



TSX-V: CAD

## **COLONIAL COAL INTERNATIONAL CORP.**

Suite 200, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5  
Telephone: (604) 568-4962 and Facsimile: (604) 684-0642

### **MANAGEMENT PROXY CIRCULAR**

(as at November 12, 2019, except as otherwise indicated)

**This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Colonial Coal International Corp. (the “Corporation”) for use at the annual general meeting (the “Meeting”) of its shareholders to be held on December 20, 2019, at the time and place and for the purposes set forth in the accompanying Notice of the Meeting.**

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

### **GENERAL PROXY INFORMATION**

#### **Solicitation of Proxies**

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

#### **Appointment of Proxyholders**

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

### **Voting by Proxyholder**

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

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

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.**

### **Registered Shareholders**

Registered shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders electing to submit a Proxy may do so by using one of the following methods:

- (a) by completing, dating and signing the enclosed form of Proxy and returning it to the Corporation's transfer agent, Computershare Trust Company of Canada ("**Computershare**"), by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, by mail to the 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1, or by hand delivery to the 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9;
- (b) by using a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed Proxy form for the toll free number, the holder's account number and the Proxy access number; or
- (c) by using the internet through the website of the Corporation's transfer agent at [www.investorvote.com](http://www.investorvote.com). Registered shareholders must follow the instructions that are given by the website and refer to the enclosed Proxy form for the holder's account number and the Proxy access number;

and in all cases ensuring that the Proxy is received at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used.

## **Beneficial Shareholders**

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

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

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

There are two kinds of Beneficial Shareholders - 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).

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the Proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Corporation. The VIF will name the same persons as the Corporation's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed 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 Common Shares to be represented at the Meeting and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares**

**voted or to have an alternate representative duly appointed to attend the Meeting and vote your Common Shares at the Meeting.**

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

This solicitation of proxies involves securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the *Business Corporations Act* (Alberta), as amended (the “**Alberta Act**”), and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act of 1934*, as amended, are not applicable to the Corporation or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

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

### **Revocation of Proxies**

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

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder’s authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to either Computershare or to the Corporation’s office, located at Suite 200, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairperson of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder’s Common Shares.

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

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

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

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board of Directors of the Corporation (the “**Board**”) has fixed November 12, 2019 as the record date (the “**Record Date**”) for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting, except to the extent that:

- (a) the shareholder has transferred the ownership of any such Common Shares after the Record Date; and
- (b) the transferee produces a properly endorsed share certificate for or otherwise establishes ownership of any of the transferred Common Shares and makes a demand to Computershare no later than 10 days before the Meeting that the transferee’s name be included in the list of shareholders in respect thereof.

The Common Shares of the Corporation are listed for trading on the TSX Venture Exchange (the “**TSXV**”). The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of November 12, 2019, there were 154,799,599 Common Shares issued and outstanding, each carrying the right to vote. There are no Preferred Shares issued and outstanding. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares or the Preferred Shares.

To the knowledge of the directors and executive officers of the Corporation, only the following person beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Corporation as at November 12, 2019:

Shareholder Name <sup>(*)</sup>	Number of Common Shares Held <sup>(*)</sup>	Percentage of Issued Common Shares
Rousseau Asset Management Ltd.	21,824,833	14.1%
David Austin	19,101,700	12.3%
David Emri	16,249,200	10.5%

Note:

(\*) The above information has been furnished by the Corporation and from the insider reports available at [www.sedi.ca](http://www.sedi.ca).

## FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the years ended July 31, 2019 and July 31, 2018, and the report of the Corporation's auditor thereon, will be placed before the Meeting. Additional information may be obtained upon request from the Corporation, at Suite 200, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5; telephone: (604) 568-4962 or facsimile: (604) 684-0642. These documents and additional information are also available through the Internet on [www.sedar.com](http://www.sedar.com).

## VOTES NECESSARY TO PASS RESOLUTIONS

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

## ELECTION OF DIRECTORS

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the Alberta Act, each director elected will hold office until the conclusion of the next annual meeting of the Corporation or, if no director is then elected, until a successor is elected.

The following disclosure sets out the names of management's six nominees for election as directors, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at November 12, 2019.

<b>Nominee Position with the Corporation and Residence</b>	<b>Period as a director of the Corporation</b>	<b>Common Shares Beneficially Owned or Controlled<sup>(1)</sup></b>
<b>David Austin</b> <sup>(2)</sup> President, Chief Executive Officer, Chairman and a director British Columbia, Canada	Since July 14, 2010	19,101,700 <sup>(3)</sup>
<b>Ian Downie</b> <sup>(2)</sup> Director British Columbia, Canada	Since July 14, 2010	Nil <sup>(4)</sup>
<b>Anthony Hammond</b> <sup>(2)</sup> Director Conway, United Kingdom	Since October 7, 2010	250,000 <sup>(5)</sup>
<b>John Perry</b> Chief Operating Officer and a director British Columbia, Canada	Since October 7, 2010	7,750,000 <sup>(6)</sup>

Nominee Position with the Corporation and Residence	Period as a director of the Corporation	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
<b>Partha S. Bhattacharyya</b> Director Kolkata, India	Since November 18, 2019	Nil
<b>Gregory Waller</b> Director British Columbia, Canada	Since September 13, 2017	Nil <sup>(7)</sup>

Notes:

- (1) The information as to Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees for director.
- (2) Member of the Corporation's Audit Committee.
- (3) David Austin also holds stock options to purchase up to 1,400,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 1,650,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (4) Ian Downie holds stock options to purchase up to 170,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 250,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (5) Anthony Hammond also holds stock options to purchase up to 500,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 500,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (6) John Perry also holds stock options to purchase up to 1,250,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 1,400,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (7) Gregory Waller holds stock options to purchase up to 1,000,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.

**Occupation, Business or Employment of Nominees**

***David Austin – President, Chief Executive Officer, Chairman and a director***

David Austin has served as Chief Executive Officer and Chairman of the Corporation since October 2010 and as a director of the Corporation since July 2010. Mr. Austin was President of Colonial Coal Corporation (pre-amalgamated company), from August 2005 to November 2008, and has been the Chief Executive Officer, Chairman and a director since November 2008. Previously, Mr. Austin acted as President, from March 2001 to August 2004, and as a director, of NEMI Northern Energy & Mining Inc. (TSX: NNE.A; "NEMI"), and as a terminal manager with the BC Ferry Corporation in West Vancouver, British Columbia. Mr. Austin has served as a director for numerous publicly listed companies, including Running Fox Resource Corp. (TSXV: RUN; OTC: RFXRF; Frankfurt: C8Q) and Sourcesmith Industries Inc. (TSXV: SSM), and was a director of Western Canadian Coal Corp. (TSX: WTN, WTN.WT and WTN.DB; AIM: WTN).

***Ian Downie – Director***

Ian Downie (retired) formerly acted as a consultant specializing in mediation and dispute resolutions. Mr. Downie has served as a director of the Corporation since July 2010 and a director of Colonial Coal Corporation since November 2008. Mr. Downie is a former director of Terminal Operations for the BC Ferry Corporation from June 1999 to September 2007. Mr. Downie previously served as a director of Cranbrook Credit Union and the Credit Union Deposit Insurance Corp. Mr. Downie has also served as a Commissioner for the Financial Institution

Commission, which is the regulator of credit unions, trust companies and insurance companies licensed in the Province of British Columbia.

***Anthony Hammond - Director***

Anthony Hammond has served as a director of the Corporation since October 2010 and a director of Colonial Coal Corporation since November 2008. Mr. Hammond is a mining engineer and has acted as the Chairman and Managing Director of Great Orme Mines Ltd., in North Wales, United Kingdom, since March 1990. Formerly, from 1963 to 1981, Mr. Hammond worked for Anglo American Corporation in various positions, including as the Manager of Planning at Vaal Reefs Mine in South Africa. Mr. Hammond was also previously the Chief Consulting Mining engineer of Robertson Research International from 1981 to 1984. Mr. Hammond has acted on the boards of directors of numerous public companies and was formerly a director for NEMI.

***John Perry – Chief Operating Officer and a director***

John Perry has served as a consultant to Colonial Coal Corporation from May 2008 to October 2010 and, since then, has held the positions of Chief Operating Officer and a director of the Corporation. Mr. Perry has over 40 years of experience as a geologist and is a Registered Professional Geologist with the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Perry has worked on coal projects in northeastern British Columbia since 1976, initially as an employee with Denison Mines Ltd. and then as a consultant; he has acted as a geological consultant on domestic and international coal and mineral projects since 1979. From 2004 to 2005, Mr. Perry was Manager of Exploration for NEMI and, from 2005 to 2008, was Director of Exploration for the Belcourt Saxon Coal Limited Partnership. Mr. Perry has founded two geological consulting companies: Coal-Ex Consulting Ltd. and Min-Ex Resources Consultants.

***Partha S. Bhattacharyya – Director***

Mr. Bhattacharyya is the former Chairman and Managing Director of Coal India Limited, a coal-producing company headquartered in Kolkata, West Bengal, India. Mr. Bhattacharyya holds a post-graduate degree in physics from Jadavpur University, Kolkata, and a diploma in finance from ICFAI University, Hyderabad. Mr. Bhattacharyya is also a Fellow of the Institute of Cost and Works Accountants of India and the World Academy of Productivity Science. Mr. Bhattacharyya joined Coal India Ltd (CIL) as a management trainee in 1977, rose to become its Chairman cum MD in October of 2006 and continued until his retirement in February of 2011. During this period he spearheaded the 10% stake sale of the company to mobilize US\$3.5 billion through a highly oversubscribed initial public offering rated the largest in the Indian capital markets so far. Prior to joining Coal India, Mr. Bhattacharyya was the Chairman and Managing Director of BCCL, a wholly owned Subsidiary of CIL, where he played a crucial role in the turnaround of the company which had been reporting losses since its inception.

***Gregory Waller –Director***

Gregory Waller holds a Bachelor of Commerce from University of British Columbia and an MBA from University of Calgary. Mr. Waller is currently a member of the Canadian Investor Relations Institute. Mr. Waller has served as Senior Vice President, Investor Relations &

Strategic Analysis, of Teck Resources Limited since December 2015. Previously, Mr. Waller served as Vice President, Investor Relations & Strategic Analysis. of Teck Resources Limited.

### **Cease Trade Orders or Bankruptcies**

Within the last 10 years before the date of this Circular, other than as set out below, no proposed nominee for election as a director of the Corporation was a director or executive officer of any company (including the Corporation in respect of which this Circular is prepared) or acted in that capacity for a company that was:

- (a) subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation for more than 30 consecutive days;
- (b) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation for a period of more than 30 consecutive days;
- (c) 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 has 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;
- (d) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and promoters of the Corporation also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Corporation have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies provided under Alberta corporate law. Directors who are in a position of conflict will abstain from voting on any matters relating to the conflicting company.

## **APPOINTMENT OF AUDITOR**

PricewaterhouseCoopers LLP, Chartered Professional Accountants, of Suite 700, 250 Howe Street, Vancouver, British Columbia, Canada, V6C 3S7, will be nominated at the Meeting for reappointment as auditor of the Corporation to hold office until the next annual general meeting of shareholders, at a remuneration to be fixed by the directors. PricewaterhouseCoopers LLP was first appointed auditor of the Corporation effective January 19, 2011.

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

National Instrument 52-110 - “*Audit Committee*” of the Canadian Securities Administrators (“**NI 52-110**”) requires the Corporation, as a venture issuer, to disclose annually in its management proxy circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor all as set forth herein below.

### **The Audit Committee’s Charter**

The Corporation’s Audit Committee (the “**Audit Committee**”) has a Charter. A copy of the Audit Committee Charter is attached as Schedule “A” to the Corporation’s management proxy circular dated December 17, 2010; a copy of which is filed on [www.sedar.com](http://www.sedar.com).

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

The current members of the Corporation’s Audit Committee are Ian Downie (Chairman), Anthony Hammond and David Austin. Messrs Downie and Hammond are independent and Mr. Austin, the President and Chief Executive Officer of the Corporation, is a non-independent member of the Audit Committee. All the current and proposed members of the Audit Committee are considered to be financially literate as required by section 1.6 of NI 52-110.

### **Relevant Education and Experience**

See the disclosure under the heading “Occupation, Business or Employment of Nominees” hereinabove pertaining to relevant education and experience of the Corporation’s Audit Committee members.

Each member of the Audit Committee has 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:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements, or experience actively supervising individuals engaged in such activities; and

- (c) an understanding of internal controls and procedures for financial reporting.

### **Audit Committee Oversight**

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than PricewaterhouseCoopers LLP.

### **Reliance on Certain Exemptions**

The Corporation's auditor, PricewaterhouseCoopers LLP, has not provided any material non-audit services to the Corporation.

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

See the Corporation's Audit Committee Charter for policies and procedures for the engagement of non-audit services.

### **External Auditor Service Fees**

The Audit Committee reviewed the nature and amount of the non-audit services provided by PricewaterhouseCoopers LLP to the Corporation to ensure auditor independence. Fees incurred with PricewaterhouseCoopers LLP for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

<b>Nature of Services</b>	<b>Year Ended July 31, 2019</b>	<b>Year Ended July 31, 2018</b>
Audit Fees <sup>(1)</sup>	\$43,354	\$24,675
Audit-Related Fees <sup>(2)</sup>	\$Nil	\$Nil
Tax Fees <sup>(3)</sup>	\$18,375	\$9,188
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
<b>Total</b>	<b>\$61,729</b>	<b>\$33,863</b>

Notes:

- (1) **"Audit Fees"** include fees necessary to perform the annual audit of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) **"Audit-Related Fees"** include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) **"Tax Fees"** include fees for all tax services other than those included in Audit Fees and Audit-Related Fees. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.
- (4) **"All Other Fees"** include all other non-audit services, including fees related to quarterly reviews and the review of other filing documents.

### **Exemption**

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

This is a “venture issuer” exemption from the requirement to have 100% of the members of its Audit Committee independent as would otherwise be required by NI 52-110.

## **CORPORATE GOVERNANCE**

Corporate governance refers to the policies and structure of the board of directors of a company whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### **Board of Directors**

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Corporation’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgment or which is deemed to be a material relationship under NI 52-110.

The Board facilitates its independent supervision over management by holding regular meetings at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

The independent directors of the Corporation are Ian Downie, Anthony Hammond and Partha S. Bhattacharyya. The non-independent directors are David Austin (President, Chief Executive Officer and Chairman), John Perry (Chief Operating Officer), and Gregory Waller (a consultant to the Corporation).

### **Directorships**

The following director is currently serving on the board of the following other reporting company (or the equivalent) as set out below:

<b>Name of Director</b>	<b>Reporting Issuer</b>	<b>Exchange Listed</b>
Partha S. Bhattacharyya	Ramakrishna Forgings Ltd. Tide Water Oil Ltd. Deepak Fertilizers and Petrochemical Corporation Ltd.	Bombay Stock Exchange Bombay Stock Exchange Bombay Stock Exchange

### **Orientation and Continuing Education**

When new directors are appointed they receive orientation commensurate with their previous experience on the Corporation’s properties and on the responsibilities of directors.

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

### **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. Furthermore, the Corporation's auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of the Corporation's financial statements and any related findings as to the integrity of the financial reporting process.

### **Nomination of Directors**

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

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

### **Compensation**

The Board is responsible for determining compensation for the officers, employees and non-executive directors of the Corporation. The Board annually reviews all forms of compensation paid to officers, employees and non-executive directors both with regards to the expertise and experience of each individual and in relation to industry peers. Currently, non-executive directors of the Corporation are paid an annual retainer of \$6,000 and are entitled to receive periodic grants of stock options.

### **Other Board Committees**

At the present time the Board has no other committees other than the Audit Committee.

### **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and its committees.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Named Executive Officer**

In this section "Named Executive Officer" (an "NEO") means the Chief Executive Officer (the "CEO"), the Chief Financial Officer (the "CFO") and each of the three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation

was more than \$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year.

The NEOs of the Corporation for the purpose of the following disclosure are:

David Austin	President, CEO and Chairman;
Matthew J. Anderson	CFO and Secretary;
William Filtness <sup>(*)</sup>	Former CFO and Secretary; and
John Perry	Chief Operating Officer (“COO”).

Note:

(\*) On July 13, 2017, William Filtness retired and Matthew J. Anderson was appointed the CFO and Secretary of the Corporation.

The Corporation’s directors who are also not NEOs of the Corporation for the purpose of the following disclosure are:

Ian Downie	Director;
Anthony Hammond	Director;
Wayne Waters	Former director; and
Gregory Waller	Director.

### Director and Named Executive Officer Compensation

The following compensation table, excluding options and compensation securities, provides a summary of the compensation paid by the Corporation to NEOs and members of the Board for the most recently completed financial years ended July 31, 2019, July 31, 2018 and July 31, 2017.

Table of Compensation Excluding Compensation Securities							
Name and principal position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
David Austin <sup>(1)</sup> President, CEO, Chairman and a director	2019	245,000	8,000	Nil	Nil	12,000	265,000
	2018	240,000	8,000	Nil	Nil	12,000	260,000
	2017	240,000	10,000	Nil	Nil	12,000	262,000

<b>Table of Compensation Excluding Compensation Securities</b>							
<b>Name and principal position</b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of Perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
<b>Matthew Anderson</b> <sup>(2)</sup> CFO and Secretary	2019	45,000	4,000	Nil	Nil	Nil	49,000
	2018	45,000	4,000	Nil	Nil	Nil	49,000
	2017	1,875	Nil	Nil	Nil	Nil	1,875
<b>William Filtness</b> <sup>(3)</sup> Former CFO and Secretary	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
	2017	68,400	Nil	Nil	Nil	Nil	68,400
<b>John Perry</b> <sup>(4)</sup> COO and a director	2019	215,001	8,000	Nil	Nil	Nil	223,001
	2018	210,000	8,000	Nil	Nil	Nil	218,000
	2017	210,000	10,000	Nil	Nil	Nil	210,000
<b>Ian Downie</b> <sup>(5)</sup> Director	2019	6,000	Nil	Nil	Nil	Nil	6,000
	2018	6,000	Nil	Nil	Nil	Nil	6,000
	2017	6,000	Nil	Nil	Nil	Nil	6,000
<b>Anthony Hammond</b> <sup>(6)</sup> Director	2019	6,000	Nil	Nil	Nil	30,000	36,000
	2018	6,000	Nil	Nil	Nil	31,000	37,000
	2017	6,000	Nil	Nil	Nil	36,000	42,000
<b>Wayne Waters</b> <sup>(7)</sup> Former director	2019	6,000	Nil	Nil	Nil	Nil	6,000
	2018	6,000	Nil	Nil	Nil	Nil	6,000
	2017	6,000	Nil	Nil	Nil	Nil	6,000
<b>Gregory Waller</b> <sup>(8)</sup> Director	2019	6,000e	Nil	Nil	Nil	42,000	48,000
	2018	5,000	Nil	Nil	Nil	35,000	40,000
	2017	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) David Austin was appointed as a director of the Corporation on July 14, 2010 and as President, CEO and Chairman on October 7, 2010. He was President, CEO, Chairman and a director of Colonial Coal Corporation. Mr. Austin entered into an Executive Services Agreement with Colonial Coal Corporation effective January 1, 2008 (the “**ES Agreement**”), which the Corporation has assumed the obligations of in connection with the completion of its then qualifying transaction on the TSXV. Pursuant to the terms of the ES Agreement, Mr. Austin presently receives a monthly salary of \$21,667 subject to adjustment. “All other compensation” paid to Mr. Austin consisted of a car allowance.
- (2) Matthew Anderson was appointed CFO and Secretary on July 13, 2017. Mr. Anderson charges for his services through Malaspina Consultants Inc., a company where he is a managing director.
- (3) William Filtness was appointed CFO and Secretary of Colonial on October 7, 2010. Since August 2010, Mr. Filtness was the CFO of Colonial Coal Corporation. Mr. Filtness charged for his services through his consulting firm, KCT Consulting Inc. On July 13, 2017, Mr. Filtness retired and Matthew J. Anderson was appointed the CFO and Secretary of Colonial.
- (4) John Perry was appointed COO and as a director of the Corporation on October 7, 2010. Mr. Perry charges for his services through his consulting firm, JHP Coal-Ex Consulting Ltd.
- (5) Ian Downie was appointed as a director on July 14, 2010.
- (6) Anthony Hammond was appointed as a director on October 7, 2010. During the year Mr. Hammond received \$30,000 as a payment for management services provided to the Corporation.
- (7) Wayne Waters was appointed as a director on October 7, 2010 and resigned on November 18, 2019.
- (8) Gregory Waller was elected as a director on September 13, 2017. During the year Mr. Waller received \$42,000 as a payment for management services provided to the Corporation.

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

The Corporation’s authorized share structure is an unlimited number of Common Shares and as at November 12, 2019 there were 154,799,599 Common Shares of the Corporation issued and

outstanding. The Corporation has a 10% rolling stock option plan allowing it to grant options to a maximum of 10% of the issued and outstanding shares of the Corporation, from time to time.

No compensation securities were granted or issued to directors and NEOs by the Corporation, or a subsidiary of the Corporation, in the most recently completed financial year ended July 31, 2019 for services provided or to be provided, directly or indirectly, to the Corporation, or a subsidiary of the Corporation.

The following table discloses all compensation securities granted or issued to each director and NEO by the Corporation, or a subsidiary of the Corporation, in the financial year ended July 31, 2018 for services provided or to be provided, directly or indirectly, to the Corporation, or a subsidiary of the Corporation.

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Securities, underlying securities and percentage of class (#) <sup>(1)</sup>	Date of Grant or Issue (mm/dd/yy)	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$) <sup>(2)</sup>	Closing price of security or underlying security at July 31, 2018 (\$)	Expiry Date (mm/dd/yy)
<b>David Austin</b> <sup>(3)</sup> President, CEO, Chairman and a director	Stock Options	1,650,000 14.26%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>Matthew Anderson</b> <sup>(4)</sup> CFO and Secretary	Stock Options	200,000 1.7%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>John Perry</b> <sup>(5)</sup> COO and a director	Stock Options	1,400,000 12.1%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>Ian Downie</b> <sup>(6)</sup> Director	Stock Options	250,000 2.16%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>Anthony Hammond</b> <sup>(7)</sup> Director	Stock Options	500,000 4.3%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>Wayne Waters</b> <sup>(8)</sup> Former director	Stock Options	225,000 1.9%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018
<b>Gregory Waller</b> <sup>(9)</sup> Director	Stock Options	1,000,000 8.6%	04/05/2018	\$0.31	\$0.31	\$0.31	04/05/2018

Notes:

- (1) Percentage of class represents the % of compensation securities granted over the total number of compensation securities of the Corporation outstanding as of September 30, 2018.
- (2) Closing price of the Corporation's Common Shares on the TSXV.
- (3) As of July 31, 2019 and 2018 Mr. Austin held stock options to purchase up to 1,400,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 1,650,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028
- (4) As of July 31, 2019 and 2018 Mr. Anderson held stock options to purchase up to 200,000 Common Shares an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (5) As of July 31, 2019 and 2018 Mr. Perry held stock options to purchase up to 1,250,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 1,400,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.

- (6) As of July 31, 2019 2018 Mr. Downie held stock options to purchase up to 170,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 250,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (7) As of July 31, 2019 and 2018 Mr. Hammond held stock options to purchase up to 500,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 500,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (8) As of July 31, 2019 and 2018 Mr. Waters held stock options to purchase up to 225,000 Common Shares at an exercise price of \$0.77 per Common Share expiring on October 7, 2020 and stock options to purchase up to 225,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.
- (9) As of July 31, 2019 and 2018 Mr. Waller held stock options to purchase up to 1,000,000 Common Shares at an exercise price of \$0.31 per Common Share expiring on April 5, 2028.

### **Exercise of Compensation Securities by NEOs and Directors**

There were no compensation securities exercised by any of the NEOs or directors of the Corporation during the financial year ended July 31, 2019 or July 31, 2018.

### **Stock Options and Other Incentive Plans**

The Corporation has a Share Option Plan (the “**Plan**”) in place which was established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. Management proposes share option grants to the Board based on such criteria as performance, previous grants and hiring incentives. All grants require approval of the Board. The Plan is administered by the directors of the Corporation and provides that stock options will be issued to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation.

As at July 31, 2019, there were 11,245,000 stock options outstanding pursuant to the Plan. As at July 31, 2018, there were 11,570,000 stock options outstanding pursuant to the Plan. Please see “Particulars for Matters to be Acted Upon – Share Option Plan” for a summary of the Plan.

### **Employment, consulting and management agreements**

Except as described below, as of July 31, 2019 and to date, the Corporation has no agreements of compensatory plans or arrangements with any of its NEOs and/or directors under which compensation was provided during the most recently completed financial years ended July 31, 2018 and July 31, 2019.

The Corporation entered into the ES Agreement with David Austin, effective on January 1, 2007, pursuant to which the Corporation has assumed the obligations in connection with the completion of the Corporation’s then qualifying transaction on the TSXV. Pursuant to the terms of the ES Agreement, Mr. Austin currently receives a monthly salary of \$21,667 subject to adjustment. If the Corporation terminates the ES Agreement without cause it is required to provide 60 days’ notice and Mr. Austin is entitled to the equivalent of 48 months’ severance of the then payable monthly fee under the ES Agreement. In the event of a change of control (as defined in the ES Agreement), Mr. Austin is entitled to terminate the ES Agreement and will receive a severance equivalent to 24 months of the then payable monthly fee.

## **Oversight and description of director and named executive officer compensation**

The Board is responsible for determining compensation for the officers and non-executive directors of the Corporation. The Board annually reviews all forms of compensation paid to officers and non-executive directors both with regards to the expertise and experience of each individual and in relation to industry peers. In each case, the Board takes into consideration the prior experience of the officer and/or non-executive director, industry standards, competitive salary information on comparable companies of similar size and stage of development, the degree of responsibility and participation of the executive in the day-to-day affairs of the Corporation, and the Corporation's available cash resources.

### ***Executive Compensation***

Except as disclosed herein, there are no arrangements under which NEOs were compensated by the Corporation during the two most recently completed financial years for their services in their capacity as NEOs, directors or consultants:

Pursuant to the ES Agreement, David Austin currently receives a monthly salary of \$21,667 subject to adjustment. William Filtness, the prior CFO of the Corporation, charged for his services through his consulting firm, KCT Consulting Inc. John Perry, COO of the Corporation, charges for his services through his consulting firm, JHP Coal-Ex Consulting Ltd. Matthew Anderson, CFO of the Corporation, charges for his services through Malaspina Consultants Inc.

### ***Director Compensation***

Non-executive directors of the Corporation are paid an annual retainer of \$6,000. During the most recently completed financial year ended July 31, 2019, Mr. Hammond received \$30,000 (2018 - \$31,000) as a payment for management services provided to the Corporation. During the financial year ended July 31, 2019, Mr. Waller received \$42,000 (2018 - \$35,000) as a payment for management services provided to the Corporation. During the financial year directors are also entitled to receive stock options in accordance with the terms of the Plan and TSXV requirements. Directors of the Corporation are reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Board, committees of the Board or meetings of the shareholders of the Corporation. The Corporation has also obtained customary insurance for the benefit of its directors.

### ***Actions, Decisions or Policies Made After July 31, 2019***

On November 18, 2019, Wayne Waters resigned as a director of the Corporation and Partha S. Bhattacharyya was appointed as a director to fill the vacancy resulting from Mr. Waters' resignation.

Given the evolving nature of the Corporation's business, the Board continues to review and redesign the overall compensation plan for senior management so as to continue to address the objectives identified above.

Except as stated herein, no actions, decisions or policies have been made since July 31, 2019 that would affect a reader's understanding of the Corporation's NEO compensation.

***Pension disclosure***

The Corporation currently has no defined benefit, defined contribution, pension, retirement, deferred compensation or actuarial plans for the NEOs or directors of the Corporation.

See the disclosure under the heading “Securities Authorized under Equity Compensation Plans” herein for further information on the Corporation’s Plan, dated for reference January 19, 2011, which is proposed for amendment at the Meeting.

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

The Corporation’s Plan provides that the Board may, from time to time in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and technical consultants to the Corporation non-transferable stock options to purchase Common Shares; provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. Options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of Common Shares reserved for issuance to any individual director or officer may not exceed 5% of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants may not exceed 2% of the issued and outstanding Common Shares.

The following table sets out equity compensation plan information as at the end of the financial year ended July 31, 2019:

**Equity Compensation Plan Information**

<b>Plan</b>	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by securityholders - the existing Plan	11,245,000	\$0.47	4,183,575
Equity Compensation plans not approved by securityholders.	Nil	N/A	Nil
<b>Total:</b>	11,245,000	\$0.47	4,183,575

The following table sets out equity compensation plan information as at the end of the financial year ended July 31, 2018:

**Equity Compensation Plan Information**

<b>Plan</b>	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by securityholders - the existing Plan	11,570,000	0.77	3,405,837
Equity Compensation plans not approved by securityholders.	Nil	N/A	Nil
<b>Total:</b>	<b>11,570,000</b>		<b>3,405,837</b>

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

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

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

An informed person is one who, generally speaking, is a director or executive officer or a 10% shareholder of the Corporation. To the knowledge of management of the Corporation, no informed person or nominee for election as a director of the Corporation, or any associate or affiliate of any informed person or proposed director, had any interest in any transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries during the years ended July 31, 2019 or 2018, or has any interest in any material transaction in the current year other than as set out herein and in a document previously disclosed to the public.

**MANAGEMENT CONTRACTS**

The business of the Corporation is managed by its directors and officers and the Corporation has no management agreement with persons who are not officers or directors of the Corporation.

**PARTICULARS OF MATTERS TO BE ACTED UPON**

**Share Option Plan**

The Corporation's Plan was initially approved by the Board on December 17, 2010 in order to increase the flexibility of the Corporation to provide incentives to directors, officers, employees, management and others who provide services to the Corporation and to bring the Corporation's Plan in line with the current regulatory regime.

***Proposed Amendments to the Plan***

Effective on November 19, 2019, and in order to meet the current requirements of the TSXV, the Board made the following administrative amendments to the Plan as summarized below:

1. the Corporation added a definition “Exchange Hold Period” with the same meaning assigned to it in Policy 1.1 of the TSXV;
2. the Corporation added a definition “Market Price” with the same meaning assigned to it in Policy 1.1 of the TSXV;
3. the Corporation amended the definition of “Take-Over Bid” to now mean a take-over bid as defined in Multilateral Instrument 62-104 – “*Take-over Bids and Issuer Bids*” or the analogous provisions of securities legislation applicable to the Corporation;
4. the Corporation added the following paragraph:

**“Acceleration of Vesting on Change of Control**

- 3.9 Save for and except any Options granted to a Service Provider providing Investor Relations Activities, in the event of a Change of Control occurring, Options granted and outstanding which are subject to vesting provisions, shall be deemed to have immediately vested upon the occurrence of the Change of Control.”;
5. the Corporation added to Section 4.1 Option Commitment:

“4.1 Upon grant of an Option hereunder, an authorized officer of the Corporation will deliver to the Optionee an Option Commitment detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof, including any additional requirements contemplated with respect to the payment of required withholding taxes on behalf of Optionees.”;
6. the Corporation added to Section 4.2 Manner of Exercise:

“4.2 An Optionee who wishes to exercise his Option may do so by delivering:

  - (a) a written notice to the Corporation specifying the number of Optioned Shares being acquired pursuant to the Option; and
  - (b) a certified cheque, wire transfer or bank draft payable to the Corporation for the aggregate Exercise Price for the Optioned Shares being acquired, plus any required withholding tax amount subject to §4.3.”; and
7. the Corporation amended Section 4.4 to read:

### **“Delivery of Optioned Shares and Hold Periods**

- 4.4 As soon as practicable after receipt of the notice of exercise described in §4.2 and payment in full for the Optioned Shares being acquired, the Corporation will direct its transfer agent to issue to the Optionee the appropriate number of Optioned Shares. If the Exercise Price is set below the then current market price of the Common Shares on the TSX Venture at the time of grant, the certificate representing the Optioned Shares or written notice in the case of uncertificated shares will include a legend stipulating that the Optioned Shares issued are subject to a four-month Exchange Hold Period commencing the date of the Option Commitment.”;

The effect of the amendments to the Plan will not negatively affect holders of Common Shares of the Corporation.

As the Plan is a rolling plan, pursuant to the policies of the TSXV, the Plan must be presented to shareholders for approval by ordinary resolution at every annual general meeting of the Corporation to authorize continuation of the Plan.

### ***Material Terms of the Plan***

A maximum of 10% of the issued and outstanding Common Shares of the Corporation at the time a stock option (an “**Option**”) is granted, less Common Shares reserved for issuance on exercise of Options then outstanding under the Plan, are reserved for Options to be granted at the discretion of the Board to eligible optionees (each an “**Optionee**”). As of November 12, 2019, the Corporation had 154,799,599 common shares issued and outstanding so that a maximum of 15,479,960 common shares would be available for issuance pursuant to stock options granted under the Plan.

The following is a summary of the material terms of the Corporation’s current Plan:

- (a) persons who are Service Providers (as defined in the Plan) to the Corporation or its affiliates, or who are providing services to the Corporation or its affiliates, are eligible to receive grants of Options under the Plan;
- (b) Options granted under the Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years;
- (c) for Options granted to Service Providers, the Corporation must ensure that the proposed Optionee is a bona fide Service Provider of the Corporation or its affiliates;
- (d) an Option granted to any Service Provider will expire within one year (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Corporation, but only to the extent that such Option was

vested at the date the Optionee ceased to be so employed by or to provide services to the Corporation;

- (e) 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 such Option;
- (f) in the case of an Optionee being dismissed from employment or service for cause, such Optionee's Options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (g) the exercise price of each Option will be set by the Board on the effective date of the Option and will not be less than the Discounted Market Price (as defined in the Plan);
- (h) the vesting of Options shall be at the discretion of the Board, and will generally be subject to: (i) the Service Provider remaining employed by or continuing to provide services to the Corporation or its affiliates, as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Corporation or its affiliates during the vesting period; or (ii) the Service Provider remaining as a director or officer of the Corporation or its affiliates during the vesting period; and
- (i) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Plan with respect to all Plan shares in respect of Options which have not yet been granted under the Plan.

A copy of the Plan will be available for inspection at the Meeting.

### ***Shareholder Approval***

At the Meeting shareholders will be asked to consider and vote on the ordinary resolution to adopt the Plan, as amended, and with or without variation, as follows:

“**RESOLVED**, as an ordinary resolution, that the share option plan dated for reference January 19, 2011, and as amended November 19, 2019, and as more particularly described in the Management Proxy Circular of the Corporation dated for reference November 19, 2019, be ratified and approved.”

**The Board recommends that shareholders vote in favour of the Plan.**

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is included in the audited financial statements of the Corporation for the years ended July 31, 2019 and July 31, 2018, a copy of which have been filed on [www.sedar.com](http://www.sedar.com).

Additional information is also available upon request from the Corporation's CEO at the office of the Corporation. The Corporation's telephone number is (604) 568-4962.

### **OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Circular.

### **SHAREHOLDER PROPOSALS**

Pursuant to Canadian law, shareholder proposals to be considered for inclusion in the management proxy circular for the 2020 annual meeting of the Corporation (expected to be held in November 2020) must be received by the Secretary of the Corporation on or before the close of business on August 31, 2020.

### **DIRECTORS' APPROVAL**

The contents of this Circular and its distribution to shareholders have been approved by the Board.

**Dated** at Vancouver, British Columbia, Canada, on this 19<sup>th</sup> day of November, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS OF THE CORPORATION**

*“David Austin”*

**David Austin**

President, Chief Executive Officer and a director

---