except that if, at any relevant time, the Eligible Participant is party to an employment, consulting, severance, retention or similar contract or agreement with the Corporation or an Affiliate of the Corporation that contains a definition of the term “disability” or a similar term, the term “disability” shall have the meaning, if any, assigned thereto (or to such similar term) in such contract or agreement;
- (n) “Effective Date” has the meaning ascribed thereto in Section 1.4;
- (o) “Eligible Participant” has the meaning ascribed thereto in Section 3.1(a);
- (p) “Expiry Date” means, with respect to a Grant of Share Units, the date specified in a Grant Agreement, if any, as the date on which the Share Unit will be terminated and cancelled or, if later or no such date is specified in the Grant Agreement, December 31 of the third (3rd) calendar year following the end of the year in which the services to which the grant of such Share Unit relates (or where such services straddle two (2) calendar years, the first (1st) calendar year in which the services to which the grant of such Share Units relates) were rendered;
- (q) “Fair Market Value” means, with respect to any particular date, the average closing price for a Share on the Stock Exchange on the five (5) Trading Days immediately prior to that date or, in the event of a Cease Trade Date, such other value as may be determined pursuant to Section 6.9;
- (r) “Good Reason” means one or more of the following changes in the circumstances of the Eligible Participant’s employment or engagement without the Eligible Participant’s express written consent:
  - (i) a reduction or diminution in the level of authority, responsibility, title or reporting relationship of the Eligible Participant;
  - (ii) a reduction in the Eligible Participant’s base salary or percentage of target annual bonus; or
  - (iii) a requirement by the Board that the Eligible Participant’s position and office be based and located in another geographic location.
- (s) “Grant” means a grant of Share Units made pursuant to Section 4.1;
- (t) “Grant Agreement” means an agreement in the form of Schedule “A” hereto, or such other form as may be prescribed by the Board from time to time, between the Corporation and an Eligible Participant under which a Share Unit is granted, as contemplated by Section 4.2, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan;
- (u) “Grant Date” means the effective date of a Grant;
- (v) “Holding Entity” means an entity that is controlled by an individual;
- (w) “Insider” has the meaning given to it in Policy 1.1 – *Interpretation* of the TSXV Manual;

- (x) “Investor Relations Activities” has the meaning given to it in Policy 1.1 – *Interpretation* of the TSXV Manual;
- (y) “Payment Date” means, in respect of a Grant of Share Units, the Vesting Date or such other date as may be specified in the applicable Grant Agreement pursuant to Section 4.1(c);
- (z) “Payout” means a payout of Vested Share Units in cash, Shares or a combination of cash and Shares, as determined by the Board, in an amount equal to the Fair Market Value of the Vested Share Unit on the Payment Date;
- (aa) “Performance Period” means, with respect to PSUs, the period specified by the Board for achievement of any applicable Performance Conditions as a condition to Vesting; “Performance Conditions” means such financial, personal, operational or transaction- based performance criteria as may be determined by the Board in respect of a Grant to any Eligible Participant and set out in a Grant Agreement. Performance Conditions may apply to the Corporation, or a subsidiary or Affiliate of the Corporation, either individually, or in any combination, and may be measured either in total, incrementally or cumulatively over a specified performance period, on an absolute basis or relative to a pre-established target or milestone, to previous years' results or to a designated comparator group, or otherwise;
- (bb) “Permitted Assign” means, for an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation: (a) a trustee, custodian or administrator acting on behalf of, or for the benefit of the person; (b) a Holding Entity of the person; and (c) a registered retirement savings plan, a registered retirement income fund or a tax-free savings account of the person;
- (cc) “Person” means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, fund, organization or other group of organized persons, government, governmental regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, court, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;
- (dd) “Plan” means this Kootenay Silver Inc. Share Unit Plan including any Grant Agreement and all Schedules hereto, as amended from time to time in accordance with the terms;
- (ee) “PSU” means a right, granted to an Eligible Participant in accordance with Section 4.1, to receive a Payout, that generally becomes Vested, if at all, subject to the attainment of certain Performance Conditions and satisfaction of such other conditions to Vesting, if any, as may be determined by the Board;
- (ff) “RSU” means a right granted to an Eligible Participant in accordance with Section 4.1, to receive a Payout, that generally becomes Vested, if at all, following a period of continuous employment of the Eligible Participant with the Corporation or an Affiliate of the Corporation;
- (gg) “Retirement” means the Eligible Participant’s retirement from the Corporation or an Affiliate, as applicable, following a period of service of at least two years, provided that such retirement is accepted by the Corporation or Affiliate pursuant to a letter from the Corporation or Affiliate granting the Eligible Participant retirement status and confirming the Eligible Participant’s date of retirement;
- (hh) “Share” means a common share of the Corporation and such other share as may be substituted for it as a result of amendments to the articles of the Corporation, arrangement, reorganization or otherwise, including any rights that form a part of the common share or substituted share;
- (ii) “Shareholder Approval” means approval by the shareholders of the Corporation in accordance with the rules of the Stock Exchange;

- (jj) “Share Unit” means either an RSU or a PSU, as the context requires;
- (kk) “Stock Exchange” means the TSXV, or if the Shares are not listed on the TSXV, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market;
- (ll) “Termination Date” means, in respect of an Eligible Participant, the date that the Eligible Participant ceases to be actively employed or engaged by the Corporation or an Affiliate of the Corporation for any reason which, for purposes of the Plan, specifically does not mean the date on which any statutory or common law severance period or any period of reasonable notice that the Corporation or an Affiliate may be required at Applicable Law to provide to the Eligible Participant, would expire. The Board will have sole discretion to determine whether an Eligible Participant has ceased active employment or engagement and the effective date on which the Eligible Participant ceased active employment or engagement. An Eligible Participant will not be deemed to have ceased to be an employee or Consultant of the Corporation or an Affiliate in the case of:
  - (i) a transfer of his or her employment or engagement between the Corporation and an Affiliate of the Corporation or a transfer of employment or engagement between Affiliates, as applicable;
  - (ii) sick leave; or
  - (iii) any other leave of absence approved by the Corporation or an Affiliate of the Corporation, as applicable, in respect of which the Eligible Participant is guaranteed reemployment by contract or statute upon expiration of such leave, except that in the event active employment or engagement is not renewed at the end of the leave of absence, the employment or consulting relationship shall be deemed to have ceased at the beginning of the leave of absence.
- (mm) “Time Vesting Criteria” shall mean such time-based criteria as may be determined by the Board in respect of any Eligible Participant or Eligible Participants as may be specified by the Board in its sole discretion;
- (nn) “Trading Day” means any date on which the Stock Exchange is open for the trading of Shares and on which Shares are actually traded;
- (oo) “TSXV” means the TSX Venture Exchange;
- (pp) “TSXV Manual” means the TSXV Corporate Finance Manual;
- (qq) “U.S. Taxpayer” means an Eligible Participant for whom the Share Units or amounts payable or provided under this Plan are subject to United States federal income taxation under the Code. Special rules applicable to U.S. Taxpayers are contained in Schedule “C”, which is attached hereto and incorporated by reference;
- (rr) “Vested Share Units” means Share Units that have Vested in accordance with the terms of this Plan and/or the terms of any applicable Grant Agreement;
- (ss) “Vested” means the applicable Time Vesting Criteria, Performance Conditions and/or any other conditions for settlement (subject to any conditions on such settlement imposed in respect of U.S. Taxpayers under Schedule “C” hereto) in relation to a whole number, or a percentage of the number, of PSUs or RSUs determined by the Board in connection with a Grant of PSUs or Grant of RSUs, as the case may be, (i) have been met; or (ii) have been waived or deemed to be met pursuant to Section 2.1 or 4.1(c), and “Vesting” and “Vest” shall be construed accordingly;

- (tt) “Vesting Date” means the date on which the applicable Time Vesting Criteria, Performance Conditions and/or any other conditions for a Share Unit becoming Vested are met, deemed to have been met, or waived, as contemplated in the definition of “Vested”; and
- (uu) “Vesting Period” means, with respect to a Grant, the period specified by the Board, commencing on the Grant Date and ending on the last Vesting Date for Share Units subject to such Grant which, unless otherwise determined by the Board, shall not be later than December 15 of the third year following the year in which the Eligible Participant performed the services to which the Grant relates.

### **1.3 Construction and Interpretation**

- (a) In this Plan, all references to the masculine include the feminine; references to the singular shall include the plural and vice versa, as the context shall require.
- (b) The headings of all articles, sections and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan. References to “Article”, “Section” or “Paragraph” mean an article, section or paragraph contained in the Plan unless expressly stated otherwise.
- (c) In this Plan, “including” and “includes” mean including or includes, as the case may be, without limitation. The words “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to the Plan as a whole and not to any particular article, section, paragraph or other part hereof.
- (d) Whenever the Board is to exercise discretion in the administration of the terms and conditions of this Plan, the term “discretion” means the sole and absolute discretion of the Board.

### **1.4 Effective Date**

This Plan shall become effective upon the receipt of all required shareholder and regulatory approvals or such other date as the Board may determine (the “**Effective Date**”).

## **ARTICLE 2. ADMINISTRATION OF THE PLAN**

### **2.1 Administration of the Plan**

- (a) This Plan will be administered by the Board and the Board has the sole and complete authority, in its discretion, to:
  - (i) interpret the Plan and prescribe, modify and rescind rules and regulations relating to the Plan;
  - (ii) correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it considers necessary or advisable for the implementation and administration of the Plan;
  - (iii) exercise rights reserved to the Corporation under the Plan;
  - (iv) determine the terms and conditions of Grants granted to any Eligible Participant, including, without limitation, (A) the type of Share Unit, (B) the number of RSUs or PSUs subject to a Grant, (C) the Vesting Period(s) applicable to a Grant, (D) the conditions to the Vesting of any Share Units granted hereunder, including terms relating to Performance Conditions, Time Vesting Criteria and/or other Vesting conditions, the Performance Period for PSUs and the conditions, if any, upon which Vesting of any Share Unit will be waived or accelerated without any further action by the Board

(including, without limitation, the effect of a Change of Control and an Eligible Participant's termination in connection therewith), (E) the circumstances upon which a Share Unit shall be forfeited, cancelled or expire, (F) the consequences of a termination with respect to a Share Unit, and (G) the manner and time of exercise or settlement of Vested Share Units;

- (v) determine whether and the extent to which any Performance Conditions or other criteria applicable to the Vesting of a Share Unit have been satisfied or shall be waived or modified;
- (vi) determine the form of Payout of the Vested Share Units;
- (vii) prescribe forms for notices to be prescribed by the Corporation under the Plan; and
- (viii) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the Plan.

The Board's determinations and actions under this Plan are final, conclusive and binding on the Corporation, the Eligible Participants and all other Persons.

## 2.2 Taxes and Other Source Deductions

- (a) Except as provided in this Section 2.2, the Corporation and its Affiliates shall not be liable for any tax imposed on any Eligible Participant as a result of amounts paid or credited to such Eligible Participant under the Plan. Eligible Participants are advised to consult with their own tax adviser(s).
- (b) The Payout of a Share Unit granted under the Plan is subject to the condition that if at any time the Corporation determines, in its discretion, that the satisfaction of withholding tax or other source deductions is necessary or desirable in respect of such Payout, such Payout will not occur unless such withholding has been, or will be, effected to the satisfaction of the Corporation.

If the Corporation is required under the *Income Tax Act* (Canada) or any other Applicable Law to remit to any governmental authority an amount on account of tax or other amounts it may be required by law to withhold (the "**Applicable Withholding Taxes**") in connection with any amount paid or credited hereunder to an Eligible Participant, then the Eligible Participant shall:

- (i) authorize the Corporation and any of its Affiliates, as applicable, to deduct from any amount paid or credited hereunder the Applicable Withholding Taxes, in such manner as it determines in its sole discretion;
- (ii) pay to the Corporation and any of its Affiliates, as applicable, sufficient cash as is determined by the Corporation or its Affiliate, as the case may be, to be the amount necessary to fund the Applicable Withholding Taxes; or
- (iii) make other arrangements acceptable to the Corporation and any of its Affiliates, as applicable, to fund the Applicable Withholding Taxes.

The Corporation shall not be required to issue any Shares under the Plan unless the Eligible Participant has made suitable arrangements with the Corporation and any of its Affiliates, as applicable, to fund any withholding obligation.

Without limiting the generality of the foregoing, the Corporation and any of its Affiliates, as applicable, will have the right to deduct from payments of any kind otherwise due to the Eligible Participant any taxes of any kind required to be withheld by the Corporation or its Affiliate, as the case may be, as a result of the Eligible Participant's participation under

hereunder.

All expenses of administration of the Plan shall be borne by the Corporation as determined by the Board.

### **2.3 Eligible Participant Information**

- (a) Each Eligible Participant shall provide the Corporation with all information (including personal information) the Board requires in order to administer the Plan (the “**Eligible Participant Information**”).
- (b) The Corporation may from time to time transfer or provide access to Eligible Participant Information to a third party service provider for purposes of the administration of the Plan provided that such service providers will be provided with such information for the sole purpose of providing services to the Corporation in connection with the operation and administration of the Plan. The Corporation may also transfer and provide access to Eligible Participant Information to its Affiliates for purposes of preparing financial statements or other necessary reports and facilitating payment or reimbursement of Plan expenses. By participating in the Plan, each Eligible Participant acknowledges that Eligible Participant Information may be so provided and agrees and consents to its provision on the terms set forth herein.
- (c) The Corporation shall not disclose Eligible Participant Information except (i) as contemplated in Section 2.3(b) above, (ii) in response to regulatory filings or other requirements for the information by a governmental authority or regulatory body, or (iii) for the purpose of complying with a subpoena, warrant or other order by a court, Person or body having jurisdiction over the Corporation to compel production of the information.

## **ARTICLE 3. PLAN PARTICIPATION**

### **3.1 Eligibility**

- (a) Each employee, officer or Consultant of the Corporation or an Affiliate of the Corporation (or a Permitted Assign of any such person) who is designated by the Board, in its sole discretion, as eligible for participation in the Plan or whose contract of employment or service with the Corporation or an Affiliate specifies that he or she shall participate in the Plan and who is subsequently designated by the Board, in its sole discretion, as being eligible for participation in the Plan (an “**Eligible Participant**”) shall commence participation in the Plan upon such designation. Notwithstanding the foregoing and any other provision of the Plan, Persons who perform Investor Relations Activities on behalf of the Corporation or an Affiliate of the Corporation, shall not be Eligible Participants.
- (b) Notwithstanding any other provision of the Plan, if an Eligible Participant is resident or otherwise subject to taxation in a jurisdiction in which an award of Share Units under the Plan might be considered to be income which is subject to taxation at the time of such award, the Eligible Participant may elect not to participate in the Plan by providing a written notice to the Chief Financial Officer of the Corporation.

### **3.2 Eligible Participant’s Agreement to be Bound**

Participation in the Plan by any Eligible Participant shall be construed as acceptance by the Eligible Participant of the terms and conditions of the Plan and all rules and procedures adopted hereunder and as amended from time to time.

### **3.3 Restrictions on Issuance of Shares**

- (a) Subject to: adjustment as provided for in Article 5; and the remainder of this section 3.3, the number of Shares hereby reserved for issuance to Eligible Participants under this Plan shall not exceed

3,500,000, or such greater number of Shares as shall have been duly approved by the Board and, if required, by the Stock Exchange on which the Shares are then listed, by the shareholders of the Corporation. Any Shares subject to a Share Unit which has been granted under the Plan and which is cancelled or terminated in accordance with the terms of the Plan without being paid out in Shares as provided for in this Plan shall again be available under the Plan. To the extent that any Share Units that may be paid out in cash or Shares or a combination thereof are paid out in cash, then the Shares that were potentially issuable in respect of such Share Units shall again be available under the Plan. For greater certainty, any Share Units which may only be paid out in cash shall not be subject to this Section 3.3.

- (b) For so long as the Corporation is subject to the requirements of the TSXV, unless disinterested Shareholder Approval is obtained (or unless permitted otherwise by the rules of the TSXV):
  - (i) the maximum number of Shares which may be reserved for issuance to Insiders (as a group) at any time under the Plan, together with Shares reserved for issuance to Insiders (as a group) at any time under all of the Corporation's other security based compensation arrangements, may not exceed 10% of the issued Shares;
  - (ii) the maximum number of Shares that may be issued to Insiders (as a group) within any 12-month period under the Plan, together with Shares issued to Insiders (as a group) within any 12-month period under all of the Corporation's other security based compensation arrangements, may not exceed 10% of the issued Shares calculated on the Grant Date; and
  - (iii) the maximum number of Shares that may be issued to any one Eligible Participant (and companies wholly-owned by that Eligible Participant) within any 12-month period under the Plan, together with Shares issued to such Eligible Participant (and companies wholly-owned by that Eligible Participant) within any 12-month period under all of the Corporation's other security based compensation arrangements, may not exceed 5% of the issued Shares calculated on the Grant Date.
- (c) For so long as the Corporation is subject to the requirements of the TSXV (unless permitted otherwise by the rules of the TSXV), the maximum number of Shares which may be issuable pursuant to all security-based compensation arrangements of the Corporation in any 12 month period to any one Consultant must not exceed two percent (2%) of the issued and outstanding Shares calculated as at a date any security-based compensation is granted or issued to the Consultant.

#### **ARTICLE 4. GRANT OF SHARE UNITS AND TERMS**

##### **4.1 Grant of Share Units and Terms**

- (a) Subject to the provisions of the Plan and other terms and condition the Board may prescribe, the Corporation may grant Share Units to an Eligible Participant in such number and at such times as the Board may in its sole discretion determine, in respect of services rendered or to be rendered by the Eligible Participant in the year awarded.
- (b) Each Share Unit will give the Eligible Participant the right to receive a Payout with respect to each such Share Unit which has become a Vested Share Unit pursuant to the provisions of this Plan and in accordance with the terms of the Grant Agreement relating to such Share Unit.
- (c) Subject to the terms of the Plan, the Board may determine other terms or conditions of any Share Units, and shall specify the material terms thereof in the applicable Grant Agreement. Without limiting the generality of the foregoing, such additional terms and conditions may include terms or conditions relating to:
  - (i) the type of Share Units;
  - (ii) the number of RSUs or PSUs subject to such grant;

- (iii) any terms and conditions the Board may in its discretion determine with respect to Vesting or the acceleration of Vesting;
- (iv) the form of Payout; and
- (v) the Payment Date;

which shall be set out in the Grant Agreement. The conditions may relate to all or a portion of the Share Units in a Grant and may be graduated such that different percentages of the Share Units in a Grant will become Vested depending on the extent of satisfaction of one or more such conditions. The Board may, in its discretion, subsequent to the Grant Date of a Share Unit, waive any such term or condition or determine that it has been satisfied subject to Applicable Law.

- (d) No certificates shall be issued with respect to Share Units.

#### **4.2 Grant Agreement**

- (a) Each Grant of a Share Unit will be set forth in a Grant Agreement containing terms and conditions required under the Plan and such other terms and conditions not inconsistent herewith as the Board may, in its sole discretion, deem appropriate.

#### **4.3 Records and Accounts**

- (a) The Board shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties, which records shall, absent manifest error, be considered conclusively determinative of all information contained therein.
- (b) The Corporation shall maintain or shall cause an Affiliate of the Corporation to maintain, as applicable, in its books an account for each Eligible Participant (an “**Account**”) recording at all times the number of Share Units standing to the credit of such Eligible Participant. Share Units that fail to Vest in an Eligible Participant pursuant to Article 6, or that are paid out to the Eligible Participant or his or her Beneficiary, shall be cancelled and shall cease to be recorded in the Eligible Participant’s Account as of the date on which such Share Units are forfeited or cancelled under the Plan or are paid out, as the case may be. For greater certainty, where an Eligible Participant is granted both RSUs and PSUs, such RSUs and PSUs shall be recorded separately in the Eligible Participant’s Account.

#### **4.4 Representation to the TSXV**

As a condition precedent to the grant of a Share Unit, the Corporation and the Eligible Participant shall represent to the TSXV as of the Grant Date that the Eligible Participant is a bona fide employee, officer or Consultant of the Corporation or an Affiliate of the Corporation or a Permitted Assign of any such Person. The Grant Agreement to which the Eligible Participant is a party must contain such a representation by the Eligible Participant.

### **ARTICLE 5. CERTAIN ADJUSTMENTS**

#### **5.1 Reorganizations and Reclassifications**

In the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation’s assets to shareholders (other than the payment of dividends in respect of the Shares), the Account of each Eligible Participant and the Share Units outstanding under the Plan shall be adjusted in such manner, if any, as the Corporation may in its discretion deem appropriate to preserve, proportionally, the interests of Eligible

Participants under the Plan.

## **ARTICLE 6. SETTLEMENT OF SHARE UNITS**

### **6.1 Settlement of Vested Share Units**

Each Eligible Participant who continues in employment or service with the Corporation or an Affiliate on a Vesting Date shall receive a Payout in respect of each Vested Share Unit credited to his or her Account. Such Payout shall be made to the Eligible Participant as soon as practicable following the Payment Date and in any event prior to the Expiry Date.

### **6.2 Payout of Shares**

- (a) If the Board determines that any portion of Vested Share Units are to be paid out in Shares, the Eligible Participant will be entitled to receive and the Corporation will issue from treasury a number of Shares equal to the number of Vested Share Units to be paid out in Shares.
- (b) Shares issued by the Corporation under this Plan shall be considered fully paid in consideration of past services that are no less in value than the fair equivalent of the money the Corporation would have received if the Shares had been issued for money.
- (c) No fractional Shares may be issued under the Plan. All fractional shares will be rounded down to the nearest whole number and no payment or other adjustment will be made with respect to the fractional share so disregarded.

### **6.3 Termination Due to Voluntary Resignation**

- (a) Unless otherwise determined by the Board in its sole discretion, if an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate is terminated due to the voluntary resignation of the Eligible Participant, then all Share Units granted to the Eligible Participant which have not Vested on or before the Termination Date, shall be forfeited and cancelled effective as of the Termination Date and the Eligible Participant shall have no entitlement to receive payment in respect of such forfeited Share Units, or any other amount in respect of such forfeited Share Units, by way of damages, payment in lieu or otherwise.
- (b) Any Vested Share Units credited to the Eligible Participant's Account as at his or her Termination Date remain payable in accordance with the terms of this Section 6.3 and the Eligible Participant shall receive a Payout in respect of each such Vested Share Unit credited to his or her Account, as soon as practicable following the Payment Date and in any event prior to the Expiry Date.

### **6.4 Termination by the Corporation without Cause, by the Eligible Participant for Good Reason, or Due to Disability or Retirement**

- (a) Unless otherwise determined by the Board in its sole discretion, if an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation, as applicable, is terminated by the Company without Cause, by the Eligible Participant for Good Reason, or due to Disability or Retirement, then:
  - (i) the Eligible Participant shall be entitled to a Payout in respect of that portion of PSUs that have Vested as of the Termination Date. All unvested PSUs held by the Eligible Participant as of the Termination Date shall be forfeited and cancelled as of the Termination Date and the Eligible Participant shall have no entitlement in connection with such PSUs, and

- (ii) a portion of the unvested RSUs held by the Eligible Participant shall immediately Vest. The number of unvested RSUs held by the Eligible Participant that shall Vest pursuant to this Section 6.4(a)(ii) shall be calculated by multiplying the number of unvested RSUs held by the Eligible Participant by a fraction, the numerator of which equals the number of days the Eligible Participant was actively employed or engaged between the Grant Date of such RSUs and his or her Termination Date, and the denominator of which equals the total number of days between the Grant Date of such RSUs and their original Vesting Date. The Eligible Participant shall be entitled to a Payout in respect of the RSUs held by the Eligible Participant that Vest pursuant to this Section 6.4(a)(ii). Such Payout(s) shall be made to the Eligible Participant as soon as practicable following the Payment Date and in any event prior to the Expiry Date. All unvested RSUs held by the Eligible Participant as of the Termination Date for which the Eligible Participant is not entitled to a Payout pursuant to this Section 6.4(a)(ii) shall be forfeited and cancelled as of the Termination Date and the Eligible Participant shall have no entitlement in connection with such RSUs.
- (b) Any Vested Share Units credited to the Eligible Participant's Account as of his or her Termination Date (which for greater certainty does not include any RSUs that become Vested Share Units pursuant to Section 6.4(a)(ii)) will remain payable in accordance with the terms of this Section 6.4 and the Eligible Participant shall receive a Payout in respect of each such Vested Share Unit as soon as practicable following the Payment Date and in any event prior to the Expiry Date.

#### **6.5 Termination With Cause**

Unless otherwise determined by the Board in its sole discretion, in the event that an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate is terminated for Cause by the Corporation or an Affiliate of the Corporation, as applicable, the Eligible Participant's Share Units, whether Vested or unvested, shall be forfeited and cancelled as of the Termination Date and the Eligible Participant shall have no entitlement to receive any payment respect of such forfeited Share Units, or any other amount in respect of such forfeited Share Units, by way of damages, payment in lieu or otherwise.

#### **6.6 Termination by the Company, or by the Eligible Participant for Good Reason, Subsequent to a Change of Control**

Unless otherwise determined by the Board in its sole discretion, if an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation, as applicable, is terminated by the Corporation within 12 months after a Change of Control occurs, or the Eligible Participant terminates his or her employment or engagement with the Company for Good Reason within 12 months after a Change of Control occurs, then all outstanding Share Units which have not Vested shall immediately Vest and become Vested Share Units and shall be paid out immediately in accordance with the terms of this Plan.

#### **6.7 Termination Due to Death**

- (a) Unless otherwise determined by the Board in its sole discretion, in the event that an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation, as applicable, is terminated due to the death of the Eligible Participant, then:
  - (i) the Beneficiary of the Eligible Participant shall be entitled to a Payout in respect of that portion of PSUs that have Vested as of the Termination Date. All unvested PSUs held by the Eligible Participant as of the Termination Date shall be forfeited and cancelled as of the Termination Date and the Beneficiary of the Eligible Participant shall have no entitlement in connection with such PSUs, and

- (ii) a portion of the unvested RSUs held by the Eligible Participant shall immediately Vest. The number of unvested RSUs held by the Eligible Participant that shall Vest pursuant to this Section 6.7(a)(ii) shall be calculated by multiplying the number of unvested RSUs held by the Eligible Participant by a fraction, the numerator of which equals the number of days the Eligible Participant was actively employed or engaged by the Corporation between the Grant Date of such RSUs and his or her date of death, and the denominator of which equals the total number of days between the Grant Date of such RSUs and their original Vesting Date. The Beneficiary of the Eligible Participant shall be entitled to a Payout in respect of the RSUs held by the Eligible Participant that Vest pursuant to this Section 6.7(a)(ii). Such Payout shall be made to the Beneficiary as soon as practicable following completion of the aforementioned calculation and in any event prior to the Expiry Date. All unvested RSUs held by the Eligible Participant as of the Termination Date for which the Beneficiary is not entitled to a Payout pursuant to this Section 6.7(a)(ii) shall be forfeited and cancelled as of the Termination Date and the Beneficiary and Eligible Participant shall have no entitlement in connection with such RSUs.
- (b) Any Vested Share Units credited to the Eligible Participant's Account as of his or her date of death (which for greater certainty does not include any RSUs that become Vested Share Units pursuant to Section 6.7(a)(ii)) will remain payable in accordance with the terms of this Section 6.7 and the Eligible Participant's Beneficiary shall receive a Payout in respect of each such Vested Share Unit as soon as practicable following the Eligible Participant's date of death and in any event prior to the Expiry Date.

#### **6.8 Termination Due to Death on the Job**

Notwithstanding Section 6.7, unless otherwise determined by the Board in its sole discretion, if an Eligible Participant's employment or service as an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation, as applicable, is terminated due to the death of the Eligible Participant which occurred while the Eligible Participant was performing his or her regular duties as an officer, employee or Consultant of the Corporation or an Affiliate of the Corporation, as applicable, then all outstanding Share Units which have not Vested shall immediately Vest and become Vested Share Units and shall be paid out immediately in accordance with the terms of this Plan.

#### **6.9 General Conditions of Payout**

- (a) Notwithstanding any provision in the Plan to the contrary and for greater certainty, no Payout in respect of any Share Units credited to an Eligible Participant's Account shall occur following the Expiry Date of such Share Units.
- (b) Upon a Payout pursuant to this Article 6, the entitlement of an Eligible Participant to receive any and all amounts in respect of the Vested Share Units to which such Payout relates shall be fully discharged and satisfied and all such Vested Share Units shall thereupon be cancelled.
- (c) No interest shall accrue to, or be credited to, the Eligible Participant or his or her Beneficiary on any amount payable under the Plan.
- (d) Notwithstanding any other provision of the Plan, no new awards of Share Units will be made to an Eligible Participant while such Eligible Participant is absent from the workplace as a result of a Disability or following the Eligible Participant's Termination Date.
- (e) In the event that the Payout of an Eligible Participant's Vested Share Units occurs after the date on which the Shares ceased to be traded on the Stock Exchange, provided such cessation in trading is not reasonably expected to be temporary (the "**Cease Trade Date**"), the value of Payout of such Share Units of the Eligible Participant pursuant to this Article 6 shall be determined in accordance with the following:

- (i) where the Eligible Participant's Termination Date is before or not more than three hundred and sixty-five (365) days after the last Trading Day before the Cease Trade Date, the value of each Vested Share Unit credited to the Eligible Participant's Account at his or her Termination Date shall be equal to the Fair Market Value on the last Trading Day before the Cease Trade Date;
- (ii) where the Eligible Participant's Termination Date is after the date that is three hundred and sixty-five (365) days after the last Trading Day before the Cease Trade Date, the value of each Vested Share Unit credited to the Eligible Participant's Account at his or her Termination Date shall be based on the fair market value of a common share of the Corporation at his or her Termination Date as determined on a reasonable basis by the Board after receiving the advice of one or more independent firms of accountants or investment bankers.

#### **6.10 Forfeited Share Units**

- (a) No cash, Shares or other compensation shall at any time be paid in respect of any Share Units which have been forfeited or terminated under this Plan or on account of damages relating to any Share Units which have been forfeited or terminated under this Plan.
- (b) Notwithstanding any other provision of the Plan, Share Units granted hereunder shall terminate, if not redeemed or previously terminated and forfeited in accordance with the Plan, and be of no further force and effect after the Expiry Date.

### **ARTICLE 7. GENERAL**

#### **7.1 Amendment, Suspension or Termination of Plan**

The Plan may be amended, suspended or terminated at any time by the Board in whole or in part. No amendment of the Plan shall, without the consent of the Eligible Participants affected by the amendment, or unless required by Applicable Law, adversely affect the rights accrued to such Eligible Participants with respect to Share Units granted prior to the date of the amendment. Upon termination of the Plan, all unvested Share Units shall remain outstanding and in effect and continue to Vest and be settled in accordance with the terms of the Plan existing at the time of its termination and the applicable Grant Agreement. The Plan will terminate on the date upon which no further Share Units remain outstanding.

Shareholder approval shall be obtained in accordance with the requirements of the Stock Exchange for any amendment that results in:

- (a) an increase in the maximum number of Shares issuable under Section 3.3 of this Plan;
- (b) an amendment to the individuals designated as Eligible Participants under this Plan;
- (c) an extension of the Expiry Date for Share Units granted under this Plan;
- (d) an amendment that would permit a Share Unit to be transferable or assignable, other than by will or the laws of descent and distribution; or
- (e) an amendment to the amendment provisions contained in this Section 7.1.

#### **7.2 Compliance with Laws**

The administration of the Plan shall be subject to and made in conformity with Applicable Law.

### **7.3 Reorganization of the Corporation**

The existence of any Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation, or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

### **7.4 Assignment**

- (a) Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation, any corporation resulting from any amalgamation, reorganization, combination, merger or arrangement of the Corporation, or any corporation acquiring all or substantially all of the assets or business of the Corporation.
- (b) In no event may the rights or interests of an Eligible Participant under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a Beneficiary upon death of an Eligible Participant pursuant to the terms of the Plan.

### **7.5 Units Non-Transferable**

Share Units are non-transferable. Certificates representing Share Units will not be issued by the Corporation. Notwithstanding the foregoing, unless the Board determines otherwise in its sole discretion, an Eligible Participant may transfer Share Units to a Permitted Assign, provided that the transfer of the Share Units, and the subsequent issuance of any Shares pursuant to such Share Units, to such Permitted Assigns is permitted by, and is effected in accordance with the then applicable policies of the Stock Exchange. For the avoidance of doubt, if the Corporation is subject to the requirements of the TSXV and the TSXV so requires, Share Units shall be non-assignable and non-transferrable. Upon any such permitted transfer, the transferred Share Units shall be deemed, for purposes of the Plan, to continue to be held by the Eligible Participant, and shall continue to be subject to the terms and conditions of the Plan as if the Eligible Participant remained the sole holder thereof. The Board may, in its sole discretion, permit transfers of Share Units other than those contemplated by this Section 7.5, subject to Applicable Law and the prior approval of the Stock Exchange, if required.

### **7.6 Designation of Beneficiary**

Subject to the requirements of Applicable Law, an Eligible Participant shall designate in writing a person who is a dependant or relation of the Eligible Participant as a beneficiary to receive any benefits that are payable under the Plan upon the death of such Eligible Participant. The Eligible Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in the form of Schedule "B". The initial designation of each Eligible Participant shall be executed and filed with the Chief Financial Officer of the Corporation: (a) in the case of an existing employee, within sixty (60) days following the Effective Date of the Plan; or (b) in the case of a new employee, within sixty (60) days after the employee's date of hire. Changes to such designation may be filed from time to time thereafter, subject to Applicable Law.

### **7.7 Participation is Voluntary; No Additional Rights**

- (a) The participation of any Eligible Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Eligible Participant any rights or privileges other than those rights and privileges expressly provided in the Plan.
- (b) Without limiting the generality of Section 7.7(a), neither participation in the Plan nor any action taken under the Plan shall give or be deemed to give any Eligible Participant a right to continued employment or engagement with the Corporation or an Affiliate, and such participation shall not interfere with the right of the Corporation or an Affiliate, as applicable, to terminate the Eligible Participant's employment or engagement at any time.

- (c) Without limiting the generality of Section 7.7(a), nothing in this Plan or the Eligible Participant's opportunity to participate in this Plan shall be construed to provide the Eligible Participant with any rights whatsoever to participate or to continue participation in this Plan, or to compensation or damages in lieu of participation or the right to participate in this Plan upon the termination of the Eligible Participant's employment or engagement with the Corporation or an Affiliate of the Corporation, as applicable, for any reason (including, without limitation, any breach of contract by the Corporation or an Affiliate of the Corporation, as applicable) or in consequence of any other circumstances whatsoever.

#### **7.8 No Shareholder Rights**

Under no circumstances shall Share Units be considered Shares or other voting securities of the Corporation, nor shall they entitle any Eligible Participant to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Corporation, including, without limitation, voting rights, dividend entitlement rights or rights on liquidation, nor shall any Eligible Participant be considered the owner of Shares by virtue of the award of Share Units.

#### **7.9 Unfunded and Unsecured Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded and the Corporation will not secure its obligations under the Plan. To the extent any Eligible Participant or his or her Beneficiary holds any rights by virtue of a grant of Share Units under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

#### **7.10 Market Fluctuations**

- (a) No amount will be paid to, or in respect of, an Eligible Participant under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Participant for such purpose.
- (b) The Corporation makes no representations or warranties to Eligible Participants with respect to the Plan or the Share Units whatsoever. In seeking the benefits of participation in the Plan, an Eligible Participant agrees to exclusively accept all risks associated with a decline in the Fair Market Value of Shares and all other risks associated with the holding of Share Units.

#### **7.11 Currency**

All payments and benefits under the Plan shall be determined in the lawful currency of Canada and paid in the local currency of the Eligible Participant's country of residence using the currency exchange rate available to the Corporation at the time of payment.

#### **7.12 Governing Law**

The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein, without regard to any principles of conflict of laws that would apply the laws of any other jurisdiction.

#### **7.13 Severability**

The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

**SCHEDULE "A"**

**Kootenay Silver Inc.  
Share Unit Plan (the "Plan")**

**Grant Agreement**

Kootenay Silver Inc. (the "**Corporation**") hereby grants the following award to the Eligible Participant named below in accordance with and subject to the terms, conditions and restrictions of this Grant Agreement ("**Grant Agreement**"), together with the provisions of the Plan:

Name of Eligible Participant: \_\_\_\_\_

Address of Eligible Participant: \_\_\_\_\_

\_\_\_\_\_

Type of Share Units (RSUs or PSUs): \_\_\_\_\_

Number of Share Units: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Time Vesting Criteria: \_\_\_\_\_

Performance Conditions: \_\_\_\_\_

Other Vesting Conditions: \_\_\_\_\_

Form of Payout: \_\_\_\_\_

Expiry Date: \_\_\_\_\_

The terms and conditions of the Plan are hereby incorporated by reference as terms and conditions of this Grant Agreement and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.

Participation in the Plan is voluntary and is not a condition of employment or engagement. No Eligible Participant shall have any claim or right to be granted Share Units pursuant to the Plan.

Neither the Corporation nor any Affiliate of the Corporation (which for the purposes of this Grant Agreement includes their respective directors, officers and employees) shall have any liability for: (i) the income or other tax consequences to Eligible Participants arising from participation in the Plan; (ii) any change in the value of the Shares of the Corporation; or (iii) any delays or errors in the administration of the Plan, except where such person has acted with willful misconduct. Eligible Participants should consult their own tax and business advisors as neither the Corporation nor any of its Affiliates is providing any such advice to any Eligible Participant.

As a condition to the Payout of Share Units, an Eligible Participant: (a) authorizes the Corporation and any of its Affiliates, as applicable, to withhold, in accordance with applicable law, any Applicable Withholding Taxes as a result of the Eligible Participant's participation hereunder from payments of any kind otherwise due to the Eligible Participant; (b) agrees, if requested by the Corporation and any of its Affiliates, as applicable, to remit to the Corporation or its Affiliate, as the case may be, at the time of the Payout of the Share Unit amounts

necessary to pay any Applicable Withholding Taxes; and/or (c) comply with other arrangements acceptable to the Corporation and any of its Affiliates, as applicable, to fund the Applicable Withholding Taxes. The Eligible Participant hereby acknowledges and confirms that the Corporation and any of its Affiliates, as applicable, make no representation or warranty regarding the tax consequences to the Eligible Participant in connection with the Plan or hereunder.

Please acknowledge receipt of this Grant Agreement and your agreement to be bound by its terms (and the terms and conditions set out in the Plan) by signing the acknowledgement below.

By signing this agreement, the Eligible Participant:

- (a) acknowledges that he or she has read and understands the Plan, agrees with the terms and conditions thereof which shall be deemed to be incorporated into and form part of this Grant Agreement (subject to any specific variations contained in this Grant Agreement). In the event of any discrepancy between the terms of the Plan and the terms of this Grant Agreement, the terms of the Plan shall prevail. All capitalized terms used herein shall have the same meaning as in the Plan unless otherwise specified;
- (b) represents to the Corporation that the Eligible Participant is a bona fide employee, officer or Consultant of the Corporation or an Affiliate of the Corporation or a Permitted Assign of any such Person (**circle appropriate relationship with the Corporation**);
- (c) agrees that a Share Unit does not carry any voting rights; and
- (d) recognizes that the value of the Share Units is based on the value of the Shares of the Corporation and therefore is not guaranteed.

By signing this Grant Agreement, the undersigned also provides its express written consent to:

- (a) the disclosure of Personal Information (as defined below) by the Corporation to the TSXV with respect to any and all forms required to be filed by the Corporation with the TSXV with respect to the grant of these Share Units; and
- (b) the collection, use and disclosure of Personal Information by the TSXV for the purposes described in Appendix 6A of the Corporate Finance Manual of the TSXV, or as otherwise identified by the TSXV, from time to time.

“Personal Information” means any information about an identifiable individual, and includes the information contained in any materials to be filed by the Corporation with the TSXV.

**IN WITNESS WHEREOF** the Corporation and the Participant have executed this Agreement as of the date set out below.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name of Eligible Participant)

\_\_\_\_\_  
(Signature or Eligible Participant)

**KOOTENAY SILVER INC.**

By: \_\_\_\_\_  
(Authorized Signatory)

**ACKNOWLEDGEMENT**

The undersigned Eligible Participant acknowledges that:

1. I \_\_\_\_\_ am / \_\_\_\_\_ am not **[check appropriate box]** a U.S. Taxpayer.
2. I have received and reviewed a copy of the Plan and agree to be bound by it and the terms of this Grant Agreement. In the event of any conflict between the terms of the Plan and this Grant Agreement, the terms of the Plan will govern and prevail.
3. Upon receipt of this Grant Agreement by the Corporation, Share Units will be allocated to my account in the Plan as of **[Date]**.
4. I have not been induced to enter into this Grant Agreement by expectation of employment/engagement or continued employment/engagement with the Corporation or an Affiliate.
5. I will be liable for income tax and other applicable taxes or social security contributions when payment is made to me under the Plan in respect of Share Units credited to my Account, in accordance with the terms of the Plan. If I am a U.S. Taxpayer, I understand that I may be liable for certain employment taxes upon vesting of the Share Units, which may be withheld from any payments otherwise then payable to me. **I should confirm the tax treatment with my own tax advisor.**
6. The value of a Share Unit is based on the trading price of a Share and is thus not guaranteed. The eventual cash value of a Share Unit on the applicable payment date may be higher or lower than the value of the Share Unit at the time it was allocated to my account in the Plan.
7. If my employment/engagement with the Corporation or an Affiliate, as applicable, is terminated for Cause, I will forfeit all Share Units, whether vested or unvested, in my Account at the time, as set out in more detail in the Plan.
8. If I resign my employment/engagement with the Corporation, or an Affiliate, as applicable, I will forfeit any Share Units in my Account at that time which have not yet vested, as set out in more detail in the Plan.
9. Any Payout owing to me pursuant to the Plan, less Applicable Withholding Taxes (unless other arrangements suitable to the Corporation or an Affiliate to fund the Applicable Withholding Taxes have been made) if the Payout is in cash, will be forwarded to me at the address above, in the case of cash, in the form of an electronic transfer from the Corporation and in the case of Shares, in the form of share certificates or other document evidencing the issuance of Shares delivered by registered mail.
10. I shall have no entitlement to receive payment in respect of any Share Units that are forfeited pursuant to the terms of the Plan whether by way of damages or otherwise.
11. No funds will be set aside to guarantee a cash payment of the Share Units and that future cash payments of Share Units will remain an unfunded and unsecured liability recorded on the books of the Corporation.
12. I am required to provide the Corporation with all information (including personal information) the Board requires to administer the Plan and I hereby consent to the collection of all such information by the Corporation. I understand that the Corporation may from time to time transfer or provide access to such information to third party service providers for purposes of the administration of the Plan and that such service providers will be provided with such information for the sole purpose of providing such services to the Corporation. I acknowledge that withdrawal of the consent at any time may result in a delay in the administration of the Plan or in the inability of the Corporation to deliver a Payout corresponding to the number of my Share Units to me under the Plan.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Eligible Participant

\_\_\_\_\_  
Name of Eligible Participant **[Please Print]**

**SCHEDULE "B"**

**Kootenay Silver Inc.  
Share Unit Plan (the "Plan")**

**Beneficiary Designation**

To: Corporate Secretary

I, \_\_\_\_\_, being a participant in the Kootenay Silver Inc. Share Unit Plan (the "**Plan**") hereby designate the following individual as my Beneficiary for purposes of the Plan:

Name of Beneficiary: \_\_\_\_\_

Address of Beneficiary: \_\_\_\_\_

\_\_\_\_\_

This designation revokes any previous Beneficiary designation made by me under the Plan. Under the terms of the Plan, and subject to Applicable Law, I reserve the right to revoke this designation and to designate another individual as my Beneficiary.

Date: \_\_\_\_\_

Name: \_\_\_\_\_ (please print)

Signature: \_\_\_\_\_

*Choosing your Beneficiary is an important decision and this is an important document. We recommend that you consider your options carefully and that you seek appropriate advice before completing it if you require clarification.*

*All capitalized terms used in this Beneficiary Designation shall have the same meaning as in the Plan unless otherwise defined herein.*

**SCHEDULE "C"****Kootenay Silver Inc.  
Share Unit Plan (the "Plan")****Plan Provisions Applicable to U.S. Tax Payers**

This Schedule "C" is an integral part of the Plan. The provisions of this Schedule "C" apply to U.S. Taxpayers notwithstanding anything to the contrary in the Plan or in any Grant Agreement. Except as specifically defined in this Schedule "C," all capitalized terms used in this Schedule "C" have the meaning attributed to them in the Plan.

1. Notwithstanding Section 1.2(y) of the Plan, with respect to a U.S. Taxpayer, the term "Payment Date" means the Vesting Date.
2. For purposes of establishing a Vesting Date under Section 1.2(tt) for a U.S. Taxpayer, the Vesting Date shall be the first date as of which the U.S. Taxpayer's rights to the Share Units are no longer subject to a "substantial risk of forfeiture," as defined for purposes of Section 409A of the Code. Accordingly, if a U.S. Taxpayer's rights to the Share Units become vested and non- forfeitable as a result of the application of Section 6.3, 6.5, 6.6 or 6.7 or otherwise, prior to the designated "Vesting Date" as set forth in Section 1.2(tt) or any Grant Agreement, such earlier date shall be treated as the "Vesting Date" for purposes of the Plan.
3. In addition to the Corporation's rights to withhold under Section 2.2(b) from amounts paid under the Plan, to the extent any Applicable Withholding Taxes are due prior to the date of payment of the Share Units, the Corporation and its Affiliates, as applicable, shall be authorized to deduct the Applicable Withholding Taxes from other salary or wages then due to the U.S. Taxpayer.
4. Notwithstanding the provisions of Section 6.5 of the Plan, to the extent a U.S. Taxpayer can accelerate the vesting of his Share Units upon Retirement, the U.S. Taxpayer shall be treated as having a "Vesting Date" at the earliest date upon which the U.S. Taxpayer could retire and become vested (regardless of whether the U.S. Taxpayer actually retired on such date). For purposes of this Schedule "C," the earliest date upon which a U.S. Taxpayer could retire would be after completing \_\_\_\_ years of continuous service with the Corporation and/or its Affiliates. Additionally, a U.S. Taxpayer shall be considered to have a Vesting Date on the date of termination due to Disability.
5. Notwithstanding Article 6 of the Plan, in the case of an Eligible Participant who is a U.S. Taxpayer, any Payout in respect of any Vested Share Units to such U.S. Taxpayer pursuant to Sections 6.1, 6.3, 6.4, 6.6, 6.7 or 6.8 of the Plan shall be made to such U.S. Taxpayer within ten (10) days following the Payment Date for such Vested Share Units.
6. Notwithstanding any other provision of this Schedule "C" or of the Plan to the contrary, under no circumstances may the time or schedule of any payment described in this Schedule "C" be subject to a further deferral except as otherwise permitted by Section 409A of the Code and the regulations and other guidance issued thereunder. The Eligible Participant does not have any right to make any election regarding the time or form of any payment due under this Schedule "C."
7. Notwithstanding the discretion of the Board in Section 7.9 of the Plan to cause the Plan to be funded, any obligation with respect to a U.S. Taxpayer shall at all times be unfunded and the U.S. Taxpayer's rights under this Plan shall be no greater than the rights of an unsecured creditor of the Corporation.
8. It is the Corporation's intent that this Plan be exempt from the provisions of Section 409A of the Code under the short-term deferral exception described in Section 1.409A-1(b)(4) of the Treasury Regulations given that all payments under the Plan will be made no later than the 15th day of the third month following the end of the first calendar year (or, if later, the end of the Corporation's first fiscal year) in

which the U.S. Taxpayer's rights to the Share Units are no longer subject to a substantial risk of forfeiture. The Corporation has made good faith efforts to draft the Plan accordingly. In the event of any ambiguity in the language or any agreement entered into under the Plan (including any Grant Agreement) or in the operation of the Plan, the Plan and any agreement (including any Grant Agreement) shall be construed, interpreted and operated in a manner that will result in exemption from or compliance with the requirements of Section 409A. Notwithstanding the foregoing, no such construction, interpretation or operation of the Plan shall be such that the Plan would constitute a "salary deferral arrangement" as defined in Section 248(1) of the *Income Tax Act* (Canada) or any successor to such provision.

9. Without limiting the generality of Paragraph 8 of this Schedule "C," if any provision of the Plan contravenes any regulations or other guidance provided under Section 409A of the Code or would cause the Share Units to be subject to the interest and penalties under Section 409A of the Code, the Corporation may modify such provision of the Plan, to the extent that it applies to U.S. Taxpayers, without the consent of any Eligible Participant, to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A of the Code. Notwithstanding the foregoing, the neither the Corporation nor any of its affiliates, nor any of their shareholders, officers, employees, directors, agents or representatives shall be liable to any Eligible Participant or other person for any adverse tax consequences resulting from the application of Section 409A of the Code.
10. All provisions of the Plan shall continue to apply to a U.S. Taxpayer to the extent that they have not been specifically modified by this Schedule "C."

**SCHEDULE "P"**

**TO THE MANAGEMENT INFORMATION CIRCULAR OF KOOTENAY SILVER INC.**

**KOOTENAY SILVER INC. DSU PLAN**

**(see attached)**

**KOOTENAY SILVER INC.**

**DEFERRED SHARE UNIT PLAN**

**Effective Date: [●], 2021**

*Approved by the Board on August 12, 2021  
Approved by the Shareholders on [●], 2021*

## DEFERRED SHARE UNIT PLAN

### ARTICLE 1. INTERPRETATION

#### 1.1 Purpose

The purposes of the Plan are:

- (a) to promote a greater alignment of long-term interests between Participants (as defined herein) and the shareholders of the Corporation; and
- (b) to provide a compensation system for Participants that, together with the other compensation mechanisms of the Corporation, reflects the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of Participants.

#### 1.2 Definitions

As used in the Plan, the following terms have the following meanings:

- (a) “**Account**” means the account maintained by the Corporation in its books for each Participant to record the DSUs credited to such Participant under the Plan;
- (b) “**Affiliate**” has the meaning ascribed to that term in the *Securities Act* (British Columbia);
- (c) “**Annual Cash Remuneration**” means all amounts ordinarily payable in cash to the Participant by the Corporation in respect of the services provided by the Participant to the Corporation in connection with such Participant’s service on the Board in a fiscal year, including, without limitation: (i) the cash retainer, (ii) the fee for serving as a member of a Board committee; (iii) the fee for chairing a Board committee; and (iv) meeting and per diem fees;
- (d) “**Applicable Law**” means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and Stock Exchange Rules;
- (e) “**Beneficiary**” means, subject to Applicable Law, an individual who has been designated by a Participant in accordance with Section 4.7 to receive benefits payable under the Plan upon the death of the Participant, or, where no such designation is validly in effect at the time of death, or where the designated individual does not survive the Participant, the Participant’s legal representative;
- (f) “**Board**” means the board of directors of the Corporation, or if established and duly authorized to act with respect to the Plan, any committee of the board of directors of the Corporation;
- (g) “**Change of Control**” means the occurrence of any of the following events:
  - (i) the direct or indirect acquisition or conversion from time to time of more than 50% of the issued and outstanding Shares of the Corporation, in aggregate, by a person or group of persons acting in concert, other than through an employee share purchase plan or employee share ownership plan;
  - (ii) a change in the composition of the Board which results in the majority of the directors of the Corporation not being individuals nominated by the Corporation’s then incumbent directors; or

- (iii) a merger or amalgamation of the voting shares of the Corporation where the voting shares of the resulting merged or amalgamated company are owned or controlled by shareholders of whom more than 50% are not the same as the shareholders of the Corporation immediately prior to the merger;
- (h) **“Corporation”** means Kootenay Silver Inc. and includes any successor corporation thereof, and any reference in this Plan to action by the Corporation means action by or under the authority of the Board;
- (i) **“Conversion Date”** means the date used to determine the Fair Market Value of a Deferred Share Unit for purposes of determining the number of Deferred Share Units to be credited to a Participant under Section 2.2 and, in any event, shall not be earlier than the first business day of the year in respect of which the Deferred Share Units are being provided;
- (j) **“Deferred Share Unit”** or **“DSU”** means a unit credited by the Corporation to a Participant by way of a bookkeeping entry in the books of the Corporation, as determined by the Board, pursuant to this Plan, the value of which at any particular date shall be the Fair Market Value at that date;
- (k) **“Director”** means a director of the Corporation;
- (l) **“DSU Award Agreement”** means the agreement setting out the terms of any DSU award in the form of Schedule “B” hereto, or such other form as may be prescribed by the Board from time to time;
- (m) **“Effective Date”** has the meaning ascribed thereto in Section 1.3;
- (n) **“Elected Percentage”** has the meaning ascribed thereto in Schedule “A”;
- (o) **“Election Notice”** means the written election under Section 2.2 to receive Deferred Share Units, in the form of Schedule “A” hereto, or such other form as may be prescribed by the Board from time to time;
- (p) **“Entitlement Date”** has the meaning ascribed thereto in Section 3.1;
- (q) **“Fair Market Value”** means, with respect to any particular date, (i) if the Shares are listed on the Stock Exchange, the average closing price of the Shares for the five Trading Days immediately prior to that date; (ii) if the Shares are listed on more than one Stock Exchange, the Fair Market Value as determined in accordance with paragraph (i) above for the primary Stock Exchange on which the Shares are listed, as determined by the Board; and (iii) if the Shares are not listed for trading on a Stock Exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (r) **“Holding Entity”** means an entity that is controlled by an individual;
- (s) **“Insider”** has the meaning given to it in Policy 1.1 – *Interpretation* of the TSXV Corporate Finance Manual;
- (t) **“Participant”** means all Directors who are not employees or officers of the Corporation or any Affiliate and includes any non-executive Chair of the Board (or a Permitted Assign of such person);
- (u) **“Permitted Assign”** means, for a Director of the Corporation or an Affiliate of the Corporation: (a) a trustee, custodian or administrator acting on behalf of, or for the benefit of the person; (b) a Holding Entity of the person; (c) a registered retirement savings plan, a registered retirement income fund or a tax-free savings account of the person; and (d) such other nominee of the person approved by the Board;

- (v) “**Plan**” means this Kootenay Silver Inc. Deferred Share Unit Plan, including any DSU Award Agreement and all Schedules hereto, as amended from time to time;
- (w) “**Plan Limit**” means the maximum number of Shares that are issuable under the Plan in accordance with Section 2.4(a);
- (x) “**Share**” means a common share of the Corporation and such other share as may be substituted for it as a result of amendments to the notice of articles of the Corporation, arrangement, reorganization or otherwise, including any rights that form a part of the common share or substituted share;
- (y) “**Shareholder Approval**” means the approval by the shareholders of the Corporation in accordance with the rules of the Stock Exchange;
- (z) “**Stock Exchange**” means the TSXV, or if the Shares are not listed in the TSXV, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market;
- (aa) “**Stock Exchange Rules**” means the applicable rules of any stock exchange upon which Shares of the Corporation are listed;
- (bb) “**Termination Date**” means the date of a Participant’s death, or retirement from, or loss of office or employment with the Corporation or a corporation related to the Corporation, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada), including, (i) the voluntary resignation or retirement of a Participant from the Board; or (ii) the removal of such Participant from the Board whether by shareholder resolution or failure to achieve re-election;
- (cc) “**Trading Day**” means any date on which the Stock Exchange is open for the trading of Shares and on which Shares are actually traded; and
- (dd) “**TSXV**” means the TSX Venture Exchange.

### 1.3 Effective Date

The Plan shall become effective upon the receipt of all required shareholder and regulatory approvals or such other date as the Board may determine (the “**Effective Date**”).

### 1.4 Eligibility

If a Participant should become an officer (other than non-executive Chair of the Board) or employee of the Corporation while remaining as a Director, his or her eligibility for the Plan shall be suspended effective the date of the commencement of his or her employment and shall resume upon termination of such employment, provided he or she continues as a Director of the Corporation. During the period of such ineligibility, such individual shall not be entitled to receive or be credited with any Deferred Share Units under the Plan, other than dividend equivalent allocations under Section 2.5. For greater certainty, a suspension will not cause Deferred Share Units previously granted to the Participant to terminate.

### 1.5 Construction

In this Plan, all references to the masculine include the feminine; references to the singular shall include the plural and vice versa, as the context shall require. If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof. Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions contained herein. References to “Article” or “Section” mean an article or a section

contained in the Plan, unless expressly stated otherwise. All amounts referred to in this Plan are stated in Canadian dollars unless otherwise indicated.

## **1.6 Administration**

- (a) The Board may, in its discretion, delegate such of its powers, rights and duties under the Plan, in whole or in part, to a committee of the Board or any one or more Directors, officers or employees of the Corporation as it may determine from time to time, on terms and conditions as it may determine, except the Board shall not, and shall not be permitted to, delegate any such powers, rights or duties to the extent such delegation is not consistent with Applicable Law. The Board may also appoint or engage a trustee, custodian or administrator to administer or implement the Plan or any aspect of it, except that the Board shall not, and shall not be permitted to, appoint or engage such a trustee, custodian or administrator to the extent such appointment or engagement is not consistent with Applicable Law.
- (b) Subject to the foregoing, the Board shall, in its sole and absolute discretion: (i) interpret and administer the Plan; (ii) establish, amend and rescind any rules and regulations relating to the Plan; and (iii) make any other determinations that the Board deems necessary or desirable for the administration of the Plan. The Board may correct any defect or rectify any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Board deems, in its sole and absolute discretion, necessary or desirable. Any decision of the Board or any delegate of the Board with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Participant and any other person claiming an entitlement or benefit through the Participant. All expenses of administration of the Plan shall be borne by the Corporation as determined by the Board.

## **1.7 Governing Law**

The Plan shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein without regard to any principles of conflict of laws that would apply the laws of any other jurisdiction. Any actions, proceedings or claims in any way pertaining to the Plan shall be commenced in the courts of the Province of British Columbia.

## **ARTICLE 2. ELECTION UNDER THE PLAN**

### **2.1 Payment of Annual Cash Remuneration**

- (a) Subject to Section 2.2 and such rules, regulations, approvals and conditions as the Board may impose, a Participant may, in his or her absolute discretion, elect to receive his or her Annual Cash Remuneration in the form of Deferred Share Units, cash or any combination thereof.

### **2.2 Election Process**

- (a) Subject to such rules, regulations, approvals and conditions as the Board may impose, a person who is a Participant while the Plan is effective may elect a form or forms of payment of Annual Cash Remuneration payable for services for one or more chosen periods by completing and delivering to the Chief Financial Officer of the Corporation an initial Election Notice by no later than 30 days after the effective date of the Plan, which shall apply to the Participant's Annual Cash Remuneration payable for services provided after the effective date of such election.
- (b) Subject to such rules, regulations, approvals and conditions as the Board may impose, an individual who becomes a Participant during a year may elect the form or forms of payment of Annual Cash Remuneration by completing and delivering to the Chief Financial Officer of the Corporation an Election Notice within 30 days after the individual becomes a Participant.

- (c) Subject to such rules, regulations, approvals and conditions as the Board may impose, a Participant who has previously made an election under this Section 2.2, or who has never made an election under the Plan, may elect the form or forms of payment of Annual Cash Remuneration for a subsequent period by completing and delivering to the Chief Financial Officer of the Corporation a new Election Notice prior to the first day of the Corporation's financial year that includes the first day of the relevant period.
- (d) The Board may prescribe election forms for use by Participants who are residents of a jurisdiction other than Canada that differ from the election forms it prescribes for use by Canadian resident Participants where the Board determines it is necessary or desirable to do so to obtain comparable treatment for the Plan, the Participants or the Corporation under the laws or regulatory policies of such other jurisdiction as is provided under the laws and regulatory policies of Canada and its Provinces, provided that no election form prescribed for use by a non-resident of Canada shall contain terms that would cause the Plan to cease to meet the requirements of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) and any successor to such provisions.
- (e) For greater certainty, if the Corporation establishes a policy for members of the Board with respect to the acquisition and/or holding of Shares and/or DSUs, each Director shall ensure that any election he or she makes under this Section 2.2 complies with any such applicable policy.
- (f) Deferred Share Units elected by a Participant pursuant to this Section 2.2 shall be credited to the Participant's Account as of the applicable Conversion Date. The number of Deferred Share Units (including fractional Deferred Share Units) to be credited to a Participant's Account as of a particular Conversion Date pursuant to this Section 2.2(f) shall be determined by dividing the portion of that Participant's Annual Cash Remuneration for the applicable period to be satisfied by Deferred Share Units by the Fair Market Value on the particular Conversion Date, which, unless otherwise determined by the Board, shall be the last business day in which such portion of the Participant's Annual Cash Remuneration was earned.

### 2.3 Deferred Share Units

- (a) In addition to Deferred Share Units granted pursuant to Section 2.2(f):
  - (i) subject to the provisions of the Plan and other terms and conditions the Board may prescribe, the Board may award such number of Deferred Share Units to a Participant as the Board deems advisable to provide the Participant with appropriate equity-based compensation for the services he or she renders to the Corporation. Subject to Applicable Law, the Board shall determine the date on which such Deferred Share Units may be granted and the date as of which such Deferred Share Units shall be credited to a Participant's Deferred Share Unit Account, together with any terms or conditions with respect to the vesting of such Deferred Share Units. The Corporation and a Participant who receives an award of Deferred Share Units pursuant to this Section 2.3(a) shall enter into a DSU Award Agreement to evidence the award and the terms, including terms with respect to vesting, applicable thereto;
  - (ii) notwithstanding any other provision hereunder, at the discretion of the Board, a Participant may receive a grant of Deferred Share Units under the Plan upon such Participant's first election or appointment to the Board.
- (b) Deferred Share Units credited to a Participant's Account under Section 2.2(f), together with any additional Deferred Share Units granted in respect thereof under Section 2.5, will be fully vested upon being credited to a Participant's Account, and the Participant's entitlement to payment of such Deferred Share Units following his Termination Date shall not thereafter be subject to satisfaction of any requirements as to any minimum period of membership on the Board.

- (c) Deferred Share Units credited to a Participant's Account under Section 2.3(a), together with any additional Deferred Share Units granted in respect thereof under Section 2.5, will vest in accordance with such terms and conditions as may be determined by the Board and set out in the DSU Award Agreement. Vested Deferred Share Units shall be paid out in accordance with Article 3. Notwithstanding the foregoing and any other provision of the Plan, for so long as the Corporation is subject to the requirements of the TSXV (unless permitted otherwise by the rules of the TSXV), no grant of any Deferred Share Unit which is subject to a settlement in Shares shall vest on or before the date that is 12 months following the date of grant of such Deferred Share Unit (for greater certainty, this does not apply to a grant of a Deferred Share Unit which is subject to a settlement in cash).
- (d) The Board may specify in a DSU Award Agreement entered into pursuant to Section 2.3(a) whether the Deferred Share Units subject to such agreement will be settled in cash or Shares, or both cash and Shares, provided that where a DSU Award Agreement does not provide for the settlement of the Deferred Share Units subject to such agreement in Shares, such Deferred Share Units may only be settled in cash.
- (e) Notwithstanding any vesting conditions that the Board may have established in respect of a grant of Deferred Share Units, upon the occurrence of a Change of Control, all outstanding Deferred Share Units will become fully vested.

#### **2.4 Maximum Number of Shares and Limits**

- (a) Subject to adjustment pursuant to Section 2.7 and the remainder of this Section 2.4, the maximum number of Shares that may be issued pursuant to this Plan:
  - (i) shall not exceed 1,500,000, or such greater number of Shares as shall have been duly approved by the Board and, if required by Stock Exchange Rules, by the shareholders of the Corporation; and
  - (ii) any Shares subject to a Deferred Share Unit which has been granted under the Plan and which is cancelled or terminated in accordance with the terms of the Plan without being paid out in Shares as provided for in this Plan shall again be available under the Plan. To the extent that any Deferred Share Units that may be paid out in cash or Shares or a combination thereof are paid out in cash, then the Shares that were potentially issuable in respect of such Deferred Share Units shall again be available under the Plan. For greater certainty, any Share Units which may only be paid out in cash shall not be subject to this Section 2.4.
- (b) For so long as the Corporation is subject to the requirements of the TSXV, unless disinterested Shareholder Approval is obtained (or unless permitted otherwise by the rules of the TSXV):
  - (i) the maximum number of Shares which may be reserved for issuance to Insiders (as a group) at any time under the Plan, together with Shares reserved for issuance to Insiders (as a group) at any time under all of the Corporation's other security based compensation arrangements, may not exceed 10% of the issued Shares;
  - (ii) the maximum number of Shares that may be issued to Insiders (as a group) within any 12-month period under the Plan, together with Shares issued to Insiders (as a group) within any 12-month period under all of the Corporation's other security based compensation arrangements, may not exceed 10% of the issued Shares calculated on the grant date of the DSU; and
  - (iii) the maximum number of Shares that may be issued to any one Participant (and companies wholly-owned by that Participant) within any 12-month period under the Plan, together with Shares issued to such Participant (and companies wholly-owned by that Participant)

within any 12-month period under all of the Corporation's other security based compensation arrangements, may not exceed 5% of the issued Shares calculated on the grant date of the DSU.

- (c) Notwithstanding anything herein to the contrary, the Corporation's obligation to issue and deliver Shares in respect of any DSU is subject to the satisfaction of all requirements under Applicable Law in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof and the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction or to comply with Applicable Law. In this connection, the Corporation shall take commercially reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Shares in compliance with Applicable Law.

## 2.5 Dividends

On any payment date for dividends paid on Shares, a Participant shall be credited with dividend equivalents in respect of Deferred Share Units credited to the Participant's Account as of the record date for payment of dividends. Such dividend equivalents shall be converted into additional Deferred Share Units (including fractional Deferred Share Units) based on the Fair Market Value as of the date on which the dividends on the Shares are paid.

## 2.6 Eligible Participant's Account

A Participant's Account shall record at all times the number of Deferred Share Units standing to the credit of the Participant. Upon payment in satisfaction of Deferred Share Units credited to a Participant in the manner described herein, such Deferred Share Units shall be cancelled.

## 2.7 Adjustments and Reorganizations

In the event of any stock split, stock consolidation, combination or exchange of Shares, spin-off, dividend or other distribution of the Corporation's assets to shareholders, or any other change in the capital of the Corporation affecting Shares, such proportionate adjustments, if any, as the Board in its sole discretion may deem appropriate to reflect such change, shall be made with respect to the number of Deferred Share Units outstanding under the Plan, provided that any adjustment of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) or any successor to such provision.

# ARTICLE 3. REDEMPTIONS

## 3.1 Redemption of Deferred Share Units

Subject to Sections 3.3 and 3.4, a Participant may elect up to two separate dates as of which either a portion (specified in whole percentages or number of Deferred Share Units on any one date) or all of the vested Deferred Share Units credited to the Participant's Account shall be redeemed (each such date, an "**Entitlement Date**") by filing one or two irrevocable written redemption elections, in the form of Schedule "A" hereto or such other form as may be prescribed by the Board from time to time, with the Chief Financial Officer of the Corporation no less than 10 days prior to the Entitlement Date specified in the redemption election. No Entitlement Date elected by a Participant pursuant to this Section 3.1 shall be before the date that is three months after the Participant's Termination Date, or later than December 15 of the calendar year following the year in which the Participant's Termination Date occurs. Where a Participant to whom this Section 3.1 applies does not elect a particular date or dates within the permissible period set out above as his Entitlement Date or Entitlement Dates, as the case may be, there shall be a single Entitlement Date for such Participant which, subject to Section 3.3, shall be December 15 of the year following the year in which the Participant's Termination Date occurs.

### **3.2 Settlement of Deferred Share Units**

Subject to Section 4.12, a Participant, or the Beneficiary of a Participant, as the case may be, whose Deferred Share Units are redeemed hereunder as of an Entitlement Date shall be entitled to receive from the Corporation, as a single distribution and not in installments, a cash payment, Shares or any combination of cash and Shares, as determined by the Board, subject to the DSU Award Agreement applicable to such Deferred Share Units, if any. Settlement in Shares shall be made by way of the issuance by the Corporation of one Share for each Deferred Share Unit being settled in Shares as of the relevant Entitlement Date. Settlement of Deferred Share Units in cash shall be made by way of the lump sum payment of an amount equal to the Fair Market Value on the relevant Entitlement Date multiplied by the number of Deferred Share Units being settled in cash as of such Entitlement Date. No fractional Shares will be issued under the Plan. All fractional Shares will be rounded down to the nearest whole number and no payment or other adjustment will be made with respect to the fractional Share so disregarded.

### **3.3 Extended Entitlement Date**

In the event that the Board is unable, by a Participant's Entitlement Date, to compute the final value of the Deferred Share Units recorded in such Participant's Account by reason of the fact that any data required in order to compute the Fair Market Value of a Share has not been made available to the Board and such delay is not caused by the Participant, then the Entitlement Date shall be the next following Trading Day on which such data is made available to the Board.

### **3.4 Limitation on Extension of Entitlement Date**

Notwithstanding any other provision of the Plan, all Shares issuable and any payments hereunder to, or in respect of, a Participant shall be issued or paid, as applicable, on or before December 31 of the calendar year commencing immediately after the Participant's Termination Date.

### **3.5 Death of Eligible Participant**

In the event of a Participant's death, Shares shall become issuable and/or amounts payable in respect of any and all Deferred Share Units then credited to the Participant's Account in accordance with Sections 3.2, 3.3 and 3.5 as soon as reasonably practicable after the Participant's date of death and such date of death shall be deemed to be the sole Entitlement Date with respect to the Participant.

## **ARTICLE 4. GENERAL**

### **4.1 Unfunded Plan**

Unless otherwise determined by the Board, the Plan shall be unfunded. To the extent any individual holds any rights by virtue of an election under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured general creditor of the Corporation.

### **4.2 Successors and Assigns**

The Plan shall be binding on all successors and permitted assigns of the Corporation and a Participant, including without limitation, the estate of such Participant and the legal representative of such estate, or any receiver or trustee in bankruptcy or representative of the Corporation's or the Participant's creditors.

### **4.3 Plan Amendment, Suspension & Termination**

- (a) Subject to the Stock Exchange Rules, Applicable Law and Section 4.3(b) and subject also to Section 4.3(c) below, the Board may, in its sole discretion, suspend or terminate this Plan at any time or from time to time amend, revise or discontinue the terms and conditions of this Plan or of any Deferred Share Unit granted under this Plan and any DSU Agreement relating thereto, provided that such suspension, termination, amendment, or revision will not adversely alter or impair any Deferred

Share Unit previously granted except as permitted by the terms of this Plan or as required by Applicable Laws.

- (b) If this Plan is terminated, the provisions of this Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Deferred Share Unit or any rights pursuant thereto remain outstanding and, notwithstanding the termination of this Plan, the Board will remain able to make such amendments to this Plan or the Deferred Share Unit as would have been entitled to make if this Plan was still in effect.
- (c) The Board shall have the power and authority to approve amendments relating to this Plan or to Deferred Share Units, without Shareholder Approval or disinterested Shareholder Approval (as applicable), to the extent such amendment, without limitation:
  - (i) is a minor change of a “house-keeping nature”, including, without limitation, any amendment for the purpose of curing any ambiguity, error or omission in the Plan, or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
  - (ii) is necessary to comply with the provisions of Applicable Law or the Stock Exchange Rules, including with respect to the treatment of DSUs granted under the Plan;
  - (iii) alters, extends or accelerates the terms of vesting applicable to any DSUs;
  - (iv) changes the termination provisions of a DSU or the Plan which do not entail an extension beyond the original expiry date of a DSU;
  - (v) is an amendment to the Plan respecting the administration of the Plan; and
  - (vi) does not require Shareholder Approval under Applicable Law or the Stock Exchange Rules.
- (d) Notwithstanding Section 4.3(a) and Section 4.3(c), the Corporation will be required to obtain Shareholder Approval for any amendment relating to the following (provided that such Shareholder Approval is then a requirement of the Stock Exchange):
  - (i) the eligibility of a Participant under the Plan;
  - (ii) removing or exceeding the limits on participation in the Plan contained in Section 2.4(b);
  - (iii) increasing the Plan Limit, otherwise than in accordance with the terms of the Plan which permit the Board to make equitable adjustments in the event of transactions affecting the Corporation or its capital; and
  - (iv) granting additional powers to the Board to amend the Plan without Shareholder Approval.
- (e) If the Board terminates or suspends this Plan, previously credited DSUs may, at the Board’s election, be distributed to Participants or may remain outstanding and in effect in accordance with the terms of this Plan. If DSUs remain outstanding after Plan termination or suspension, such DSUs shall not be entitled to Dividend Equivalents unless at the time of termination or suspension the Board determines that the entitlement to Dividend Equivalents after termination or during suspension, as applicable, should be continued. Subject to the foregoing sentence, if the Board terminates or suspends this Plan, no new Deferred Share Units will be credited to the DSU Account of a Participant.

#### **4.4 Plan Amendment – Tax Matters**

Notwithstanding Section 4.3, any amendment of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) or any successor to such provision. The Corporation does not make any representations as to the treatment of the DSUs granted hereunder or any related payments in cash or shares pursuant to the tax laws applicable to a Participant, or make any representation regarding any other matter related to the Plan under any such tax laws. Each Participant should consult his or her own tax advisor regarding his or her own particular circumstances.

#### **4.5 Applicable Trading Policies and Reporting Requirements**

Notwithstanding any other provision of the Plan, the Board and each Participant will ensure that all actions taken and decisions made by the Board or a Participant, as the case may be, pursuant to the Plan, comply with applicable securities laws and regulations and policies of the Corporation relating to insider trading and “black out” periods.

#### **4.6 Currency**

All payments and benefits under the Plan shall be determined in the lawful currency of Canada and paid in the local currency of the Participant’s country of residence using the currency exchange rate available to the Corporation at the time of payment.

#### **4.7 Designation of Beneficiary**

Subject to the requirements of Applicable Law, a Participant may designate in writing a person who is a dependent or relation of the Participant as a beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in the form of Schedule “C” or such other form as may be prescribed by the Board from time to time. The initial designation of each Participant shall be executed and filed with the Chief Financial Officer of the Corporation within sixty (60) days following the Effective Date of the Plan. Changes to such designation may be filed from time to time thereafter.

#### **4.8 Rights of Participants**

- (a) Except as specifically set out in the Plan, no Eligible Participant, or any other person shall have any claim or right to any benefit in respect of Deferred Share Units granted or amounts payable pursuant to the Plan.
- (b) Rights of Participants respecting Deferred Share Units and other benefits under the Plan shall not be transferable or assignable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, unless the Board determines otherwise in its sole discretion, a Participant may transfer Deferred Share Units to a Permitted Assign, provided that the transfer of the Deferred Share Units, and the subsequent issuance of any Shares pursuant to such Deferred Share Units, to such Permitted Assigns is permitted by, and is effected in accordance with the then applicable policies of the Stock Exchange. For the avoidance of doubt, if the Corporation is subject to the requirements of the TSXV and the TSXV so requires, Deferred Share Units shall be non-assignable and non-transferrable. Upon any such permitted transfer, the transferred Deferred Share Units shall be deemed, for purposes of the Plan, to continue to be held by the Participant and shall continue to be subject to the terms and conditions of the Plan as if the Participant remained the sole holder thereof. The Board may, in its sole discretion, permit transfers of Deferred Share Units other than those contemplated by this Section 4.8(b), subject to Applicable Law and the prior approval of the Stock Exchange, if required.

- (c) The Plan shall not be construed as granting a Participant a right to be retained as a member of the Board or a claim or right to any future grants of Deferred Share Units, future amounts payable or other benefits under the Plan.
- (d) Under no circumstances shall Deferred Share Units be considered Shares nor shall they entitle any Participant or other person to exercise voting rights or any other rights attaching to the ownership of Shares.

#### **4.9 Compliance with Law**

Any obligation of the Corporation pursuant to the terms of the Plan is subject to compliance with Applicable Law. The Participants shall comply with Applicable Law and furnish the Corporation with any and all information and undertakings as may be required to ensure compliance therewith.

#### **4.10 Administration Costs**

The Corporation will be responsible for all costs relating to the administration of the Plan.

#### **4.11 Limited Liability**

No member of the Board shall be liable for any action or determination made in good faith in connection with the Plan and members of the Board shall be entitled to indemnification and reimbursement from the Corporation in respect of any claims relating thereto.

#### **4.12 Withholding**

The Corporation may withhold from any amount payable to a Participant, either under the Plan or otherwise, such amount as may be necessary to enable the Corporation to comply with the applicable requirements of any federal or provincial tax law or authority relating to the withholding of tax or any other required deductions with respect to Deferred Share Units. The Corporation may also satisfy any liability for any such withholding obligations, on such terms and conditions as the Corporation may determine in its discretion, by (a) selling on behalf of any Participant, or causing any Participant to sell, any Shares issued hereunder, or retaining any amount payable, which would otherwise be provided or paid to the Participant hereunder or (b) requiring a Participant, as a condition to the redemption of any Deferred Share Units, to make such arrangements as the Corporation may require so that the Corporation can satisfy such withholding obligations, including, without limitation, requiring the Participant to remit to the Corporation in advance, or reimburse the Corporation for, any such withholding obligations.

#### **4.13 Severability**

The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

**SCHEDULE “A”**

**Kootenay Silver Inc.  
Deferred Share Unit Plan (the “Plan”)**

**Election Notice**

**I. Election:**

Subject to Part II of this Notice, for the period \_\_\_\_\_ to \_\_\_\_\_, I hereby elect to receive the following percentage (the “**Elected Percentage**”) of my Annual Cash Remuneration by way of Deferred Share Units (“**DSUs**”):

	<b>Percentage in DSUs</b>	<b>Percentage in Cash</b>
Annual Cash Remuneration	_____ %	_____ %

**Acknowledgement**

I confirm and acknowledge that:

1. I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.
2. I will not be able to cause the Corporation or any Affiliate thereof to redeem DSUs granted under the Plan until the date specified in the Plan following my Termination Date.
3. When DSUs credited to my Account pursuant to this election are redeemed in accordance with the terms of the Plan after my Termination Date, income tax and other withholdings as required may arise at that time. Upon redemption of the DSUs, the Corporation will make all appropriate withholdings as required by law at that time.
4. The value of DSUs is based on the value of the Shares and therefore is not guaranteed.
5. No funds will be set aside to guarantee the payment of DSUs. Future payment of DSUs will remain an unfunded and unsecured liability recorded on the books of the Corporation.
6. This election is irrevocable.

The foregoing is only a brief outline of certain key provisions of the Plan. In the event of any discrepancy between the terms of the Plan and the terms of this Election Notice, the terms of the Plan shall prevail. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise defined above.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name of Participant)

\_\_\_\_\_  
(Signature or Participant)

**SCHEDULE "B"**

**Kootenay Silver Inc.  
Deferred Share Unit Plan (the "Plan")**

**DSU Award Agreement**

**I. Notice of Crediting of DSUs**

1. This Agreement confirms the crediting by Kootenay Silver Inc. (the "**Corporation**") to the Account of the director named below (the "**Participant**") pursuant to Section [2.3(a)(i) /2.3(a)(ii)] of the Plan of \_\_\_\_\_ [number] Deferred Share Units ("**DSUs**") effective [●], 20\_\_ (the "**Effective Date**") on the terms set out in the Plan.
2. [Vesting – insert vesting conditions if any or] All DSUs referred to in Part 1 above, together with any additional DSUs credited to the Participant's Account pursuant to Section 2.5 of the Plan in respect of such DSUs, shall at all times following their grant be fully vested in the Participant, and shall not be subject to forfeiture.

**II. Confirmation**

1. For greater certainty, the above-noted DSUs have been credited to the Participant's Account on the understanding that:
  - (a) The Participant will not be able to cause the Corporation or any Affiliate thereof to redeem DSUs granted under the Plan until the date specified in the Plan following his/her Termination Date.
  - (b) When DSUs credited to the Participant's Account pursuant to this Agreement are redeemed in accordance with the terms of the Plan after his/her Termination Date, income tax and other withholdings as required may arise at that time. Upon redemption of the DSUs, the Corporation will make such withholdings as it may determine to be required by law at that time.
  - (c) The value of DSUs is based on the value of the Shares of the Corporation and therefore is not guaranteed.
  - (d) No funds will be set aside to guarantee the payment of DSUs. Future payment of DSUs will remain an unfunded liability recorded on the books of the Corporation.
  - (e) The Participant has received and reviewed a copy of the terms of the Plan and this Agreement and agrees to be bounded by them.
2. In the event of any discrepancy between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall prevail. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise specified above.
3. The Corporation does not make any representations as to the treatment of the DSUs granted hereunder, or any related payments in cash or Shares pursuant to the tax laws applicable to the Participant, or make any representation regarding any other matter related to the Plan under any such tax laws. The Participant should consult his or her own tax advisor regarding his or her own particular circumstances.

By signing this DSU Award Agreement, the undersigned also provides its express written consent to:

- (a) the disclosure of Personal Information (as defined below) by the Corporation to the TSX Venture Exchange (the "**TSXV**") with respect to any and all forms required to be filed by the Corporation with the TSXV with respect to the grant of these DSUs; and

- (b) the collection, use and disclosure of Personal Information by the TSXV for the purposes described in Appendix 6A of the Corporate Finance Manual of the TSXV, or as otherwise identified by the TSXV, from time to time.

“Personal Information” means any information about an identifiable individual, and includes the information contained in any materials to be filed by the Corporation with the TSXV.

**IN WITNESS WHEREOF** the Corporation and the Participant have executed this Agreement as of the date set out below.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Name of Participant)

\_\_\_\_\_  
(Signature or Participant)

**KOOTENAY SILVER INC.**

By: \_\_\_\_\_  
(Authorized Signatory)

**SCHEDULE "C"**

**Kootenay Silver Inc.  
Deferred Share Unit Plan (the "Plan")**

**Redemption Date Election**

To: Kootenay Silver Inc.

I, \_\_\_\_\_, being a holder of DSUs under the Plan, hereby elect the following one or two dates as of which either a portion or all (as specified below) of the Deferred Share Units credited to my account shall be redeemed (each such date being an "Entitlement Date"):

Entitlement Date: \_\_\_\_\_

Deferred Share Units to be redeemed: \_\_\_\_\_

(if applicable)

Entitlement Date: \_\_\_\_\_

Deferred Share Units to be redeemed: \_\_\_\_\_

**NOTE: If two Entitlement Dates are selected, you must specify the portion of Deferred Share Units to be redeemed on each Entitlement Date as either a whole percentage or number of Deferred Share Units.**

I acknowledge that:

1. This Redemption Date Election must be filed with Kootenay Silver Inc. no less than 10 days before any Entitlement Date.
2. No Entitlement Date shall be before the date that is three months after my Termination Date (as defined in the Plan) or later than December 15 of the calendar year following the year in which my Termination Date occurs.
3. Regardless of my Entitlement Date, the value of the Deferred Share Units redeemed will be equal to the number of Deferred Share Units redeemed multiplied by the Fair Market Value of the Shares on my Entitlement Date.
4. This election revokes any previous Entitlement Date election I have made under the Plan.

Date: \_\_\_\_\_

Name: \_\_\_\_\_ (please print)

Signature: \_\_\_\_\_

**SCHEDULE "D"**

**Kootenay Silver Inc.  
Deferred Share Unit Plan (the "Plan")**

**Beneficiary Designation**

**To: Kootenay Silver Inc.**

I, \_\_\_\_\_, being a Participant under the Plan hereby designate the following person as my Beneficiary for purposes of the Plan:

Name of Beneficiary: \_\_\_\_\_

Address of Beneficiary: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

This designation revokes any previous beneficiary designation made by me under the Plan. Under the terms of the Plan, I reserve the right to revoke this designation and to designate another person as my Beneficiary.

Date: \_\_\_\_\_

Name: \_\_\_\_\_  
(please print)

Signature: \_\_\_\_\_