



HAVILAH MINING CORPORATION

FORM 2B

Application for Listing of Common Shares on the TSX Venture Exchange

July 13, 2018

No securities regulatory authority or the TSX Venture Exchange has expressed an opinion about the securities which are the subject of this application.

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HAVILAH MINING CORPORATION

GLOSSARY

In this Application, unless there is something in the subject matter inconsistent therewith, the following terms shall have the respective meanings set out below, words importing the singular number shall include the plural and vice versa and words importing any gender shall include all genders. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the policies of the TSX Venture Exchange and applicable securities laws. In the event of a conflict between a term defined in this Glossary and a term defined in the policies of the TSX Venture Exchange, the definition of the TSX Venture Exchange will govern.

"Acceleration Event"	has the meaning ascribed thereto in " <i>Incentive Stock Options – Acceleration on Take-Over Bid, Consolidation or Merger</i> " of this Application.
"Application"	means this listing application to the TSXV, including the schedules attached hereto.
"Arrangement"	means an arrangement under the provisions of Section 288 of the BCBCA, on the terms and conditions set forth in the Plan of Arrangement.
"Arrangement Agreement"	means the arrangement agreement dated as of March 16, 2018 among Hecla, Klondex and 1156291 B.C. Unlimited Liability Company (including the schedules attached thereto), as amended by the amending agreement dated June 4, 2018, as the same may be further amended, supplemented, restated or otherwise modified from time to time in accordance with the terms thereof.
"Arrangement Resolution"	means the special resolution approving the Arrangement to be considered and, if thought fit, passed by the Klondex Securityholders, at the Klondex Meeting and to be substantially in the form and content of Appendix "B" of the Klondex Circular.
"Available Funds"	has the meaning ascribed thereto in " <i>Financing, Available Funds and Principal Purposes</i> " of this Application.
"BCBCA"	means the <i>Business Corporations Act</i> (British Columbia), including all regulations made thereunder, as promulgated or amended from time to time.
"Bison"	means Bison Gold Resources Inc., a corporation existing under the laws of the Province of Ontario.
"Bison Shares"	means all of the issued and outstanding shares in the capital of Bison immediately prior to the Effective Time.
"Dissenting Klondex Shareholders"	means a registered Klondex Shareholder who dissents in respect of the Arrangement in strict compliance with the applicable dissent rights and who is ultimately entitled to be paid fair value for their Klondex Shares.
"Effective Date"	means the date on which the Arrangement takes effect pursuant to the BCBCA.

"Effective Time"	means 12:01 a.m. (Pacific Daylight Time) on the Effective Date or such other time as the parties to the Arrangement Agreement may agree in writing before the Effective Date.
"Havilah"	means Havilah Mining Corporation, a corporation incorporated under the BCBCA and a wholly-owned subsidiary of Klondex.
"Havilah Audit Committee"	has the meaning ascribed thereto in " <i>Audit Committee</i> " of this Application.
"Havilah Board"	has the meaning ascribed thereto in " <i>Description of the Business – Business Strategy</i> " of this Application.
"Havilah Compensation Committee"	has the meaning ascribed thereto in " <i>Executive Compensation</i> " of this Application.
"Havilah Corporate Governance and Nominating Committee"	has the meaning ascribed thereto in " <i>Corporate Governance</i> " of this Application.
"Havilah Option Plan"	has the meaning ascribed thereto in " <i>Incentive Stock Options</i> " of this Application.
"Havilah Option Plan Resolution"	has the meaning ascribed thereto in " <i>Incentive Stock Options</i> " of this Application.
"Havilah Options"	has the meaning ascribed thereto in " <i>Incentive Stock Options – Purpose, Administration and Eligible Participants</i> " of this Application.
"Havilah Property"	means the Klondex Canada Shares, the Bison Shares, and the Klondex Canada Subco Note.
"Havilah Share Consolidation"	means the consolidation of the Havilah Shares pursuant to the Plan of Arrangement, on the basis of one post-consolidation Havilah Share for each eight re-consolidation Havilah Shares.
"Havilah Shares"	has the meaning ascribed thereto in " <i>Description of Capital Structure – Havilah Shares</i> " of this Application.
"Havilah Warrant Certificate"	has the meaning ascribed thereto in " <i>Description of Capital Structure – Havilah Warrants</i> " of this Application.
"Havilah Warrants"	has the meaning ascribed thereto in " <i>General Development of the Business – Havilah Capitalization</i> " of this Application.
"Hecla"	means Hecla Mining Company, a corporation existing under the laws of the State of Delaware.
"Hecla Subscription"	has the meaning ascribed thereto in " <i>General Development of the Business – The Arrangement and Related Matters</i> " of this Application.
"IFRS"	means International Financial Reporting Standards as issued by the International Accounting Standards Board.
"IT"	has the meaning ascribed thereto in " <i>Risk Factors – Risks Relating to Havilah's Business – Information Technology</i> " of this Application.

"Klondex"	means Klondex Mines Ltd., a corporation existing under the BCBCA.
"Klondex Canada"	means Klondex Canada Ltd., a corporation existing under the BCBCA.
"Klondex Canada Shares"	means all of the issued and outstanding shares in the capital of Klondex Canada immediately prior to the Effective Time.
"Klondex Canada Subco Note"	has the meaning ascribed thereto in " <i>General Development of the Business – The Arrangement and Related Matters</i> " of this Application.
"Klondex Circular"	means this management information circular of Klondex dated June 6, 2018, including all appendices to the Klondex Circular, sent to Klondex Securityholders in connection with the Klondex Meeting, including any amendments or supplements thereto in accordance with the terms of the Arrangement Agreement.
"Klondex DSUs"	has the meaning ascribed thereto in the Klondex Circular.
"Klondex Meeting"	means the annual and special meeting of the Klondex Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with the interim order dated June 6, 2018 of the Supreme Court of British Columbia for the purpose of, among other things, considering and, if thought fit, approving the Arrangement Resolution.
"Klondex Options"	has the meaning ascribed thereto in the Klondex Circular.
"Klondex RSUs"	has the meaning ascribed thereto in the Klondex Circular.
"Klondex Option, RSU or DSU Holder"	means a holder of Klondex Options, Klondex RSUs or Klondex DSUs.
"Klondex Securityholders"	means collectively, the Klondex Shareholders and the Klondex Option, RSU or DSU Holders
"Klondex Shareholder"	means a holder of one or more Klondex Shares.
"Klondex Shares"	means common shares without par value in the capital of Klondex.
"mineral resources"	has the meaning ascribed thereto in " <i>Notice to Reader – Technical Information</i> " of this Application.
"NI 43-101"	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> , together with the Companion Policy thereto, as issued by the Canadian Securities Administrators, as amended from time to time.
"NI 51-102"	means National Instrument 51-102 – <i>Continuous Disclosure Obligations</i> , together with the Companion Policy thereto, as issued by the Canadian Securities Administrators, as amended from time to time.

"NI 52-110"	means National Instrument 52-110 – <i>Audit Committees</i> , as issued by the Canadian Securities Administrators, as amended from time to time.
"NI 58-101"	means National Instrument 58-101 – <i>Disclosure of Corporate Governance Practices</i> .
"NP 58-201"	means National Policy 58-201 – <i>Corporate Governance Guidelines</i> .
"P&E"	has the meaning ascribed thereto in " <i>True North Technical Information – Summary</i> " of this Application.
"Personal Information"	means any information about an identifiable individual.
"Plan of Arrangement"	has the meaning ascribed thereto in the Klondex Circular.
"PM"	has the meaning ascribed thereto in " <i>True North Technical Information – Summary</i> " of this Application.
"Project"	has the meaning ascribed thereto in " <i>True North Technical Information – Summary</i> " of this Application.
"PwC"	means PricewaterhouseCoopers LLP, Chartered Accountants.
"SEDAR"	means the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval as outlined in National Instrument 13-101 – <i>System for Electronic Document Analysis and Retrieval (SEDAR)</i> , which can be accessed online at www.sedar.com .
"Technical Report"	has the meaning ascribed thereto in " <i>Notice to Reader – Technical Information</i> " of this Application.
"True North"	has the meaning ascribed thereto in " <i>General Development of the Business – General</i> " of this Application.
"TSXV"	means the TSX Venture Exchange.
"U.S. Securities Act"	means the U.S. <i>Securities Act of 1933</i> , as amended and the rules and regulations promulgated thereunder.
"U.S. Securities Laws"	means (a) the <i>Securities Act</i> (British Columbia); (b) the U.S. <i>Securities Act</i> and the U.S. <i>Securities Exchange Act of 1934</i> , as amended and the rules and regulations promulgated from time to time thereafter; (c) all other North American securities laws; and (d) the rules and regulations of the Toronto Stock Exchange and the New York Stock Exchange, as applicable.
"United States" or "U.S."	means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

SUMMARY

The following is a summary of the principal features of this Application and should be read together with the more detailed information and financial data and statements contained elsewhere in this Application.

Description of the Business

The principal business of Havilah will be the operation, exploration and development of mineral properties. The principal asset of Havilah will be True North. True North is currently (and will continue to be until the Effective Date) owned and operated by Klondex, which acquired True North (then known as the Rice Lake mine and mill complex) from Shoreline Gold Inc. in early 2016. True North is controlled through Klondex's wholly owned subsidiary Klondex Canada. Klondex also controls a number of other mineral properties in the Rice Lake region through its wholly-owned subsidiary Bison, which Klondex acquired in 2017. Upon completion of the Arrangement on the Effective Date, both Klondex Canada and Bison are expected to become wholly-owned subsidiaries of Havilah. See "*Description of the Business*" of this Application.

Use of Proceeds and Principal Purposes

Pursuant to the Arrangement, Havilah Shares will initially be exchanged for Klondex Shares on a 1-for-1 basis. Thereafter, in connection with the Plan of Arrangement, the outstanding Havilah Shares will be consolidated on the basis of one post-consolidation Havilah Share for every eight pre-consolidation Havilah Shares. Following completion of the Havilah Share Consolidation, Hecla will subscribe for and purchase, on a non-brokered private placement basis, that number of post-consolidation Havilah Shares that will result in Hecla beneficially controlling, on an undiluted basis, 13.46% of the issued and outstanding Havilah Shares, after giving effect to the Hecla Subscription, for an aggregate subscription price of US\$7,000,000. The exact number of Havilah Shares to be issued to Hecla in connection with the Hecla Subscription will be determined immediately prior to the Effective Time. Havilah has applied to list the Havilah Shares to be issued to Hecla in connection with the Hecla Subscription on the TSXV.

There are no commissions, fees or expenses expected to be payable in connection with the Hecla Subscription. As a result, Havilah expects the total gross proceeds of US\$7,000,000 to be available to it following the Effective Time. The Available Funds (as defined herein) from the Hecla Subscription will constitute the total cash and cash equivalents on hand of Havilah as of the Effective Time. The following table sets out the intended use of Available Funds:

Item	Amount Allocated
Exploration	US\$1,300,000
Environmental	US\$250,000
Care and Maintenance	US\$450,000
G&A	US\$4,500,000
Working Capital	US\$500,000
Total	US\$7,000,000

The Available Funds are principally intended to fund Havilah's work programs aimed at advancing the True North mine. Management expects that the Available Funds will fund the work program budgeted in the Technical Report in its entirety as well as additional expenditures intended to advance the True North mine noted above, which management expects will be completed in approximately 18 months. The foregoing use of proceeds has been approved by Brian Morris (AIPG CPG-11786) a director of Havilah and the "qualified person" as such term is defined in NI 43-101.

See "*Financings, Available Funds and Principal Purposes*" and "*Risk Factors*" of this Application.

Securities

The Havilah Shares are not currently traded or quoted on any public markets, including any Canadian marketplace. Havilah has applied to list the Havilah Shares on the TSXV under the symbol "HMC". Such listing will be subject to Havilah fulfilling all of the minimum listing requirements of the TSXV and obtaining conditional approval of the TSXV. There can be no assurance that the TSXV will list the Havilah Shares. If listing approval is ultimately obtained prior to the Effective Time, trading on the TSXV in the Havilah Shares is expected to commence shortly following the Effective Date. There is no present intention to list the Havilah Shares for trading on any national securities exchange in the United States.

Havilah's authorized capital consists of an unlimited number of Havilah Shares. As of the date of this Application, there was 1 Havilah Share outstanding, there were no Havilah Warrants outstanding and no Havilah Options outstanding. See "*Consolidated Capitalization*" and "*Trading Price and Volume*" of this Application.

Selected Consolidated Financial Information

Set forth below is a summary of certain selected historical carve-out financial information after giving effect to the proposed Arrangement with respect to Havilah for the periods indicated. The selected historical carve out financial information of Havilah has been derived from the carve-out financial statements set out in Schedule "A" and Schedule "B" to this Application. The carve-out financial statements set out in Schedule "A" and Schedule "B" hereto have been prepared in accordance with IFRS.

	Period ended December 31, 2016 (carve-out)⁽¹⁾ (Audited)	Year ended December 31, 2017 (carve-out) (Audited)	Three months ended March 31, 2018 (carve-out) (Unaudited)
Net income (loss)	C\$(16,727,000)	C\$(51,193,000)	C\$(9,840,000)
Total assets	C\$76,044,000	C\$74,412,000	C\$61,163,000
Total liabilities	C\$8,041,000	C\$12,986,000	C\$5,676,000
Total shareholders' equity ...	C\$68,003,000	C\$61,426,000	C\$55,487,000

Notes:

- (1) True North was acquired by Klondex on January 22, 2016. Financial information reflects the period January 22 – December 31, 2016.

In addition to the above, the audited opening interim financial statements of Havilah for the period from incorporation on May 3, 2018 to May 31, 2018 are set out in Schedule "H" to this Application and the *pro forma* consolidated financial statements as at and for the three months ended March 31, 2018 and for the year ended December 31, 2017 (unaudited) are set out in Schedule "I" to this Application.

Risk Factors

An investment in Havilah should be considered highly speculative due to the nature of its activities and the present stage of its development.

An investment in the securities of Havilah is subject to various risks and uncertainties, including, but not limited to, those set out below:

- Risks relating to Havilah's business:
 - Care and maintenance of material property;
 - Nature of mineral exploration and mining;
 - Estimates of mineral resources;
 - Mineral resources do not have demonstrated economic viability;

- Fluctuating commodity prices;
 - Financing risks;
 - Fluctuations in the value of the United States dollar and Canadian dollar;
 - Dependence of key personnel;
 - Dependence of third parties;
 - No assurance of title;
 - Aboriginal claims and consultation issues;
 - Havilah's activities are subject to extensive governmental regulations;
 - Infrastructure;
 - Tax matters;
 - Information technology;
 - Labour difficulties;
 - Permits and licenses;
 - Environmental regulations and potential liabilities;
 - Competition;
 - Conflicts of interest; and
 - Litigation relating to the Arrangement.
- Risks relating to the Havilah Shares generally:
 - No guarantee of positive return of investment
 - Dilution and future sales of Havilah Shares; and
 - No history of earnings or dividends.

See "*Cautionary Note Regarding Forward-Looking Information*" and "*Risk Factors*" of this Application and elsewhere in this Application for additional risk factors relating to Havilah.

Such risks and uncertainties should be carefully considered by an investor before making any investment decision. Additional risks and uncertainties not presently known to Havilah or that Havilah currently deems immaterial may also impair Havilah's business operations. If any of the possibilities described in such risks actually occurs, Havilah's business, financial condition and operating results could be materially adversely harmed.

NOTICE TO READER

General

The following describes the proposed business of Havilah. As at the date hereof, Havilah has not carried on any business. The Arrangement provides Klondex Shareholders with the opportunity to participate in Havilah. Assuming the Arrangement becomes effective, pursuant to the Arrangement 86.54% of the Havilah Shares (as defined below) will be distributed to all Klondex Shareholders on a *pro rata* basis to their ownership of Klondex Shares. Hecla will subscribe for and purchase, on a non-brokered private placement basis, Havilah Shares representing the remaining 13.46% of the outstanding Havilah Shares upon effectiveness of the Arrangement for gross proceeds of US\$7,000,000. See "*Financing, Available Funds and Principal Purposes*" of this Application.

Unless otherwise noted, the disclosure in this Application has been prepared assuming that the Arrangement has been completed.

No securities regulatory authority has expressed an opinion about the Arrangement or the Havilah Shares to be issued pursuant to the Arrangement and it is an offense to claim otherwise.

An investment in Havilah should be considered highly speculative due to the nature of its activities and the present stage of its development. Havilah was incorporated for the sole purpose of participating in the Arrangement and has not carried on any business other than in connection with the Arrangement and related matters. See "*Risk Factors*" of this Application.

The following information is a summary of the business and affairs of Havilah and should be read together with the more detailed information including audited and unaudited financial data and statements regarding Havilah, Klondex, Hecla and the Arrangement contained elsewhere in this Application.

References to Spinco and Havilah

Unless otherwise indicated or the context otherwise indicates, use of the terms "Spinco" and "Havilah" in this Application refer to Havilah Mining Corporation and its direct and indirect subsidiaries, or other entities controlled by them, on a consolidated basis.

Financial Information

Unless otherwise indicated, all financial information referred to in this Application was prepared in accordance with IFRS.

Currency References and Exchange Rate Information

This Application contains references to the Canadian dollar and the United States dollar. Unless otherwise indicated, all references to "\$" or "C\$" or "dollars" in this Application are references to Canadian dollars. United States dollars are referred to as "U.S. dollars" or "US\$". As at July 12, 2018, the rate of exchange between the United States dollar and the Canadian dollar as reported by the Bank of Canada was US\$1.00 = C\$1.3166 or C\$1.00 = US\$0.7595.

Technical Information

Except where indicated, the disclosure contained in this Application that is of an economic, scientific or technical nature has been summarized or extracted from the technical report titled "Technical Report for the True North Mine, Bissett, Manitoba, Canada", dated May 8, 2018 with an effective date of March 31, 2018 (the "**Technical Report**"), prepared by Practical Mining LLC. The Technical Report was prepared by Sarah M. Bull, P.E., Mark A. Odell, P.E., Laura M. Symes, SME, Alfred S. Hayden, P.Eng. and David A. Orava, P.Eng., each of whom is a "qualified person" as such term is defined in NI 43-101. Each of Mmes. Bull and Symes and Messrs. Odell, Hayden and Orava consents to the inclusion in this Application of the extract of "*Section 1. – Summary*" of the Technical Report in the form and context in which it appears, and confirms that such information is based on and fairly represents the Technical Report.

Readers should consult the Technical Report to obtain further particulars regarding the True North mine. The Technical Report, which constitutes the current technical report for the True North mine, is available on SEDAR under Klondex's profile at www.sedar.com and, other than the extract of the "*Section 1. Summary*" thereof, which is included in this Application, is incorporated by reference in its entirety in this Application.

The mineral resources for Havilah's properties (including as used in the Technical Report) (the "**mineral resources**") have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for mineral resources and mineral reserves adopted by the CIM Council on May 10, 2014. See "*True North Technical Information*" of this Application.

Certain mineral terms and descriptions of mineral deposits appearing in this Application and the Technical Report may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Application contains forward-looking information (within the meaning of applicable Canadian securities laws). Forward-looking information is prospective and by its nature requires Havilah to make certain assumptions and is subject to inherent risks and uncertainties. There can be no assurance that forward-looking information will prove to be accurate, and readers are cautioned not to place undue reliance on the forward-looking information contained in this Application. All statements, other than statements of historical fact, constitute forward-looking information. Generally, but not always, forward-looking information is identifiable by use of the words "continue", "expect", "anticipate", "estimate", "forecast", "believe", "intend", "schedule", "budget", "plan" or "project" or the negative or other variations of these words or comparable terminology, or states that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information in this Application includes, but is not limited to, statements with respect to: future financial and operating performance, strategic plans, future operations, cost estimates, estimation of mineral resources, realization of mineral resources, results of exploration, future work programs, capital expenditures and objectives, evolution and economic performance of development projects, timing of exploration and development projects, costs, timing and location of future drilling, timing of geological and/or technical reports, operating and exploration budgets and targets, continuity of a favourable gold market, contractual commitments, environmental and reclamation expenses, continuous availability of required manpower and continuous access to capital markets.

In order to give such forward-looking information, Havilah has made certain assumptions about Havilah's business, the economy and the mining industry in general and has also assumed that contracted parties provide goods and services on agreed timeframes, plant and equipment work as anticipated, required regulatory approvals are received, no unusual geological or technical problems occur, no material adverse change in the price of gold or silver occurs and no significant events occur outside of Havilah's normal course of business. Although the assumptions were considered reasonable by management of Havilah at the time the forward-looking information is given, there can be no assurance that such assumptions will prove to be accurate. In addition, the following are material factors that could cause actual results to differ materially from a conclusion, guidance, forecast or projection contained in the forward-looking information in this Application: risks normally incidental to the nature of mineral exploration, development and mining, the uncertainty of mineral resources, mineral resources not having demonstrated economic viability, financing risks, debt and liquidity risks, fluctuating commodity prices, tax matters, information technology, labour difficulties, dependence on key personnel, dependence on third parties, joint ventures, there being no assurance of title to mineral projects, Aboriginal claims and consultation issues, Havilah's activities being subject to extensive governmental regulation, maintenance or provision of infrastructure, risks associated with the construction and start-up of new mines, risks associated with obtaining or complying with all required permits and licences, environmental regulations and potential liabilities, competition from other mining businesses, conflicts of interest, the lack of a guarantee of a positive return on investment, dilution and future sales of common shares of Havilah, Havilah having no history as a standalone entity, unexpected difficulties with respect to the spin-out of Havilah from Klondex and no record of dividends. Although Havilah has attempted to identify material factors that could cause actual results to differ materially from a conclusion, guidance, forecast or projection contained in the forward-looking information, there may be other factors that could cause results to differ from what is anticipated, estimated or intended. Those factors are described or referred to below in this Application under the heading "*Risk Factors*" of this Application and

elsewhere herein. Additional risks and uncertainties not presently known to Havilah or that Havilah currently deems immaterial may also impair Havilah's business operations.

All forward-looking information contained in this Application is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. Havilah undertakes no obligation to update or revise the forward-looking information contained in this Application, whether as a result of new information, future events or otherwise, except as required by applicable laws.

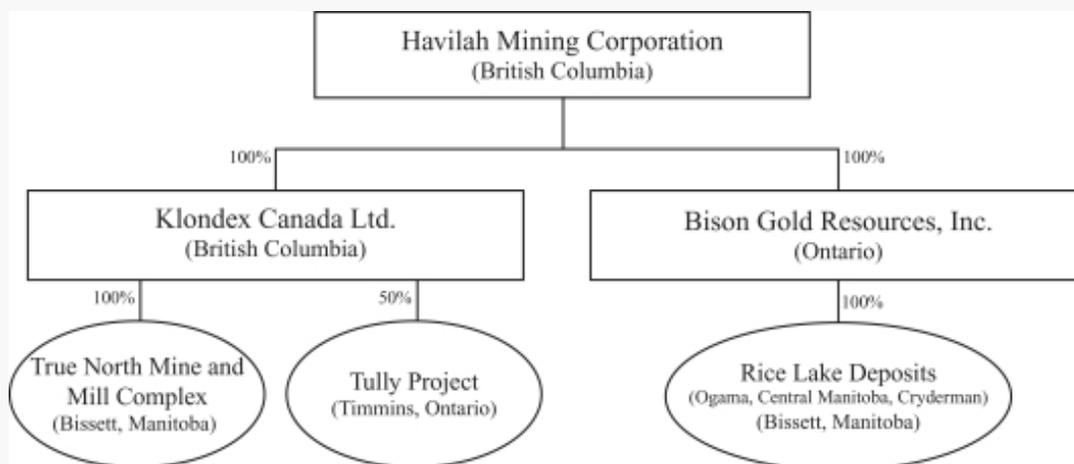
CORPORATE STRUCTURE

Name, Address and Incorporation

Havilah Mining Corporation was incorporated under the BCBCA on May 3, 2018. Havilah's registered office is located at 1055 West Hastings Street, Suite 2200, Vancouver, BC, V6E 2E9, and its head office is located at 82 Richmond Street East, Toronto, ON, M5C 1P1.

Intercorporate Relationships

As of the date hereof, Havilah has no subsidiaries. Set out below is the expected corporate structure of Havilah immediately after the Effective Date of the Arrangement.



GENERAL DEVELOPMENT OF THE BUSINESS

General

Havilah was incorporated for the sole purpose of participating in the Arrangement and has not carried on any business. Assuming the Arrangement becomes effective, following the Effective Time, Havilah will own or hold, directly or indirectly a 100% interest in the True North mine and mill complex ("**True North**") and several proximate and other mineral claims.

The principal business of Havilah will be the operation, exploration and development of mineral properties. The principal asset of Havilah will be True North. True North is currently (and will continue to be until the Effective Date) owned and operated by Klondex, which acquired True North (then known as the Rice Lake mine and mill complex) from Shoreline Gold Inc. in early 2016. True North is controlled through Klondex's wholly owned subsidiary Klondex Canada, which also holds a 30% interest in SGX Resources Inc., an exploration stage issuer listed on the TSXV with several previous metal exploration properties in Ontario. Klondex also controls a number of other mineral properties in the Rice Lake region through its wholly-owned subsidiary Bison, which Klondex acquired in 2017. Upon

completion of the Arrangement on the Effective Date, both Klondex Canada and Bison are expected to become wholly-owned subsidiaries of Havilah.

A complete description of the business of Havilah is provided in this Application. Audited financial information concerning Havilah for 2016 and 2017 is provided in Schedule "A" to this Application. Unaudited financial information concerning Havilah for 2018 and 2017 is provided in Schedule "B" to this Application.

The Arrangement and Related Matters

The Arrangement

Pursuant to the Arrangement and subject to adjustment as provided in the Arrangement Agreement and Plan of Arrangement, 86.54% of the Havilah Shares will be distributed to former holders of Klondex Shares (other than Dissenting Klondex Shareholders) *pro rata* to the number of Klondex Shares held by such holders. See "*Part 7 – The Arrangement*" and "*Part 14 – Dissenting Shareholders' Rights*" of the Klondex Circular. Hecla will subscribe for and purchase, on a non-brokered private placement basis, Havilah Shares representing the remaining 13.46% of the outstanding Havilah Shares upon effectiveness of the Arrangement for gross proceeds of US\$7,000,000 (the "**Hecla Subscription**").

At the Effective Time, and in accordance with the terms of the Plan of Arrangement, (i) Klondex shall transfer to Havilah all of its right, title and interest in the Havilah Property in consideration for the issuance by Havilah to Klondex of Havilah Shares, which Havilah Property and Havilah Shares have an agreed-upon fair market value of US\$45,000,000. The Havilah Property that will be contributed pursuant to a contribution and transfer agreement includes the following:

- (a) all of the issued and outstanding shares of Klondex Canada held by Klondex;
- (b) all of the issued and outstanding shares of Bison;
- (c) the Klondex Canada Subco Note; and
- (d) such other property or assets as Klondex and Hecla may agree.

The "**Klondex Canada Subco Note**" is a demand promissory note payable by Klondex Canada, evidencing all of Klondex's right, title and interest in the indebtedness (including any accrued and unpaid interest thereon) owing by Klondex Canada to Klondex.

Litigation Relating to the Arrangement

On May 31, 2018, a purported Klondex Shareholder filed, on behalf of himself and other similarly situated Klondex Shareholders, a class action complaint and demand for jury trial related to the Arrangement in the United States District Court for the District of Nevada – Reno Division, naming each of Klondex, the directors of Klondex, Hecla and 1156291 B.C. Unlimited Liability Company as defendants and seeking to, among other things, enjoin the consummation of the proposed Arrangement or, in the event the Arrangement is consummated, recover damages. The case is captioned *Gunderson v. Klondex Mines Ltd., et al.*, No. 3:18-cv-00256-LRH-VPC (D. Nev. filed May 31, 2018). Although it is not possible to predict the outcome of litigation matters with certainty, each of Klondex, the directors of Klondex, Hecla and 1156291 B.C. Unlimited Liability Company believes the claims in the complaint are without merit, and the defendants intend to vigorously defend against all claims asserted.

Four additional putative class action lawsuits were filed after the *Gunderson* complaint: *Assad v. Klondex Mines Ltd. et al.*, No. 2:18-cv-01065 (D. Nev. filed June 13, 2018); *Lawson v. Klondex Mines Ltd. et al.*, No. 3:18-cv-00284 (D. Nev. filed June 15, 2018); *Baker v. Klondex Mines Ltd. et al.*, No. 3:18-cv-00288 (D. Nev. filed June 15, 2018); *Chandra v. Klondex Mines Ltd., et al.*, No. 3:18-cv-00305-MMD-VPC (D. Nev. filed June 25, 2018). These suits are substantially similar to the *Gunderson* suit, except that: (i) they do not name the Hecla entities as defendants; and (ii) they assert claims under Sections 14(a) and 20(a) of the U.S. Exchange Act, but do not assert fiduciary duty claims.

On June 29, 2018, the plaintiff in *Baker v. Klondex Mines Ltd. et al.* filed an emergency motion for a preliminary injunction, seeking to enjoin the securityholder vote on the Arrangement until Klondex makes additional disclosures. Klondex filed its opposition to this motion on July 3, 2018.

See "*Risk Factors*" of this Application.

Havilah Capitalization

Following completion of the Arrangement, Havilah is anticipated to have approximately 25,943,919 Havilah Shares outstanding and warrants to purchase 1,250,000 Havilah Shares (the "**Havilah Warrants**"), assuming no additional Klondex Shares are issued between the date hereof and assuming that no Klondex Shareholders exercise dissent rights, and US\$7,000,000 of cash and cash equivalents on hand.

TSXV Listing and Securities Law Matters

Havilah is not currently a reporting issuer and the Havilah Shares are not listed on any stock exchange. There is currently no market for Havilah Shares and there can be no assurance that a market will develop. See "*Risk Factors*" of this Application.

If the Arrangement is completed, Havilah expects that it will be a reporting issuer in each of the provinces of Canada, other than Quebec. This Application is being made for the listing of the Havilah Shares (including the Havilah Shares to be issued in connection with the Hecla Subscription and Havilah Shares to be issued on exercise of the Havilah Warrants) on the TSXV. Any listing of the Havilah Shares will be subject to meeting the TSXV original listing requirements and there is no assurance such a listing will be obtained. Completion of the Arrangement is subject to a Canadian stock exchange conditionally approving the listing of the Havilah Shares on a Canadian stock exchange.

If listing approval is ultimately obtained prior to the Effective Time, trading on the TSXV in the Havilah Shares is expected to commence shortly following the Effective Date.

Upon becoming a reporting issuer, Havilah will become subject to the informational reporting requirements under applicable Canadian securities laws. Havilah Shares to be issued to Klondex Shareholders and Hecla pursuant to the Arrangement may be subject to certain trading restrictions under U.S. securities laws. See "*Part 2 – Notice to Securityholders in the United States*" of the Klondex Circular.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against Havilah, or any voluntary receivership, bankruptcy or similar proceeding by Havilah, within the three most recently completed financial years or completed during or proposed for the current financial year.

Material Restructuring Transactions

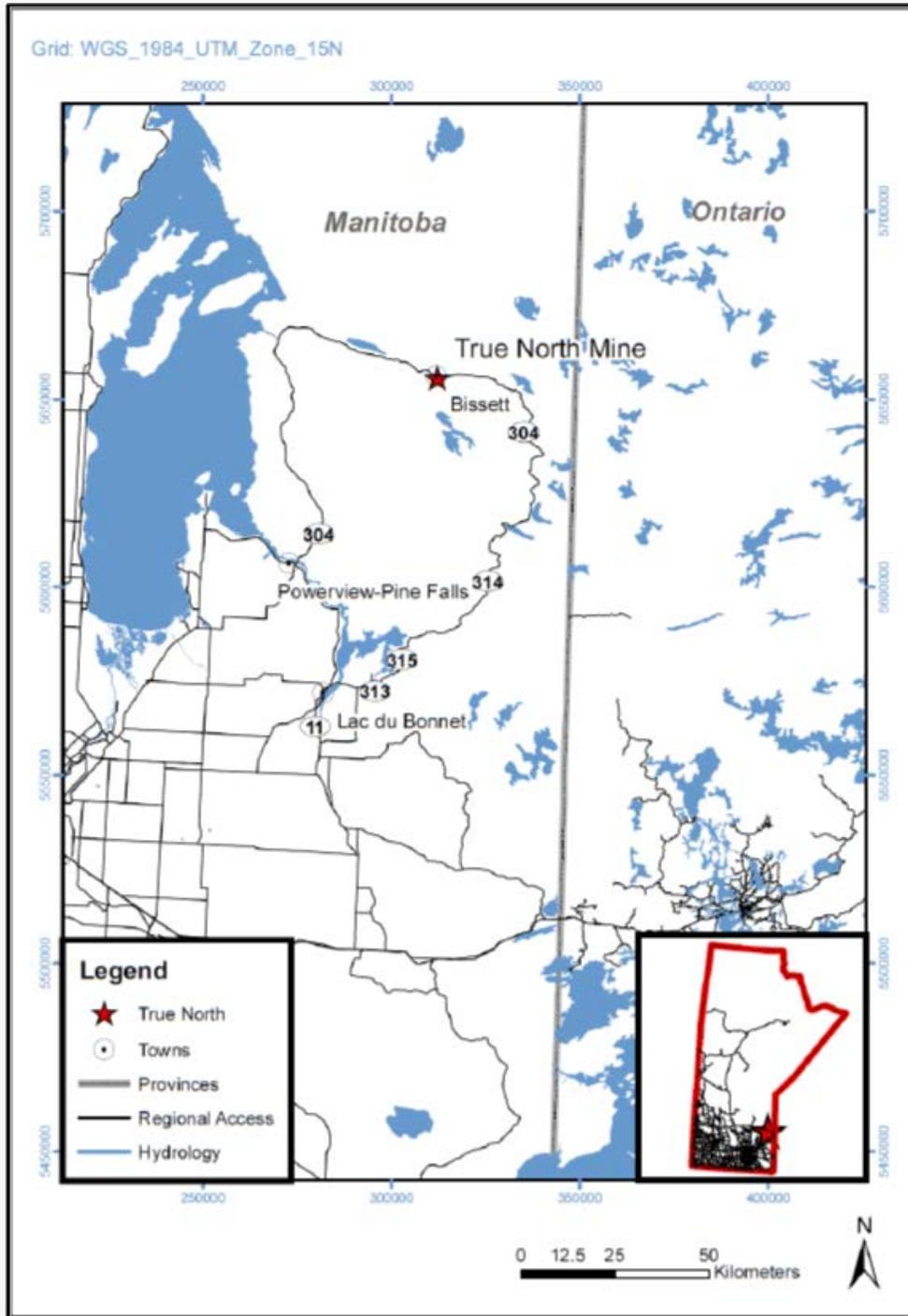
Other than the Arrangement, there have been no material restructuring transactions of Havilah within the three most recently completed financial years or completed during or proposed for the current financial year. See "*Part 7 – The Arrangement*" of the Klondex Circular.

DESCRIPTION OF THE BUSINESS

The principal business of Havilah will be the operation, exploration and development of mineral properties. The principal asset of Havilah will be True North. True North is currently (and will continue to be until the Effective Date) owned and operated by Klondex, which acquired True North (then known as the Rice Lake mine and mill complex) from Shoreline Gold Inc. in early 2016. True North is controlled through Klondex's wholly owned subsidiary Klondex Canada. Klondex also controls a number of other mineral properties in the Rice Lake region through its wholly-owned

subsidiary Bison, which Klondex acquired in 2017. Upon completion of the Arrangement on the Effective Date, both Klondex Canada and Bison are expected to become wholly-owned subsidiaries of Havilah.

The following figure illustrates the location of True North.



On January 9, 2018, Klondex announced the immediate reduction of underground mining operations and workforce at True North. Underground mining is currently subject to gradual suspension as already developed areas are depleted. It is anticipated that True North will be on care and maintenance status prior to the completion of the Arrangement.

In the near term, in order to maximize cash flow and offset expected care and maintenance costs, Havilah plans to maintain True North in care and maintenance for the foreseeable future and continue Klondex's strategy of processing tailings through the mill. Additionally, the Ogama-Rockland property, owned by Bison, is approximately 30 kilometers or approximately 19 miles from True North. Havilah is in the process of assessing the potential of processing minerals from both the True North mine and the Ogama-Rockland property through the True North mill.

The costs related to the placement of the True North mine on care and maintenance could adversely affect Havilah's operating results and financial condition and there can be no assurance that plans to offset expected care and maintenance costs will be successful. Havilah also cannot provide assurance that processing minerals from both the True North mine and the Ogama-Rockland property through the True North mill will be feasible.

Notwithstanding True North's placement into care and maintenance status, following the Effective Date, Havilah plans to conduct drilling activities in 2018, expand mineral resources at True North and the adjacent claims in the Rice Lake region, process tailings and toll milling operations at the True North mill.

Business Strategy

Havilah's business strategy is focused on creating value for stakeholders through its ownership and advancement of True North and Ogama-Rockland properties and through the pursuit of similarly attractive precious metal development projects in the region and elsewhere.

Havilah plans to:

- (a) maintain True North in care and maintenance status for the foreseeable future, while pursuing strategic exploration activities designed to identify and increase the definition of its mineral resources, pursuing technical studies to support restarting operations at the True North mine and consolidate other mineral and mining interests in the district; and
- (b) process tailings from the old tailings management facility at the True North mill; and
- (c) pursue project level or corporate transactions that are value accretive to Havilah's stakeholders.

Prior to executing fully on the foregoing business strategy, Havilah's board of directors (the "**Havilah Board**") will be required to address a number of challenges currently facing True North. For example, costs related to the ongoing reduction of underground mining operations and workforce at True North and the placement of the True North mine into care and maintenance could adversely affect Havilah's operating results and financial condition and there can be no assurance that Havilah's plans to offset expected care and maintenance costs will be successful. Also there are no guarantees that environmental permits can be secured and the mineral exploration will yield favorable results. See "*Risk Factors*" of this Application.

Principal Markets

Havilah's principal objective is to become a sustainable gold producer. While the True North complex remains in care and maintenance, Havilah does not expect to make any material sales of gold doré into any principal markets.

Specialized Skill and Knowledge

All aspects of Havilah's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mining and accounting. See "*Directors and Officers*" of this Application for details as to the specific skills and knowledge of Havilah's directors and management.

Business Cycle

Havilah's business, at its current exploration, development and care and maintenance phase, is not cyclical. Exploration activities are conducted primarily during snow-free months. The optimum field season in the Rice Lake

region where True North and Havilah's other mineral properties are located is from late April to mid October. The length of the snow-free season at True North varies from about April through November.

Environmental Protection

Mining is an extractive industry that impacts the environment. Havilah's goal is to constantly evaluate ways to minimize that impact. Klondex has strived to meet or exceed environmental standards at True North and Havilah expects to continue this approach through effective engagement with affected stakeholders, including local communities, government and regulatory agencies and Aboriginal groups.

Havilah is currently active only in Manitoba and northwestern Ontario, which has established environmental standards and regulations that Havilah will strive to exceed. Havilah's environmental performance will be overseen at the Havilah Board level and environmental performance is the responsibility of Havilah.

Havilah recognizes environmental management as a corporate priority and places a strong emphasis on preserving the environment for future generations, while also providing for safe, responsible and profitable operations by developing natural resources for the benefit of its employees, shareholders and communities. Havilah intends to maintain the standards of excellence for environmental performance Klondex has set at True North into the future.

- Havilah will communicate its commitment to excellence in environmental performance to its subsidiaries Klondex Canada and Bison, employees, contractors, other agents and the communities in which it operates.
- All new activities and operations will be managed to ensure compliance with applicable laws and regulations. In the absence of regulation, best management practices will be applied to minimize environmental risk.
- Havilah will strive to minimize releases to the air, land or water and ensure appropriate treatment and disposal of waste.
- Havilah will allocate the necessary resources to meet its reclamation and environmental obligations.
- Havilah will continuously seek opportunities to improve its environmental performance through adherence to these principles.
- Havilah will regularly report progress to its employees, shareholders and the communities in which it operates.

Employees

As of December 31, 2017, Klondex employed 186 employees and 139 contractors at True North. As a result of the placement of True North into care and maintenance status, Klondex saw a reduction in both employee and contractor headcount during the first quarter of 2018.

On the Effective Date, Havilah expects to have approximately 68 employees across all operations.

On an ongoing basis, from and after the Effective Date, the Havilah Board expects to evaluate the required expertise and skills to execute the strategy described herein, and will seek to attract and retain individuals required to meet Havilah's goals.

Havilah believes its success is dependent on the performance of its management and key individuals, many of whom have specialized skills in exploration in Canada and the precious metals industry. Substantially all of Klondex Canada and Bison exploration site individuals have been active in the Rice Lake region (and at True North specifically) for several years and are knowledgeable as to the geology, metallurgy and infrastructure related to mining development.

Havilah believes it has adequate personnel with the specialized skills required to carry out its operations initially following the Effective Date and anticipates making ongoing efforts to match its workforce capabilities with its business strategy for True North as it evolves. See "Risk Factors" of this Application.

Competitive Conditions

The mineral exploration and development industry is competitive in all phases of exploration, development and production. There is a high degree of competition faced by Havilah in Manitoba and elsewhere for skilled management employees, suitable contractors for drilling operations, technical and engineering resources, and necessary exploration and mining equipment. Many competitor companies, including those active in the Rice Lake region where the True North mine and mill complex are located have greater financial resources, operational expertise, and/or more advanced properties than Havilah. Additionally, Havilah's operations are in a relatively remote location where skilled resources and support services are more limited than those closer to major urban centres. Havilah has in place experienced management personnel and continues to evaluate the required expertise and skills to carry out its operations. As a result of this competition, Havilah may be unable to achieve its exploration and development in the future on terms it considers acceptable or at all. See "Risk Factors" of this Application.

FINANCINGS, AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Pursuant to the Arrangement, Havilah Shares will initially be exchanged for Klondex Shares on a 1-for-1 basis. Thereafter, in connection with the Plan of Arrangement, the outstanding Havilah Shares will be consolidated on the basis of one post-consolidation Havilah Share for every eight pre-consolidation Havilah Shares. Following completion of the Havilah Share Consolidation, Hecla will subscribe for and purchase, on a non-brokered private placement basis, that number of post-consolidation Havilah Shares that will result in Hecla beneficially controlling, on an undiluted basis, 13.46% of the issued and outstanding Havilah Shares, after giving effect to the Hecla Subscription, for an aggregate subscription price of US\$7,000,000. The exact number of Havilah Shares to be issued to Hecla in connection with the Hecla Subscription will be determined immediately prior to the Effective Time. Havilah has applied to list the Havilah Shares to be issued to Hecla in connection with the Hecla Subscription on the TSXV.

There are no commissions, fees or expenses expected to be payable in connection with the Hecla Subscription. As a result, Havilah expects the total gross proceeds of US\$7,000,000 to be available to it following the Effective Time. The proceeds from the Hecla Subscription will constitute the total cash and cash equivalents on hand of Havilah as of the Effective Time (the "Available Funds").

Havilah intends to use the Available Funds as described below. However, there may be circumstances where, for sound business reasons, a reallocation of the Available Funds may be necessary. The actual amount that Havilah spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those referred to under "Risk Factors" of this Application. Havilah had a *pro forma* negative operating cash flow for the financial year ended December 31, 2017 and the three months ended March 31, 2018. There can be no assurance that the re-commencement of operations at True North and future exploration and development activities can be economically exploited or will result in a profitable commercial mining operation. If Havilah continues to generate negative operating cash flow into the future, net proceeds may be allocated to funding such negative cash flow in addition to the proposed uses below. The following table sets out the intended use of Available Funds:

Item	Amount Allocated
Exploration	US\$1,300,000
Environmental	US\$250,000
Care and Maintenance	US\$450,000
G&A and Working Capital	US\$5,000,000
Total	US\$7,000,000

The Available Funds are principally intended to fund Havilah's work programs aimed at advancing the True North mine. Management expects that the Available Funds will fund the work program budgeted in the Technical Report in

its entirety as well as additional expenditures intended to advance the True North mine noted above, which management expects will be completed in approximately 18 months. The foregoing use of proceeds has been approved by Brian Morris (AIPG CPG-11786), a director of Havilah and the "qualified person" as such term is defined in NI 43-101.

The above-noted allocation represents Havilah's intention with respect to its use of proceeds based on current knowledge and planning by management of Havilah (excluding potential contingencies and any deficiencies). Actual expenditures may differ from the estimates set forth above. While Havilah intends to spend the Available Funds as stated above, there may be circumstances where, for sound business reasons, funds may be re-allocated at the discretion of the board of directors or management. See "*Risk Factors*" of this Application.

TRUE NORTH TECHNICAL INFORMATION

The following is an extract of "*Section 1 – Summary*" prepared by Practical Mining, LLC. See also "*General Matters – Technical Information*" of this Application. The balance of the Technical Report is incorporated herein by reference. Capitalized terms used in this section "True North Technical Information" but not otherwise defined shall have the meanings ascribed thereto in the Technical Report.

Summary

Practical Mining LLC ("**PM**") and P&E Mining Consultants Inc. ("**P&E**") were engaged by Klondex to prepare the Technical Report in accordance with NI 43-101. PM's and P&E's evaluation of the True North mine (the "**Project**"), located in Bissett, Manitoba, Canada, is presented herein. The Technical Report, dated May 8, 2018, with an effective date of March 31, 2018, provides the initial mineral resource estimate for the Project.

Introduction

True North is located in southeast Manitoba, Canada at the edge of Bissett township on the north shore of Rice Lake. It lies approximately 100 miles (162 kilometers) northeast of Winnipeg, roughly 150 driving miles (234 kilometers) via all-weather Provincial highways. The town of Bissett is a long-established mining community with a fluctuating population which is currently approximately 340 people.

The mine accesses quartz vein gold mineralization using shafts and underground mining methods. The Project has an on-site processing facility comprising crushing, grinding, gravity concentration and flotation. A Carbon-in-Pulp circuit treats the tailings from the gravity circuit.

Klondex Canada acquired the property from Shoreline Gold Inc. in early 2016 for total consideration of US\$31.1 million. Mining and processing operations began later that year. Klondex Canada also implemented an underground drilling program to expand the mineral resource. Klondex Canada is a wholly owned subsidiary of Klondex.

On March 19, 2018 Klondex and Hecla announced the latter's purchase of Klondex. Coincident to the purchase, the Canadian assets of Klondex including Klondex Canada and True North is to be part of Havilah under the Arrangement. Havilah is a newly formed entity independent of Klondex and Hecla. The Project will be the only material asset of Havilah and the Technical Report provides the initial estimate of mineral resources for the Project prior to the ownership by Havilah.

Property

Land holdings at True North were acquired by Klondex through bankruptcy proceedings of the Shoreline Gold Inc. (formerly San Gold Corporation) assets in early 2016. The former San Gold property includes the Project and consists of 18 patented mining claims, 262 unpatented mining claims and 2 mineral leases totaling 97,282-acres (39,369 ha).

Additionally, the land package includes a 50% interest in 27 unpatented mining claims, through a joint venture agreement with Greenbelt Gold Mines Inc. covering 1,013-acres (410 ha).

Environmental and Permitting

Klondex Canada revised the existing Environmental Act License for True North which includes approvals for minor alternations required for operation. The San Gold Mine Closure Plan (2012) and the pledged fixed-asset financial security for mine closure were transferred to Klondex in January 2016.

Klondex Canada collected all required environmental monitoring data including but not limited to: water quality sampling, environmental effects monitoring, final effluent release reporting, and forms part of the True North procedures for the sites environmental management system. Klondex Canada engaged local stakeholders and indigenous communities, and supports the regional economy by practicing the procurement of local goods, services and employment opportunities.

Geology

All the major gold occurrences in the True North area occur as quartz veins or quartz vein systems formed during structural deformation of the host rocks. At the Project, gold mineralization is controlled by quartz-carbonate veins and vein systems in brittle-ductile structures with related hydrothermal alteration halos within or at the margin of particular host rock units.

All of the gold mineralized zones at the Project are hosted in rocks of the Bidou Lake Assemblage which forms a north-facing stratigraphic sequence of tholeiitic basalt to intermediate volcanic flows, dacite crystal tuffs and breccias overlain by well stratified felsic epiclastic rock interpreted to be of pyroclastic and sedimentary origins. The stratigraphic sequence is intruded by tholeiitic gabbro sills and dykes, and felsic porphyry dykes.

The best-known gabbro sill is the San Antonio Unit, which is host rock for much of the gold mineralization the True North. The Bidou Lake Assemblage is unconformably overlain by feldspathic sandstone of the San Antonio Assemblage.

The gold mineralized veins show a high degree of structural control and are best developed in competent mafic host rock ranging from intermediate to gabbroic in composition.

History

Table 1 – Chronology of Ownership and Major Events of the True North Project

Dates	Company	Details
1911		Initial discovery at shore of Rice Lake
1927-1931	Mining syndicate	Exploration shafts and lateral test mining
1913-1968	San Antonio Gold Mines Ltd.	New company established, power lines and process facilities built
1932-1968	San Antonio Gold Mines Ltd.	Continuous production beginning at 150 tpd and increasing to 500 tpd using shrinkage stoping.
July 1968	San Antonio Gold Mines Ltd.	No. 1 Shaft surface hoist destroyed by fire, production ceased, San Antonio declared bankruptcy.
1968	New Forty-Four Mines	Acquired assets
1980	New Forty-Four Mines	Process plant destroyed by fire
1980-1983	Brinco Mining Limited JV	Brinco Mining underground exploration drilling, mined 100,000 tons, earned 100% interest but completed no further work
1987-1988	Agreement with Subsidiary of Inco Ltd.	Agreement with Brinco, drilled over 20,000 ft, then opted out.

Dates	Company	Details
1989-1994	Rea Gold Corp.	Acquired property, carried out engineering studies
1994-1997	Rea Gold Corp.	Underground rehab and exploration, feasibility studies, shaft extension, new process facility, then placed into receivership.
1998-2001	Harmony Gold (Canada) Inc.	Purchased project, installed ramp system in lower D-shaft area and attempted long hole mining. Grade was too low, project put on care and maintenance in August 2001.
2002	Option agreement with Wildcat Exploration Ltd.	Engineering studies based on shrinkage stope mining methods yielded positive results but Wildcat was unable to complete the acquisition.
2004	Rice Lake Joint Venture Inc.	San Gold Resources Corporation (Old San Gold) and Gold City Industries Ltd. JV to acquire Harmony through RLJV.
June 30, 2005	San Gold Corporation	Old San Gold and Gold City amalgamated, formed San Gold Corporation
2005-May 2015	San Gold Corporation	Exploration drilling, LiDAR survey, drove ramps, produced from three mineral trends, modernized process plant. Placed on care and maintenance.
June 2015	San Gold Corporation	Declared bankruptcy
2016-2017	Klondex Mines Ltd.	Acquired 100% of the Rice Lake Mine, process plant complex and 400 km ² exploration land package. Began underground rehab and started test mining. Commenced tailings reprocessing analysis. Prepared to process stockpiles. Changed mine name to True North. In Sept. 2016, announced formal decision to resume production.
Jan 2018	Klondex Mines Ltd.	Mine placed on care and maintenance status.

Gold was originally discovered on the Project in 1911, however, it was not until the 1920s that the construction of A-Shaft to a depth of 725 feet (221 meters) and approximately 2,000 feet (600 meters) of underground lateral development confirmed the presence of an economically viable mineral resource.

Small scale production from underground mining commenced in 1932 and production increased to about 500 tons per day (450 tonnes per day) in 1948. A fire destroyed some of the surface facilities in 1968, and as a result production was suspended. Beginning from the late 1990s, production was intermittent under various ownerships, until 2016 when Klondex acquired a 100% interest of the assets through bankruptcy proceedings.

True North includes six underground mines (i.e. Cohiba Zone, SG-1, 710/711 Zone, 007 Zone, Hinge Zone, Rice Lake), a vertical shaft, two decline ramps, a mill, an ore feed pad, mill feed crushing and conveying, a waste rock management area, and a tailings management area.

A-Shaft provides primary access from surface to the 26-level located 4,000 feet below the surface. Three internal winzes and extensive underground drifting connects the A-Shaft to the mineralized veins. Access to the Hinge, Cohiba and 007 mineralization is via two portals and internal ramp systems. Mineralization mined at True North since 1927 has contained approximately 1.86 million ounces of gold.

During 2016 – 2017 the True North mine recovered 33,000 gold ounces from 292 ktons of mineralization grading 0.127 opt. The project also initiated the reprocessing of tailings material and 113 ktons of tailings were treated at an

average grade of 0.05 opt. Tailings metallurgical recovery during this period averaged 91% and yielded 5,100 gold ounces. The mine was placed on care and maintenance status in January 2018.

Underground Mineral Resources

The mineral resource estimate is based on data from 4,678 surface and underground drill-holes, completed through February 1, 2018. This estimate also includes 30,202 channel samples obtained from underground drifting.

Wire frame models were constructed for 73 vein sets. The vein models were constructed by creating wireframes of the hanging and footwall contacts, obtained from the drill hole database. Each relevant contact is identified as either the hanging wall or footwall of the vein. Software is used to wireframe the contacts separately. Assay values were composited to the vein width and truncated to 10-foot lengths. Only composites flagged as representing vein material were used in the grade estimation. A grade capping scheme based on resource category and vein was employed. Grades were assigned to individual blocks using the Inverse Distance Cubed method.

Vein models were developed by Klondex based on a scripted grid modelling workflow using Maptek Vulcan software. Grid modelling is applicable to modelling narrow, continuous geological features such as precious metal veins and coal seams and creates a surface by interpolating a regular grid of points over a modelling area. These grid points are combined with the input intercepts to create output triangulated surfaces that represent the vein hanging wall and footwall contacts. The contacts are combined to create a valid solid triangulation for use in building the resource block model.

The 73 veins were each assigned a specific search orientation based on their respective approximate dip and dip direction. Measured blocks require a minimum of four composite samples within an average anisotropic search radius of 50 feet. Indicated blocks required three drill hole intercepts within 100 feet. Inferred blocks required two drill intercepts within 500 feet. Grades were estimated only for blocks contained within the modeled veins.

Mineral resources were estimated only for blocks within the modeled vein wireframes. In all cases, the vein boundary was treated as a "hard" boundary and mineralization is not modelled outside of those boundaries.

Underground mineral resources include sufficient barren waste dilution to achieve a minimum mining width of four feet or the vein thickness plus two feet whichever is greater plus an additional 10% unplanned dilution. Additional parameters used in the estimation of underground mineral resources are as follows;

- Mining processing and administrative costs of US\$130 per ton;
- Metallurgical gold recovery of 93%;
- Gold price of US\$1,400 per ounce, and;
- Cut-off grade of 0.10 Au opt.

Table 2 – Underground Mineral Resources as of March 31, 2018

Cut-off Au opt	Measured		Indicated		Measured and Indicated			Inferred				
	Tons (000's)	Au oz Au opt	Tons (000's)	Au oz Au opt	Tons (000's)	Au oz Au opt	Tons (000's)	Au oz Au opt	Tons (000's)	Au oz Au opt		
0.090	676	0.195	132	1,589	0.204	324	2,264	0.201	456	4,301	0.155	668
0.100	599	0.209	125	1,409	0.219	308	2,007	0.216	433	3,586	0.169	605
0.110	534	0.222	118	1,259	0.233	293	1,793	0.230	411	3,058	0.181	553
0.120	479	0.235	112	1,117	0.249	278	1,596	0.244	390	2,647	0.192	509

Notes:

- (1) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.

- (2) Mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
- (3) The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an Indicated or Measured mineral resource.
- (4) Contained metal may differ due to rounding.

Tailings Mineral Resources

Assay results from 138 augur and percussion drill-holes spaced approximately 200 feet by 100 feet were used to model the tailings resource. Blocks were estimated using inverse distance cubed methods. Blocks were classified as indicated if there is a minimum of three drill-holes within 250 feet and inferred if at least one Drill-hole is present within 250 feet. The tailings mineral resource is constrained to a Lerch Grossman optimized pit shell created with the following parameters:

- Gold price of US\$1400 per ounce;
- Metallurgical gold recovery of 89%,
- Wall slope 30 degrees;
- Mining cost of US\$2.40 per ton; and;
- Processing and overhead costs of US\$16.84 per ton.

Table 3 – Tailings Mineral Resources as of March 31, 2018

Class	Tons (000's)	Grade Au opt	Grade Au g/t	Au oz (000's)
Measured	-	-	-	-
Indicated	1,971	0.0243	0.83	48
Measured and Indicated	1,971	0.0243	0.83	48
Inferred	31	0.0235	0.81	0.7

Notes:

- (1) Tailings mineral resources have been calculated at a Au cut-off grade of 0.015 opt.
- (2) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant factors.
- (3) The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there is insufficient exploration to define these inferred mineral resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

Conclusions

PM is of the opinion that the core, channel chip and tailings sample assay data have been adequately verified for the purposes of a mineral resource estimate. All data included in the resource estimate appear to be of adequate quality.

The mining and processing methods in use at True North have been proven effective by the history of previous operators. Geotechnical risks are limited as shown by the large extent of underground workings.

With longhole mining there is increased risk hanging wall dilution along foliation planes and jointing as excavation size increases. The dilution encountered may be greater than the dilution included in the estimation of mineral resources and may have a negative impact on the quantity and quality of the mineral resources. In these areas alternative more selective and higher cost mining methods may be required.

The pre-existing mine closure plan that estimated closure costs at US\$3.25 million (C\$4.4 million) was transferred to Klondex Canada in January 2016 along with an assignment of fixed-assets as financial security. It may be beneficial for Havilah to review the technical basis of the tailings management area closure approach presented in the 2012 mine closure plan and update the associated closure costs.

Havilah is aware of the importance of an effective community engagement process to the Project. Havilah should continue to enhance community engagement activities with local Indigenous communities, the Town of Bissett, other interested stakeholders, and regulatory agencies; on a priority basis.

The True North infrastructure is capable of supporting long term mining operations. Havilah should explore for additional opportunities in the surrounding area which can supplement future operations.

Recommendations

It is recommended that Havilah take the following actions to maximize the value of the Project. The work programs described should occur concurrently with an integrated decision on proceeding with development made at the conclusion of all the work programs listed below.

Geology

1. **Technical Database:** All True North project data collected is stored and archived in a permanent and reliably retrieval manner. The database is currently administered by Klondex corporate personnel. Havilah should engage a full-time database administrator to continue this function.
2. **Quality Assurance/Quality Control:** Timely follow-up for all QA/QC assay deviations and re-assay requests should be performed in a timely manner. The process should be automated.
3. **Sample Storage and Retrieval:** Half-core remaining from sample assays should be retained for reference and check assay purposes. All assay sample rejects and pulps should be stored in a safe, secure and sheltered manner and properly catalogued to ease retrieval.
4. **Project Assay Lab:** Standard operating procedures should be updated, particularly in regard to assay data generation, storage and retrieval.

Exploration

1. The True North geological model which targets major structures as identified in surface lidar, drill core and geological mapping within favorable host rock conditions has proven successful in identifying new vein systems. Havilah should continue to develop this existing model to target near mine ore sources as well as apply its principals to the regional land package.
2. Future exploration programs should focus on regional scale data compilation followed by target generation by prediction and evaluation.
3. Further examination for the potential of Timiskaming type gold mineralization at the unconformity at the base of the San Antonio formation.
4. Evaluation of the historic Gunnar Mine and the presence of neighboring quartz carbonate vein systems.

Exploration activities are estimated to cost between US\$500,000 and US\$800,000 (C\$625,000 and C\$1,000,000) and should proceed over the next one to two years.

Environmental and Mine Closure

It is recommended that Havilah review the technical basis of the tailings management area closure approach presented in the 2012 mine closure plan and update the associated closure costs. A provisional amount for a US\$250,000 (C\$325,000) study that would be carried out over four years commencing in 2018 is recommended. This exercise will review and confirm the technical basis of the proposed tailings management area closure plan and estimated costs and possibly identify opportunities to improve upon the currently proposed approach.

Mine Operations and Planning

Complete a detailed engineering study and optimized mine plan. Specific elements to include are:

1. Prepare accurate dilution estimates by geotechnical domain for each mining method and hanging wall dip;
2. Estimate variable and fixed costs for each mining method;
3. Cost benefit analysis for a mine backfill system;
4. Produce individual stope designs using the most economic mining method including diluting material and the parameters developed above;
5. Create a mine production and development schedule and perform sensitivity analysis to determine the optimal production rate;
6. Continue processing the historic tailings material to offset the mine standby costs.

A detailed engineering study is anticipated to cost between US\$200,000 and US\$250,000 (C\$250,000 and C\$312,500) and should require approximately one year to complete.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Set forth below is a summary of certain selected historical carve-out financial information after giving effect to the proposed Arrangement with respect to Havilah for the periods indicated. The selected historical carve out financial information of Havilah has been derived from the carve-out financial statements set out in Schedule "A" and Schedule "B" to this Application. The carve-out financial statements set out in Schedule "A" and Schedule "B" hereto have been prepared in accordance with IFRS.

	Period ended December 31, 2016 (carve-out)⁽¹⁾ (Audited)	Year ended December 31, 2017 (carve-out) (Audited)	Three months ended March 31, 2018 (carve-out) (Unaudited)
Net income (loss)	C\$(16,727,000)	C\$(51,193,000)	C\$(9,840,000)
Total assets	C\$76,044,000	C\$74,412,000	C\$61,163,000
Total liabilities	C\$8,041,000	C\$12,986,000	C\$5,676,000
Total shareholders' equity ...	C\$68,003,000	C\$61,426,000	C\$55,487,000

Notes:

- (1) True North was acquired by Klondex on January 22, 2016. Financial information reflects the period January 22 – December 31, 2016.

In addition to the above, the audited opening interim financial statements of Havilah for the period from incorporation on May 3, 2018 to May 31, 2018 are set out in Schedule "H" to this Application and the *pro forma* consolidated financial statements as at and for the three months ended March 31, 2018 and for the year ended December 31, 2017 (unaudited) are set out in Schedule "I" to this Application.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis for True North for the years ended December 31, 2017 and 2016 and for the three month periods ended March 31, 2018 and 2017 was prepared as of May 4, 2018 and should be read in conjunction with the carve out financial statements for the years ended December 31, 2017 and 2016 and for the three month periods ended March 31, 2018 and 2017.

The carve-out financial statements have been prepared in accordance with IFRS and dollar amounts used herein are expressed in Canadian dollars unless otherwise stated. This discussion offers management's analysis of the financial and operating results of True North and Bison and contains certain forward-looking statements relating, but not limited, to operational information, future exploration and development plans and anticipated future mineral reserves or resources. Forward-looking information typically contains statements with words such as "anticipate", "estimate", "expect", "potential", "could", or similar words suggesting future outcomes. Readers and prospective investors of Havilah are cautioned not to place undue reliance on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by Havilah. For additional information relating to the risks and uncertainties facing Havilah, see the information below under the heading "Risk Factors".

Attached as Schedule "C" to this Application is the management's discussion and analysis of Havilah for the year ended December 31, 2017 and attached as Schedule "D" to this Application is the management's discussion and analysis of Havilah for the three months ended March 31, 2018.

DESCRIPTION OF CAPITAL STRUCTURE

Havilah Shares

Havilah is authorized to issue an unlimited number of common shares (the "**Havilah Shares**") of which one Havilah Share is outstanding as of the date hereof. In accordance with the Plan of Arrangement, the sole Havilah Share is currently held by Klondex. In accordance with the Plan of Arrangement, at the Effective Time each holder of Klondex Shares will receive 1 post-consolidation Havilah Share (or 0.125 of a pre-consolidation Havilah Share) for each Klondex Share then owned. The number of Havilah Shares expected to be outstanding immediately following the Effective Time cannot be determined until immediately prior to the Effective Time.

Each Havilah Share entitles the holder thereof to one vote at all meetings of shareholders other than meetings at which only holders of another class or series of shares are entitled to vote. Each Havilah Share entitles the holder thereof, subject to the prior rights of the holders of special shares and preference shares of Havilah, if any, to receive any dividends declared by the directors of Havilah and the remaining property and assets of Havilah upon liquidation, dissolution or winding-up. The holders of Havilah Shares are not entitled to vote separately as a class or series on, or to dissent with respect of, any proposal to amend the articles of Havilah to (a) increase or decrease the maximum number of authorized Havilah Shares or to increase the maximum number of authorized shares of a class or series ranking in priority to or on a parity with the Havilah Shares, (b) effect an exchange, reclassification or cancellation of all or part of the Havilah Shares, or (c) create a class or series of shares ranking in priority to or on parity with the Havilah Shares.

Havilah Warrants

Havilah anticipates that 1,250,000 Havilah Warrants will be outstanding as of the Effective Date.

Each Havilah Warrant will entitle the holder thereof to acquire one post-consolidation Havilah Share at an exercise price based on adjustment provisions contained in the original warrant issued by Klondex. One half of the outstanding Havilah Warrants (625,000 Havilah Warrants) will be exercisable at any time prior to 5:00 p.m. (Eastern Daylight Time) on May 11, 2029 and one half of the Havilah Warrants (625,000 Havilah Warrants) will be exercisable at any time prior to 5:00 p.m. (Eastern Daylight Time) on April 23, 2032, in both cases, subject to adjustment in certain customary events, after which time the Havilah Warrants will expire.

The Havilah Warrants will be evidenced by definitive Havilah Warrant certificates (each a "**Havilah Warrant Certificate**"). The Havilah Warrant Certificates will provide for customary adjustment in the number of Havilah Shares issuable upon the exercise of the Havilah Warrants and/or the exercise price per Havilah Warrant upon the occurrence of certain events.

No fractional Havilah Shares will be issuable upon the exercise of any Havilah Warrants and no cash or other consideration will be paid in lieu of fractional Havilah Shares. Holders of Havilah Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Havilah Shares would have.

The Havilah Warrants and the Havilah Shares issuable upon the exercise of the Havilah Warrants have not been and will not be registered under the U.S. Securities Act or any state securities laws. The Havilah Warrants will not be exercisable by, or on behalf of, a person in the United States or a U.S. person, nor will any certificates representing the Havilah Shares issuable upon exercise of the Havilah Warrants be registered or delivered to an address in the United States, unless an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws is available and Havilah has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to Havilah.

DIVIDENDS AND DISTRIBUTIONS

Havilah has not declared any cash dividends or distributions since Havilah's formation and currently intends to retain future earnings, if any, to finance further business development. The payment of any cash dividend or distributions to shareholders of Havilah in the future will be at the discretion of the directors of Havilah and will depend on, among other things, the financial condition, capital requirements and earnings of Havilah, and any other factors that the directors may consider relevant. The BCBCA provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that the corporation is, or would be after the payment of the dividend, unable to pay its liabilities as they become due or the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares of its capital.

PRIOR SALES

Since incorporation on May 3 2018, Havilah has issued only one Havilah Share, which is held by Klondex as of the date hereof.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Havilah, effective March 31, 2018, both before and after giving *pro forma* effect to the Arrangement.

	Authorized	Outstanding as at March 31, 2018 prior to giving effect to the Arrangement	Outstanding as at March 31, 2018 after giving effect to the Arrangement⁽¹⁾⁽²⁾
Havilah Shares	Unlimited	1 ⁽³⁾	25,943,919
Havilah Warrants	N/A	Nil	1,250,000
Total (Fully-diluted).....		1 ⁽³⁾	27,193,919

Notes:

- (1) Assumes completion of the Arrangement. Assumes no Dissenting Klondex Shareholders.
- (2) Assumes completion of the Havilah Share Consolidation.
- (3) Havilah was incorporated on May 3, 2018 and Klondex was issued one Havilah Share on such date. The one outstanding Havilah Share on the date hereof is on a pre-consolidation basis, whereas the pro forma outstanding number of Havilah Shares and Havilah Warrants is on a post-consolidation basis.

TRADING PRICE AND VOLUME

The Havilah Shares are not currently traded or quoted on any public marketing, including any Canadian marketplace. Havilah has applied to list the Havilah Shares on the TSXV under the symbol "HMC". Such listing will be subject to Havilah fulfilling all of the minimum listing requirements of the TSXV and obtaining conditional approval of the TSXV. There can be no assurance that the TSXV will list the Havilah Shares. If listing approval is ultimately obtained prior to the Effective Time, trading on the TSXV in the Havilah Shares is expected to commence shortly following the Effective Date. There is no present intention to list the Havilah Shares for trading on any national securities exchange in the United States.

ESCROWED SECURITIES

As of the date of the Klondex Circular, no securities of any class of securities of Havilah are held in escrow or are anticipated to be held in escrow following the completion of the Arrangement.

PRINCIPAL SHAREHOLDERS

All of the issued and outstanding Havilah Shares are currently held by Klondex. To the knowledge of Havilah, as of certain specified dates set out in the notes below, there are no persons who will, immediately following the completion of the Arrangement, directly or indirectly, own or exercise control or direction over, securities carrying more than 10% of the voting rights attached to any class of voting securities of Havilah other than:

<u>Name and Place of Residence</u>	<u>Number of Havilah Shares</u>	<u>Percent of Class</u>
Hecla Mining Corporation	To be determined ⁽¹⁾	13.46% ⁽²⁾
<ul style="list-style-type: none">6500 North Mineral Drive, Suite 200, Coeur d'Alene, Idaho 83815		
Cambridge Global Asset Management	To be determined ⁽³⁾	12.27% ⁽⁴⁾
<ul style="list-style-type: none">A business unit of CI Investments Inc.2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7		

Notes:

- (1) Pursuant to the Arrangement, Hecla will acquire that number of Havilah Shares in connection with the Arrangement that results in Hecla having beneficial control over approximately 13.46% of the outstanding Havilah Shares following the Effective Date. Since the total number of Havilah Shares to be issued in connection with the Arrangement is not determinable as of the date hereof, and depends on a number of factors including the number of outstanding Klondex Shares immediately prior to the Effective Time and the number of Klondex Shareholders exercising dissent rights in connection with the Arrangement, the exact number of Havilah Shares to be issued to Hecla cannot be determined as of the date hereof.
- (2) This percentage is an approximation only and was calculated based upon information set out in "Part 32 – Security Ownership of Certain Beneficial Owners and Management" of the Klondex Circular, which references a Schedule 14G filed by Hecla with the U.S. Securities and Exchange Commission on March 23, 2018.
- (3) Pursuant to the Arrangement, Cambridge Global Asset Management will acquire that number of Havilah Shares in connection with the Arrangement that results in Cambridge Global Asset Management having beneficial control over approximately 12.27% of the outstanding Havilah Shares following the Effective Date (after taking into account the approximate 1.91% dilution of Cambridge Global Asset Management's holdings due to the Hecla Subscription). Since the total number of Havilah Shares to be issued in connection with the Arrangement is not determinable as of the date hereof, and depends on a number of factors including the number of outstanding Klondex Shares immediately prior to the Effective Time and the number of Klondex Shareholders exercising dissent rights in connection with the Arrangement, the exact number of Havilah Shares to be issued to Cambridge Global Asset Management cannot be determined as of the date hereof.
- (4) This percentage is an approximation only and was calculated based upon information set out in "Part 32 – Security Ownership of Certain Beneficial Owners and Management" of the Klondex Circular, which references information provided to Klondex by CI Investments Inc. on March 16, 2018.

CORPORATE GOVERNANCE

NP 58-201 and NI 58-101, along with other applicable regulatory requirements, form the regulatory framework for Havilah's anticipated corporate governance practices. NI 58-101 deals with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices.

The Havilah Board recognizes the importance of corporate governance to the effective management of Havilah following the completion of the Arrangement, and to the protection of its employees and shareholders. Havilah's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of Havilah are effectively managed so as to enhance shareholder value. The Havilah Board fulfills its mandate directly and through the committees it expects to form at regularly scheduled meetings and as required. Frequency of meetings and the nature of the agenda items will be determined based on the state of Havilah's affairs and in light of opportunities or risks which Havilah faces. The directors are expected to be kept informed of Havilah's operations at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise. A majority of the Havilah Board is independent of Havilah within the meaning of NP 58-201.

Following the completion of the Arrangement, the Havilah Board expects to establish a corporate governance and nominating committee (the "**Havilah Corporate Governance and Nominating Committee**"). In addition to recommending appropriate criteria for the selection of new directors and establishing procedures for identifying prospective Havilah Board members, the Havilah Corporate Governance and Nominating Committee is expected to have responsibilities for, amongst other things, monitoring and ensuring board independence, establishing procedures for Havilah Board meetings to ensure Havilah Board effectiveness, ensuring that Havilah Board members possess an appropriate balance of skills and areas of expertise needed to effectively govern Havilah's affairs, establishing position descriptions for the key members of the Havilah Board and senior management and overseeing Havilah Board diversity, renewal, orientation and continuing education.

Havilah's corporate governance practices are being established in compliance with applicable Canadian regulatory and TSXV requirements. Havilah monitors developments in Canada with a view to further revising its governance policies and practices, as appropriate.

A copy of the Havilah Board's written mandate, which sets out the responsibilities and duties of the directors, is attached as Schedule "E" to this Application.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The names, municipalities of residence, positions with Havilah and the principal occupations of the persons who will serve as directors and executive officers of Havilah after giving effect to the Arrangement are set out below, together with their *pro forma* holdings of Havilah Shares.

Name and Province of Residence	Position	Principal Occupation During Last Five Years	Director and/or Officer Since	Pro forma Holdings of Havilah Shares⁽¹⁾
Blair Schultz <i>Toronto, Ontario, Canada</i>	Chairman, Interim President and Chief Executive Officer and Director	Chairman of Klondex from June 2012 to September 2014; Executive Director of Klondex from September 2014 to June 2015; Independent Director of Klondex since June 2015; President and Chief Executive Officer of Langhaus Financial Partners Inc. from October 2016 to September 2017; Director of Eastmain Resources Inc. since April 2016; Director of OK2 Minerals Ltd. since August 2016; Director of Ring the Bell Capital Corporation since October 2017; Director of VMS Ventures Inc. since July 2015 and Chair of the Special Committee until acquired by Royal Nickel Corporation in April 2016; Vice President and Portfolio Management and Trading at K2 & Associates Investment Management Inc., a hedge fund in Toronto, from June 2001 to June 2014.	May 3, 2018 (Chairman and Director) June 29, 2018 (Officer)	130,541
Shaun Heinrichs ⁽³⁾ <i>Port Moody, British Columbia, Canada</i>	Interim Chief Financial Officer	Chief Financial Officer of Group Eleven Resources Corp. since February 2017; Strategic Advisor to the Chief Executive Officer for Adventus Realty Trust from August 2016 to June 2017; Chief Financial Officer of VMS Ventures Inc. from November 2015 to May 2016; Vice President of Jerritt Canyon Gold, LLC from June 2015 to August 2015; and Chief Financial Officer, Co-Chief Executive Officer and Director of Veris Gold Corp from January 2008 to August 2015.	June 29, 2018	Nil
Paul Huet ⁽²⁾⁽³⁾ <i>Reno, Nevada, USA</i>	Director	President and Chief Executive Officer of Klondex since September 2012; Chief Operating Officer of Premier Gold Mines Limited from September 2011 to August 2012; General Manager of Nevada Great Basin Gold from April 2007 to August 2011.	May 3, 2018	134,066
James Haggarty ⁽²⁾⁽³⁾ <i>Toronto, Ontario, Canada</i>	Director	President and Chief Executive Officer of SIM International since May 2016; Managing Director, Gibraltar Growth Corporation from November 2015 to March 2016; Director of GreenSpace Brands Inc. since April 2015; Director of Toronto Blue Jays Care Foundation since 2010; Chief Executive Officer of technology and e-commerce company (SHOP.CA) from April 2014 to October 2015; Founder & President of J.E.L.L. Advisors, a consulting firm, since 2012; Executive Vice President at Rogers Communications Inc. from April 2005 to February 2012.	May 3, 2018	36,783
Brian Morris ⁽²⁾⁽³⁾ <i>Reno, Nevada, USA</i>	Director	Senior Vice President of Exploration of Klondex since January 2015; President of American Mining and Tunneling from June 2013 to December 2014; and VP Exploration of Premier Gold Mines Limited from November 2011 to June 2013.	May 3, 2018	51,959

<u>Name and Province of Residence</u>	<u>Position</u>	<u>Principal Occupation During Last Five Years</u>	<u>Director and/or Officer Since</u>	<u>Pro forma Holdings of Havilah Shares⁽¹⁾</u>
Michael Hoffman ⁽³⁾ <i>Midhurst, Ontario, Canada</i>	Director	Chairman (since October 2017) and director of Trevali Mining Corporation since 2011. Currently principal of M Hoffman Consulting Ltd. providing strategic and consulting services to the mining industry. Senior executive of Great Lakes Capital from 2013 to 2015 and Belo Sun Mining from 2012 to 2014. Prior to establishing M Hoffman Consulting, President, CEO and founder of Crocodile Gold Inc., responsible for formulating a strategy to purchase four million-ounce gold assets in Australia. President and CEO of Kria Resources Inc., a Canadian base metal exploration and development company, effectively completed a merger with Trevali Mining Corporation.	May 3, 2018	Nil
Shaun Drake ⁽³⁾ <i>Toronto, Ontario, Canada</i>	Corporate Secretary	President of DRAX Services Limited, a company providing corporate secretarial services, since July 2013; Executive with DSA Corporate Services Inc.(formerly 6196322 Canada Limited), a company providing corporate secretarial services, from February 2009 to June 2013.	June 29, 2018	Nil

Notes:

- (1) Based on the number of outstanding Klondex Shares, Klondex Options are held as of May 15, 2018 and assuming completion of the Arrangement with no Klondex Shareholders exercising dissent rights and assuming that all Klondex Options held by the officers and directors of Havilah are in-the-money Klondex Options.
- (2) Member of the Audit Committee. Chair of the Audit Committee is James Haggarty.
- (3) Considered "independent" in accordance with the definition thereof under NI 52-110.

Each of the directors of Havilah will hold office until the first annual meeting of the holders of Havilah Shares or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with Havilah's articles or by-laws.

Assuming completion of the Arrangement, it is anticipated that the current directors and executive officers of Havilah, as a group, will beneficially own, directly or indirectly, or exercise control or direction over 353,349 Havilah Shares, or approximately 1.3619% of the number of Havilah Shares that will be outstanding immediately following completion of the Arrangement, assuming the number of outstanding Klondex Shares as of the date hereof remains unchanged prior to the Effective Time and that no Klondex Shareholders exercise dissent rights with respect to the Arrangement.

As of the date hereof, Havilah has not appointed any executive officers other than Blair Schultz, Interim President and Chief Executive Officer, Shaun Heinrichs, Interim Chief Financial Officer and Shaun Drake, Corporate Secretary. Both Messrs. Schultz and Heinrichs are expected to serve in these roles pending a longer-term executive search for a permanent President and Chief Executive Officer and Chief Financial Officer. Havilah expects to continue to source suitable candidates for executive officer positions as it proceeds towards completion of the Arrangement and may make additional appointments to such positions in the ordinary course, both before and after the Effective Time.

Biographies

The following biographical information relates to each of the directors and officers of Havilah and includes a description of each individual's principal occupation within the past five years.

Blair Schultz, Chairman, Interim President and Chief Executive Officer and Director, has served on the board of directors of Klondex since June 2012. He served as chairman of Klondex from 2012 to 2014, and as an executive director from September 2014 to June 2015. Mr. Schultz has over 20 years of capital markets experience. He recently served as the President and Chief Executive Officer of Langhaus Financial Partners Inc. from October 2016 to September 2017. Mr. Schultz currently serves as a director of Eastmain Resources Inc., OK2 Minerals Ltd. and Ring the Bell Capital Corporation and was previously, from July 2015 to April 2016, a director of VMS Ventures Inc. where he was chair of the special committee overseeing the sale of VMS to Royal Nickel Corporation. Prior to his time at Klondex, Mr. Schultz spent 13 years, from 2001 to 2014, with K2 & Associates Investment Management Inc., a hedge fund in Toronto, where he was Vice President and held various positions most notably, Head of Special Situation, Portfolio Management and Trading. Before K2, Mr. Schultz worked for Canada Life, TD Securities, Trimark and Perigee Investment Counsel in debt private placements, interest rate derivatives and equity research. He is also a part owner and director of RYR Sports Inc., a hockey equipment manufacturer based in Toronto, Canada. Mr. Schultz holds an Honours Bachelor of Mathematics degree from the University of Waterloo with a Business Administration option from Wilfred Laurier University.

Shaun Heinrichs, Interim Chief Financial Officer, has over 20 years of experience in financial management and reporting, primarily in the mining industry. His career began at Ernst & Young in Vancouver where he managed assurance and advisory services to several U.S and Canadian public companies. He subsequently held senior management roles in several public companies including serving as Chief Financial Officer of Veris Gold Corp., a precious metals producer listed in Canada and the U.S., from 2008 to 2015, and also as the Chief Financial Officer of VMS Ventures Inc. from 2015 to 2016. Mr. Heinrichs also served as a director of Veris Gold Corp from 2012 to 2013. Presently Mr. Heinrichs is also the Chief Financial Officer of Group Eleven Resources Corp., a zinc exploration company based in Ireland. Mr. Heinrichs is a Chartered Professional Accountant (CPA and CA) with the Institute of Chartered Accountants of British Columbia and holds a business degree from Simon Fraser University.

Paul Huet, Director, has served as the Company's President and Chief Executive Officer and as a member of the board of directors of Klondex since September 2012. Mr. Huet brings over 31 years of mining experience and has supervised mine operations, mine engineering, geology and mine safety in Nevada. Prior to joining the Company, Mr. Huet served as Chief Operating Officer of Premier Gold Mines Limited and oversaw its gold projects. Mr. Huet also previously served as General Manager at the Hollister mine for five years and was Mine Manager at the Midas Mine, prior to it being acquired by the Company and while operating under Newmont and Franco-Nevada ownership, serving in several roles during his seven-year tenure. Mr. Huet earned an Honours degree in Mining Engineering Technology from Haileybury School of Mines in Ontario and an Executive MBA from the Stanford University School of Business. Prior to joining Klondex, Mr. Huet was Chief Operating Officer of Premier Gold Mines Limited from September 2011 to August 2012 and General Manager of Nevada Great Basin Gold from April 2007 to August 2011.

James Haggarty, Director, has served on the Klondex Board since June 2012. Mr. Haggarty is a Chartered Professional Accountant (C.P.A. and C.A.) and holds an Honours Bachelor of Commerce degree from the University of Windsor. Mr. Haggarty's career has covered a range of industries from broadcasting, telecommunications, mining and public accounting. He has held senior executive positions as Chief Executive Officer, Executive VP Operations, VP Financial Operations, and VP Corporate Development with public and private companies including the Sim International where he currently is President and Chief Executive Officer. From November 2015 to March 2016, Mr. Haggarty was the Managing Director of Gibraltar Growth Corporation, a company listed on the TSX and was on Gibraltar's Board until June 2016. Prior to that, Mr. Haggarty was the Chief Executive Officer of SHOP.CA, a technology and e-commerce company, from April 2014 to October 2015. From 2012 to April 2014, Mr. Haggarty served as President of J.E.L.L. Advisors, a consulting firm he founded in 2012. From April 2005 to February 2012, Mr. Haggarty was Executive Vice President at Rogers Communications Inc. Mr. Haggarty has extensive experience with audit committees and public company boards throughout his career, stemming back to 1993 with Inmet Mining (formerly Metal Mining). Mr. Haggarty currently serves on the board of directors of GreenSpace Brands Inc., a TSX listed company, and he previously was a member of the board of directors of Gibraltar Growth Corporation, also listed on the TSX. Mr. Haggarty is a volunteer board member of the Toronto Blue Jays Care Foundation.

Brian Morris, Director, has over 30 years of experience in the mining industry. His previous experience encompasses senior positions in geology, exploration and underground production for several North American companies and their subsidiaries, including Hecla, Barrick and Newmont. Mr. Morris' tenure at the Midas mine was from 2002 to 2007 and was involved in district exploration, underground near mine resource expansion and production. At Hollister, Mr.

Morris was Chief Geologist until being promoted to VP of Geology and Business Development. Most recently, Mr. Morris served as President of American Mining and Tunneling. He is considered to be an expert in both epithermal vein systems and Carlin style deposits, and has a substantial understanding of mining operations in Nevada and Canada. Mr. Morris holds a Bachelor's degree in Geology from Humboldt State University in California.

Michael Hoffman, Director, is a professional mining engineer with over 35 years of experience in mine operations, projects and corporate development. Mr. Hoffman started his career in the Canadian mining industry, working his way through engineering and mine operating roles for a number of mines across Canada, including the Arctic. In the late 1990's, he moved to Toronto with Rio Algom and worked on both the Antamina and Spence projects in Peru and Chile, respectively. He worked for Goldcorp as Vice President, Projects and oversaw both feasibility and construction of the #3 shaft mining complex, and was responsible for the due diligence and integration of Goldcorp with Wheaton River Minerals. He worked as Vice President, Projects for Desert Sun Mining on the expansion of the Jacobina Mine in Brazil and stayed with Yamana as an executive after the merger with Desert Sun Mining. After Yamana, Mr. Hoffman then became President and Chief Executive Officer of Kria Resources, which acquired a number of base metal projects in Canada and later merged with Trevali Resources. He was founder and Chief Executive Officer of Crocodile Gold, which acquired a number of gold assets in Australia and subsequently, after he left, merged with Newmarket Gold. Since his time with Crocodile Gold, Mr. Hoffman has been active as Principal of M Hoffman Consulting Ltd. which provides advisory services to the mining industry. He has assisted on a number of projects including Belo Sun Mining, Brazil Potash and African Thunder Platinum. In addition to being a director of Eastmain Resources, he is also a director of Trevali Resources and Kombat Copper. He has experience serving on audit committees, sustainability committees and compensation committees. Mr. Hoffman holds a Bachelor of Applied Science, Mining Engineering from Queen's University and is a Professional Engineer in the province of Ontario.

Shaun Drake, Corporate Secretary, is the President of DRAX Services Limited, a firm providing dedicated corporate secretarial services to reporting issuers. Since 2000, Mr. Drake has delivered corporate secretarial services using his experience to provide effective and practical solutions to clients' continuous disclosure requirements. Prior to that, Mr. Drake worked in the global trust services industry for fourteen years in Guernsey, Channel Islands and Portugal, and provided corporate services to a private bank. He is an Associate (ACIS) of the Institute of Chartered Secretaries and Administrators (ICSA). Mr. Drake also acts as Corporate Secretary to various companies listed on the Toronto Stock Exchange and the TSXV.

Other Reporting Issuer Experience

The following table sets out the directors and officers of Havilah that are, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Other Reporting Issuer	Name of Trading Market(s)	Position Held	Dates
Blair Schultz	Klondex Mines Ltd. <i>British Columbia</i>	TSX, NYSE American	Director	2012 - Present
	Eastmain Resources Inc. <i>Ontario</i>	TSX	Director	2016 - Present
	OK2 Minerals Ltd. <i>British Columbia</i>	TSXV	Director	2016 - Present
	Ring the Bell Capital Corp. <i>Ontario</i>	TSXV	Director	2017 - Present
Shaun Heinrichs	Group Eleven Resources Corp. <i>British Columbia</i>	TSXV, OTCQB	Chief Financial Officer	2017 - Present
	Ring the Bell Capital Corp. <i>Ontario</i>	TSXV	Chief Financial Officer and Director	2017 - Present

<u>Name</u>	<u>Name and Jurisdiction of Other Reporting Issuer</u>	<u>Name of Trading Market(s)</u>	<u>Position Held</u>	<u>Dates</u>
Paul Huet	Klondex Mines Ltd. <i>British Columbia</i>	TSX, NYSE American	President, Chief Executive Officer and Director	2012 - Present
Brian Morris	Klondex Mines Ltd. <i>British Columbia</i>	TSX, NYSE American	Senior VP, Exploration	2014 – Present
James Haggarty	Klondex Mines Ltd. <i>British Columbia</i>	TSX, NYSE American	Director	2012 – Present
	GreenSpace Brands Inc. <i>Ontario</i>	TSXV	Director	2015 - Present
Michael Hoffman	Trevali Mining Corporation <i>British Columbia</i>	TSX, OTC	Chairman, Director	2011 (Director) – Present 2017 (Chairman) – Present
	Eastmain Resources Inc. <i>Ontario</i>	TSX	Director	2016 – Present
Shaun Drake	Premier Gold Mines Ltd. <i>Ontario</i>	TSX	Secretary	2006 – Present
	Sandy Lake Gold Inc. <i>Canada</i>	TSXV	Secretary	2010 – Present
	Wolfden Resources Corp. <i>Ontario</i>	TSXV	Secretary	2012 – Present
	Mexican Gold Corp. <i>Ontario</i>	TSXV	Secretary	2010 – Present
	Guyana Goldfields Inc. <i>Canada</i>	TSX	Secretary	2017 – Present
	Sable Resources Ltd. <i>British Columbia</i>	TSXV	Secretary	2017 – Present
	GPM Metals Inc. <i>Ontario</i>	TSXV	Secretary	2017 – Present

Corporate Cease Trade Orders or Bankruptcies

No proposed or current director or executive officer of Havilah has, within the last ten years prior to the date of this Application, been a director, chief executive officer or chief financial officer of any issuer (including Havilah) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that resulted, after the director, executive officer or securityholder holding a sufficient number of securities of Havilah to affect materially the control of Havilah ceased to be a director, chief executive officer or chief financial officer of an issuer, the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

Except as described below, no proposed or current director or executive officer of Havilah has, within the last ten years prior to the date of this Application, been a director or executive officer of any company (including Havilah) 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.

James Haggarty served as an executive officer of SHOP.ca from April 2014 to October 2015. On June 7, 2016, SHOP.ca submitted a notice of intention to make a proposal to the Office of the Superintendent of Bankruptcy Canada asking for, among other things, an order approving a filing extension and protection from creditors. On July 21, 2016 SHOP.ca was deemed to have made an assignment in bankruptcy pursuant to applicable Canadian bankruptcy laws.

On April 1, 2014 the British Columbia Securities Commission ordered under Section 164(1) of the *Securities Act* (British Columbia) that all trading by insiders in the securities of Veris Gold Corp. cease until the annual statements were filed. As the Chief Financial Officer at the time, Shaun Heinrichs was subject to the order. The annual statements of Veris Gold Corp. were filed on April 15, 2014 and the cease trade order was revoked. Mr. Heinrichs was acting as Chief Financial Officer of Veris Gold Corp. when on June 9, 2014 such company made an application under the *Companies' Creditors Arrangement Act* (Canada) in the Supreme Court of British Columbia. On June 9, 2014, Veris Gold Corp. also has filed a petition seeking protection under Chapter 15 of the *U.S. Bankruptcy Code* in the U.S. Bankruptcy Court for the District of Nevada.

Penalties or Sanctions

No proposed or current director or officer or securityholder holding a sufficient number of securities of Havilah to affect materially the control of Havilah has been subject to: (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No proposed or current director or officer or securityholder holding a sufficient number of securities of Havilah to affect materially the control of Havilah has, within the last ten years prior to the date of this Application, been a director or executive officer of any company (including Havilah) that, while such 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 for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, no proposed or current director or officer or securityholder holding a sufficient number of securities of Havilah to affect materially the control of Havilah has, within the last ten years prior to the date of this Application, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Havilah will be subject in connection with the operations of Havilah. In particular, certain of the directors and officers of Havilah are involved in managerial or director positions with other mining companies whose operations may, from time to time, be in direct competition with those of Havilah or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Havilah. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA. As at the date of this Application, Havilah is not aware of any existing or potential material conflicts of interest between Havilah and any director or officer of Havilah.

EXECUTIVE COMPENSATION

To date, Havilah has not carried on any business and has not completed a fiscal year of operations. No compensation has been paid by Havilah to its executive officers or directors and none will be paid until after the Arrangement has

been completed. Following completion of the Arrangement, it is anticipated by Klondex, the sole shareholder of Havilah prior to the Effective Date, that the executive officers of Havilah will be paid salaries at a level that is comparable to companies of similar size and character. It is anticipated that following the Effective Date the compensation of the executive officers and directors of Havilah will be determined by the compensation committee of Havilah (the "**Havilah Compensation Committee**"). It is presently expected that in addition to awards that will be granted to executive officers pursuant to the Havilah Option Plan (as defined below), compensation of the executive officers of Havilah will be in the following ranges:

Officer Position	Base Salary Range		Bonus Range	
	Low	High	Low	High
President and Chief Executive Officer	US\$220,000	US\$240,000	US\$125,000	US\$173,000
Chief Financial Officer	US\$170,000	US\$190,000	US\$81,000	US\$117,000
Vice President, Exploration	US\$160,000	US\$180,000	US\$68,000	US\$102,000

As at the date of this Application, there are no employment contracts in place between Havilah and any of the executive officers of Havilah and there are no provisions with Havilah for compensation for the executive officers of Havilah in the event of termination of employment or a change in responsibilities following a change of control of Havilah. It is expected that Havilah will enter into employment contracts with each of the executive officers of Havilah on or before the Effective Date.

Havilah has not established an annual retainer fee or attendance fee for directors. However, Havilah will establish directors' fees in the future and will reimburse directors for all reasonable expenses incurred in order to attend meetings. It is anticipated that directors will be partially compensated for their time and effort by granting them options to acquire Havilah Shares pursuant to the Havilah Option Plan.

INCENTIVE STOCK OPTIONS

The directors of Havilah and Klondex, the sole shareholder of Havilah prior to the Effective Date, have approved the Havilah share option plan (the "**Havilah Option Plan**"). The Havilah Option Plan is being put to Klondex Shareholders for approval provided that the Arrangement Resolution is approved. The Havilah Option Plan will not become effective unless the Arrangement Resolution is approved and becomes effective, as described below.

Klondex Shareholder approval is required by the TSXV (in the event that the Havilah Shares are listed on the TSXV) in connection with the Havilah Option Plan. The full text of the Arrangement Resolution is set out in Appendix "B" to the Klondex Circular. In order for the option plan resolution (the "**Havilah Option Plan Resolution**") as set out in Appendix "N" to the Klondex Circular to become effective (i) the Havilah Option Plan Resolution must be approved by the affirmative vote of at least a simple majority of votes cast by the Klondex Shareholders, who vote in person or by proxy at the Klondex Meeting and (ii) the Arrangement must become effective.

Completion of the Arrangement or approval of the Arrangement Resolution is not conditional upon the approval of the Havilah Option Plan Resolution.

The Havilah Option Plan is a rolling-maximum option plan whereby the maximum number of Havilah Shares that may be reserved for issue and which can be purchased upon the exercise of all options granted under the Havilah Option Plan is fixed at 10% of the number of outstanding Havilah Shares from time to time.

A copy of the Havilah Option Plan is available to any shareholder of Klondex at or prior to the Klondex Meeting upon request to Klondex and is also attached hereto as Schedule "F" to this Application. Set forth below is a summary of the Havilah Option Plan. The following summary is qualified in all respects by the provisions of the Havilah Option Plan. Reference should be made to the Havilah Option Plan for the complete provisions thereof.

Purpose, Administration and Eligible Participants

The purpose of the Havilah Option Plan is to advance the interests of Havilah through the motivation, attraction and retention of key employees, consultants and directors of Havilah and "designated" affiliates of Havilah (as such term is defined in the Havilah Option Plan) and to secure for Havilah and the shareholders of Havilah the benefits inherent in the ownership of Havilah Shares by key employees, consultants and directors of Havilah and the designated affiliates of Havilah through the granting of non-transferable options ("**Havilah Options**") to eligible participants under the Havilah Option Plan. The Havilah Option Plan will be administered by the directors of Havilah. Pursuant to the Havilah Option Plan, the directors may delegate the administration of the Havilah Option Plan to a committee, which the directors anticipate will be the Havilah Compensation Committee, which will be authorized to carry out such administration and, failing a committee being so designated, the Havilah Option Plan is to be administered by the directors of Havilah.

Subject to the provisions of the Havilah Option Plan, the Havilah Compensation Committee will have the authority to select those persons to whom Havilah Options will be granted. Eligible participants under the Havilah Option Plan include the directors, officers and employees (including both full-time and part-time employees) of Havilah or of any designated affiliate of Havilah and any person or corporation engaged to provide ongoing management, advisory or consulting services for Havilah or a designated affiliate of Havilah or any employee of such person or corporation.

Havilah Shares Subject to the Havilah Option Plan

The aggregate number of Havilah Shares reserved for issue and which can be purchased upon the exercise of all Havilah Options granted under the Havilah Option Plan may not exceed 10% of the Havilah Shares outstanding from time to time. The Havilah Option Plan is a "rolling" maximum share option plan, and any increase or reduction in the number of outstanding Havilah Shares will result in an increase or reduction, respectively, in the number of Havilah Shares that are available to be issued under the Havilah Option Plan.

The maximum number of Havilah Shares reserved for issue pursuant to Havilah Options granted to participants who are insiders of Havilah in any 12 month period may not exceed, in the aggregate, 10% of the number of Havilah Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the TSXV. The maximum number of Havilah Shares reserved for issue to any one participant upon the exercise of Havilah Options in any 12 month period shall not exceed 5% of the number of Havilah Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the TSXV. The maximum number of Havilah Shares reserved for issue to any one participant (other than a participant who is an eligible director or eligible employee) upon the exercise of Havilah Options in any 12 month period shall not exceed 2% of the number of Havilah Shares then outstanding.

The maximum number of Havilah Shares reserved for issue to all eligible employees and to all participants (other than participants who are eligible directors) conducting Investor Relations Activities (as such terms are defined in the policies of the TSXV) upon the exercise of Havilah Options in any 12 month period shall not exceed, in the aggregate, 2% of the number of Havilah Shares then outstanding. Havilah Options granted to participants (other than participants who are eligible directors or eligible employees) performing Investor Relations Activities shall vest in stages over a 12 month period, with no more than $\frac{1}{4}$ of the Havilah Options vesting in any three month period. The directors of Havilah shall, through the establishment of appropriate procedures, monitor the trading in the securities of Havilah by all grantees of options performing Investor Relations Activities.

As the number of Havilah Shares that will be outstanding immediately following the Effective Time cannot be determined as of the date hereof, the number of Havilah Shares available pursuant to the Havilah Option Plan as of the date hereof also cannot be determined.

Exercise Price of Havilah Options

The exercise price of any Havilah Option may not be less than the closing price of the Havilah Shares on the principal stock exchange on which the Havilah Shares are listed on the last trading day immediately preceding the date of grant of the Havilah Option less the maximum discount, if any, permitted by such stock exchange (with no discount

permitted for Havilah Options granted to participants subject to U.S. taxation) and, if the Havilah Shares are not then listed on any stock exchange, the exercise price may not be less than the fair market value of the Havilah Shares as may be determined by the directors of Havilah on the day immediately preceding the day of the grant of such Havilah Option. Notwithstanding the foregoing, the exercise price of a Havilah Option awarded to a U.S. participant shall be not less than the closing price of the Havilah Shares on the stock exchange on the last trading day immediately preceding the date of the grant of such Havilah Option.

Expiry Date of Havilah Options

Each Havilah Option, unless sooner terminated pursuant to the provisions of the Havilah Option Plan, will expire on a date to be determined by the Havilah Compensation Committee at the time the Havilah Option is granted, subject to amendment by an employment contract, which date cannot be later than ten years after the date the Havilah Option is granted.

However, if the expiry date falls within a "blackout period" or within ten business days after the expiry of a "blackout period", then the expiry date of the Havilah Option will be the date which is ten business days after the expiry of the blackout period.

Vesting and Exercise of Havilah Options

Except as otherwise provided in the Havilah Option Plan or in any employment contract, each Havilah Option may be exercised during the term of the Havilah Option only in accordance with the vesting schedule, if any, determined by the Havilah Compensation Committee at the time of the grant of the Havilah Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Havilah Compensation Committee from time to time with respect to a particular Havilah Option, subject to applicable regulatory requirements. If the Havilah Compensation Committee does not determine a vesting schedule at the time of the grant of any particular Havilah Option, such Havilah Option will be exercisable in whole at any time, or in part from time to time, during the term of the Havilah Option.

Effect of Termination

No Havilah Option granted under the Havilah Option Plan may be exercised unless the optionee at the time of exercise thereof is:

- (a) in the case of an eligible employee, an officer of Havilah or a designated affiliate of Havilah or in the employment of Havilah or a designated affiliate of Havilah and has been continuously an officer or so employed since the date of the grant of such Havilah Option;
- (b) in the case of an eligible director who is not also an eligible employee, a director of Havilah or a designated affiliate of Havilah and has been such a director continuously since the date of the grant of such Havilah Option; and
- (c) in the case of any other eligible participant, engaged, directly or indirectly, in providing ongoing management, advisory, consulting, technical or other services for Havilah or a designated affiliate of Havilah and has been so engaged since the date of the grant of such Havilah Option;

provided, however, that if a participant: (i) ceases to be a director of Havilah and of the designated affiliates of Havilah (and is not or does not continue to be an employee thereof) for any reason (other than death); or (ii) ceases to be employed by, or provide services to, Havilah or the designated affiliates of Havilah (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to Havilah or the designated affiliates of Havilah, for any reason (other than death) or receives notice from Havilah or any designated affiliate of Havilah of the termination of his or her employment contract, except as otherwise provided in any employment contract, such participant will have 90 days from the date of such termination to exercise his or her Havilah Options to the extent that such participant was entitled to exercise such Havilah Options at the date of such termination. Notwithstanding

the foregoing or any employment contract, in no event shall such right extend beyond the period during which the Havilah Option was exercisable under the terms of its grant or one year from the date of such termination.

If a participant, or in the case of another participant which is not an individual, the primary individual providing services to Havilah or designated affiliates of Havilah on behalf of the other participant dies, any outstanding Havilah Option held by such participant or other participant at the date of such death will become immediately exercisable and will be exercisable in whole or in part only by the person or persons to whom the rights of the optionee under the Havilah Option will pass for a period of 12 months after the date of death of the optionee or prior to the expiration of the option period in respect of the Havilah Option, whichever is earlier, and only to the extent that such optionee was entitled to exercise the Havilah Option at the date of the death of such optionee in accordance with the terms of the Havilah Option Plan.

Consolidation, Merger, etc.

If there is a consolidation, merger or statutory amalgamation or arrangement of Havilah with or into another corporation, a separation of the business of Havilah into two or more entities or a sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Havilah to another entity, upon the exercise of a Havilah Option under the Havilah Option Plan the holder thereof is entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Havilah Option immediately prior to the effective time of such event, unless the Havilah Compensation Committee otherwise determines the basis upon which such Havilah Option shall be exercisable.

Securities Exchange Take-Over Bid

If a take-over bid (within the meaning of the *Securities Act* (Ontario)) is made as a result of which all of the outstanding Havilah Shares are acquired by the offeror through compulsory acquisition provisions of the incorporating statute of Havilah or otherwise, and where consideration is paid in whole or in part in equity securities of the offeror, the Havilah Compensation Committee may send notice to all optionees requiring them to surrender their Havilah Options within ten days of the mailing of such notice, and the optionees shall be deemed to have surrendered such Havilah Options (with such surrender conditioned on the successful completion of the take-over bid) on the tenth day after the mailing of such notice without further formality (with such surrender conditioned on the successful completion of the take-over bid), provided that, among other things, the Havilah Compensation Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the optionees on the equity securities offered as consideration.

Acceleration on Take-Over Bid, Consolidation or Merger

In the event that: (a) Havilah seeks or intends to seek approval from the shareholders of Havilah for a transaction which, if completed, would constitute an Acceleration Event (as hereinafter defined); or (b) a person makes a bona fide offer or proposal to Havilah or the shareholders of Havilah which, if accepted or completed, would constitute an Acceleration Event, then Havilah is required to send notice to all optionees of such transaction, offer or proposal as soon as practicable. Provided that the Havilah Compensation Committee has determined that no adjustment will be made under the provisions of the Havilah Option Plan described above under the heading "*Incentive Stock Option – Consolidation, Merger, etc.*" of this Application, (i) the Havilah Compensation Committee may by resolution, and notwithstanding any vesting schedule applicable to any Havilah Option, permit all Havilah Options outstanding which have restrictions on their exercise to become immediately exercisable during the period specified in the notice (but in no event later than the applicable expiry date of a Havilah Option), so that the optionee may participate in such transaction, offer or proposal, and (ii) the Havilah Compensation Committee may accelerate the expiry date of such Havilah Options and the time for the fulfillment of any conditions or restrictions on such exercise. An "**Acceleration Event**" means an acquisition by any offeror of beneficial ownership of more than 50% of the votes attached to the outstanding voting securities of Havilah, any consolidation merger or statutory amalgamation or arrangement of Havilah with or into another corporation and pursuant to which Havilah will not be the surviving entity (other than a transaction under which the shareholders of Havilah immediately prior to completion of the transaction will have the same proportionate ownership of the surviving corporation), a separation of the business of Havilah into two or more

entities, a sale, lease exchange or other transfer of all or substantially all of the assets of Havilah to another entity or the approval by shareholders of Havilah of any plan of liquidation or dissolution of Havilah.

Amendments, Modifications and Changes

The Havilah Compensation Committee has the right under the Havilah Option Plan to make certain amendments to the Havilah Option Plan, including, but not limited to, amendments of a "housekeeping" nature, to comply with applicable law or regulation, to the vesting provisions of the Havilah Option Plan, to the terms of any Havilah Option previously granted (with the consent of the optionee), and with respect to the effect of the termination of an optionee's position, employment or services under the Havilah Option Plan, to the categories of persons who are participants in respect of the administration or implementation of the Havilah Option Plan.

The Havilah Compensation Committee has the right, under the Havilah Option Plan, with the approval of the Havilah shareholders, to make certain amendments to the Havilah Option Plan, including, but not limited to, any change to the number of Havilah Shares issuable from treasury under the Havilah Option Plan, any amendment which would change the number of days of an extension of the expiration date of Havilah Options expiring during or immediately following a blackout period, any amendment which reduces the exercise price of any Havilah Option, any amendment which extends the expiry date of an Havilah Option other than as permitted under the Havilah Option Plan, any amendment which cancels any Havilah Option and replaces such Havilah Option with an Havilah Option which has a lower exercise price, any amendment which would permit Havilah Options to be transferred or assigned by any participant other than as currently permitted under the Havilah Option Plan, and any amendments to the amendment provisions of the Havilah Option Plan.

U.S. Federal Income Tax Consequences

The following is a brief summary of certain United States federal income tax consequences generally arising with respect to awards under the Havilah Option Plan. This discussion does not address all aspects of the United States federal income tax consequences of participating in the Havilah Option Plan that may be relevant to participants in light of their personal investment or tax circumstances and does not discuss any state, local or non-United States tax consequences of participating in the Havilah Option Plan. Each participant is advised to consult his or her personal tax advisor concerning the application of the United States federal income tax laws to such participant's particular situation, as well as the applicability and effect of any state, local or non-United States tax laws before taking any actions with respect to any awards.

Grant of Stock Options

The grant of stock options is not expected to result in any taxable income for the recipient and Havilah will not be entitled to an income tax deduction in connection with a grant of stock options under the Havilah Option Plan. All stock options awarded under the Havilah Option Plan are intended to be non-qualified stock options for U.S. federal income tax purposes.

Exercise of Stock Options

Upon exercising a non-qualified stock option, the optionee must recognize ordinary income equal to the excess of the fair market value of the shares acquired on the date of exercise over the exercise price, and Havilah generally will be entitled, at that time, to an income tax deduction for the same amount. The optionee will recognize ordinary income upon exercise in an amount equal to the difference between the fair market value of the shares and the exercise price on the date of exercise. Any gain or loss recognized upon any later disposition of the shares generally will be a capital gain or loss.

Section 409A of the U.S. Tax Code

Options granted under the Havilah Option Plan are intended to satisfy the requirements of Section 409A of the U.S. Tax Code, in order to avoid any adverse tax results thereunder, and the administrator will administer and interpret the Havilah Option Plan and all option agreements in a manner consistent with that intent.

New Plan Benefits

Neither the awards to be granted in the future to eligible participants under the Havilah Option Plan, including current and future employees, officers and directors, nor the awards that would have been granted to such eligible participants had the Havilah Option Plan been in effect during the last completed fiscal year, can be determined at this time.

AUDIT COMMITTEE

Membership

The Havilah Board has appointed an audit committee (the "**Havilah Audit Committee**") whose composition will comply with the requirements of the BCBCA, applicable Canadian securities laws and the TSXV. The Havilah Audit Committee members are: James Haggarty (Chair), Paul Huet and Brian Morris. All of the members of the Havilah Audit Committee are "independent" from Havilah and "financially literate" for the purpose of NI 52-110.

Audit Committee Charter

The responsibilities and duties of the members of the Havilah Audit Committee are set out in the Havilah Audit Committee's charter, the text of which is set forth in Schedule "G" to this Application.

Reliance on Certain Exemptions

At no time since the commencement of Havilah's most recently completed financial year has Havilah relied on the exemption set out in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), subsection 3.3(2) (*Controlled Companies*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110 or any exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of Havilah was a recommendation of the Havilah Audit Committee to nominate or compensate an external auditor not adopted by the directors of Havilah.

Pre-Approval Policies and Procedures

The Havilah Audit Committee has not adopted specific policies or procedures for the engagement of Havilah's auditor to perform non-audit services.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

There exists no indebtedness of the directors or executive officers of Havilah, or any of their associates, to Havilah, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Havilah.

SPONSORSHIP

Havilah has applied to the TSXV for an exemption from the sponsorship requirement in connection with its application to list the Havilah Shares on the TSXV. While Havilah believes it qualifies for an exemption, there can be no assurance that the exemption will be granted by the TSXV.

RISK FACTORS

An investment in Havilah should be considered highly speculative due to the nature of its activities and the present stage of its development. Havilah was incorporated for the sole purpose of participating in the Arrangement and has not carried on any business other than in connection with the Arrangement and related matters.

Following completion of the Arrangement, Havilah will carry on the business currently carried on by Klondex with respect to the True North mine and other mineral properties. Investors should carefully consider the following risk factors and the risk factors contained in the Klondex Circular.

An investment in the securities of Havilah is subject to various risks and uncertainties, including those set out below, under the heading "*Cautionary Note Regarding Forward-Looking Information*" of this Application and elsewhere in this Application. Such risks and uncertainties should be carefully considered by an investor before making any investment decision. Additional risks and uncertainties not presently known to Havilah or that Havilah currently deems immaterial may also impair Havilah's business operations. If any of the possibilities described in such risks actually occurs, Havilah's business, financial condition and operating results could be materially adversely harmed.

Risks Relating to Havilah's Business

Care and Maintenance of Material Property

On January 9, 2018, Klondex announced the immediate reduction of underground mining operations and employee and third party contract workforce at True North. Underground mining has been suspended and True North has been placed on care and maintenance. In the near term, in order to maximize cash flow and offset expected care and maintenance costs, Klondex has been, and Havilah expects to continue to, process tailings through the mill. Additionally, the Ogama-Rockland property owned by Havilah through Bison is approximately 30 kilometers or approximately 19 miles from True North, and Havilah is in the process of assessing the potential of processing minerals from both the True North mine and the Ogama-Rockland property through the True North mill.

The costs related to the ongoing reduction of underground mining operations and workforce at True North and the placement of the True North mine into care and maintenance including severance costs and associated potential indemnities could adversely affect Havilah's operating results and financial condition and there can be no assurance that Havilah's plans to offset expected care and maintenance costs will be successful.

There can be no assurance that processing minerals from both the True North mine and the Ogama-Rockland property through the True North mill will be feasible or that Havilah will attain any benefit. There can be no assurance that resuming commercial production at the True North mine will be economically feasible and as a result, there can be no assurance that commercial production at the True North mine will resume.

Nature of Mineral Exploration and Mining

Development of any of Havilah's exploration and development-stage mineral projects will only follow upon, among other things, obtaining satisfactory exploration results and the completion of feasibility or other economic studies. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct additional mining and processing facilities at True North or other Havilah sites. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which Havilah has an interest will result in a profitable commercial mining operation.

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, allowable production, importing and exporting of minerals and environmental protection. Whether resuming production at True North or developing a producing mine elsewhere on Havilah's properties is economically feasible will depend upon numerous factors, most

of which are beyond the control of Havilah, including: the availability and cost of required development capital, movement in the price of commodities, securing and maintaining title to mining tenements as well as obtaining all necessary consents, permits and approvals for the development of the mine. Should production resume at True North or should a producing mine be developed at any of Havilah's exploration or development-stage mineral properties, other factors will ultimately impact whether mineral extraction and processing can be conducted economically, including actual mineralization, consistency and reliability of ore grades and future commodity prices, as well as the effective design, construction and operation of processing facilities. Havilah's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Havilah not receiving an adequate return on invested capital.

Mining operations are inherently dangerous and generally involve a high degree of risk. Havilah's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure, mining voids, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or loss of life, damage to property and environmental damage, all of which may result in possible legal liability. Although Havilah expects that adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as fire, rock falls, geomechanical issues, equipment failure, failure of retaining dams around tailings disposal areas, instability of historical tailings and mill infrastructure failures, which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of Havilah's operations that would have a material adverse effect on its business, financial condition, results of operations and prospects.

Estimates of Mineral Resources

Mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized. Mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond Havilah's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience.

Fluctuations in gold prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral resource estimates. Should reductions in mineral resources occur, Havilah may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and corresponding grades being mined. Any material reductions in estimates of mineral resources could have a material adverse effect on Havilah's results of operations and financial condition.

Mineral Resources do not have Demonstrated Economic Viability

Based on the Technical Report, Havilah does not currently have a mineral reserve estimate. Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no assurance that the mineral resources set out in this Application will ever be classified as proven or probable mineral reserves as a result of continued exploration. In addition, mineral resources that are classified as inferred mineral resources are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as reserves. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance

that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Fluctuating Commodity Prices

If Havilah resumes production at True North or enters into production at any other site, its profitability will be dependent upon the market price of gold and any other metals contained in minerals discovered. Historically, gold prices have fluctuated widely and are affected by numerous external factors beyond Havilah's control, including industrial and retail demand, central bank lending, sales and purchases of gold, forward sales of gold by producers and speculators, production and cost levels in major producing regions, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the United States dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events. Resource prices have fluctuated widely and are sometimes subject to rapid short-term changes because of speculative activities. The exact effect of these factors cannot be accurately predicted, but any one of, or any combination of, these factors may result in Havilah not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of Havilah may result.

Financing Risks

Upon completion of the Arrangement, Havilah will have limited financial resources and will have further capital requirements and exploration expenditures as it proceeds to expand exploration activities at its mineral properties, develop any such properties, or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. See "*Financings, Available Funds and Principal Uses*" of this Application. The continued exploration and future development of Havilah's exploration and development-stage properties will therefore depend on Havilah's ability to obtain additional required financing. In particular, any potential development of its projects will require substantial capital commitments, which Havilah cannot currently quantify and does not currently have in place. Havilah can provide no assurance that it will be able to obtain financing on favourable terms or at all. Havilah may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the gold industry in particular), the price of gold on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management personnel. If Havilah is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties, incur financial penalties or reduce or terminate its operations.

Fluctuations in the Value of the United States Dollar and Canadian Dollar

A significant portion of Havilah's current and proposed expenditures are made in United States dollars. Since Havilah's financial results are reported in Canadian dollars, its financial position and results will be impacted by exchange fluctuations between the Canadian dollar and the U.S. dollar. The effects of the foreign exchange rate on operating costs and on future cash flows may be significant. Havilah does not currently have any hedging contracts in connection with its use of U.S. dollars and does not anticipate entering into any hedging contracts following the completion of the Arrangement. The depreciation of the Canadian dollar against the U.S. dollar would increase the costs associated with the exploration and development of Havilah's properties and potentially increase future operating costs, taxes and royalties paid. These increased costs could materially adversely affect Havilah's results of operation and financial condition.

Dependence on Key Personnel

Havilah is dependent on a relatively small number of key employees, the loss of any of whom could have a materially adverse effect on its operations. Havilah does not have in place formal programs for succession and training of management. Havilah does not have key person insurance on such individuals, which insurance would provide Havilah with insurance proceeds in the event of their death. Without key person insurance, Havilah may not have the financial resources to develop or maintain its business until it replaces the individual. The loss of one or more of these key

employees, if not replaced, could materially adversely affect Havilah's business, results of operations and financial condition.

Dependence on Third Parties

Havilah relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. Havilah also relies upon third-parties to provide essential contracting services. There can be no assurance that Havilah's existing relationships will continue to be maintained or that new ones will be successfully formed and Havilah could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact Havilah, its business, operating results and prospects.

No Assurance of Title

The acquisition of title to mineral projects is a very detailed and time consuming process. Although Havilah has taken precautions to ensure that legal title to its property interests is properly recorded in the name of Havilah where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of Havilah in any of its properties may not be challenged or impugned. Title insurance is generally not available for mineral properties and Havilah has a limited ability to ensure that it has obtained secure claim to individual mineral claims. While Havilah intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that Havilah will be successful in extending or renewing mineral rights on or prior to expiration of their term or that the title to any such properties will not be affected by an unknown title defect.

Aboriginal Claims and Consultation Issues

Aboriginal interests and rights as well as related consultation issues may impact Havilah's ability to pursue exploration, development and mining at its properties. Havilah intends to enter into agreements with First Nations and other Aboriginal communities in order to manage its relationship with those groups but there is no assurance that claims or other assertions of rights by Aboriginal communities or consultation issues will not arise on or with respect to Havilah's properties or activities. These could result in significant costs and delays or materially restrict Havilah's activities.

Havilah's Activities are Subject to Extensive Governmental Regulation

Exploration, development and mining of minerals are subject to extensive federal, provincial, state and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, land claims that may be brought by First Nations and other Aboriginal groups, environmental protection and remediation, endangered and protected species, mine safety and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition and results of operations of Havilah.

The costs and delays associated with obtaining necessary licences and permits and complying with these licences and permits and applicable laws and regulations could stop or materially delay or restrict Havilah from proceeding with the development of an exploration project. Any failure to comply with applicable laws and regulations or licences and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. Havilah may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the

maintenance or provision of such infrastructure could adversely affect Havilah's operations, financial condition and results of operations.

Tax Matters

Havilah's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If Havilah's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect on Havilah's business, results of operations and financial condition.

Havilah is subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect Havilah's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on Havilah's business. There is no assurance that Havilah's current financial condition will not be materially adversely affected in the future due to such changes.

Information Technology

Havilah is reliant on the continuous and uninterrupted operations of its information technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of Havilah. Protection against cyber security incidents and cloud security, and security of all of Havilah's IT systems are critical to the operations of Havilah. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of Havilah.

Havilah's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by Havilah's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Labour Difficulties

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect Havilah's business. This would have a negative effect on Havilah's business and results of operations; which might result in Havilah not meeting its business objectives.

Permits and Licenses

Havilah is required to maintain in good standing a number of permits and licenses from various levels of governmental authorities in connection with the development and operations at its mineral properties.

Although Havilah has all required permits for its current operations, there is no assurance that delays will not occur in the renewal of certain permits and there is no assurance Havilah will be able to obtain additional permits for any possible future changes to operations or additional permits associated with new legislation. There is also no assurance that Havilah can obtain or that there will not be delays in obtaining the environmental approval or permits necessary to develop any future projects.

To the extent such approvals or consents are required and are delayed or not obtained, Havilah may be curtailed or prohibited from continuing its operations or proceeding with any further development. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration, development or exploitation of mineral properties may be required

to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies or more stringent implementation thereof could have a material adverse impact on Havilah and cause increases in exploration expenses, capital and operating expenditures or require abandonment or delays in development or exploitation of mining properties.

Environmental Regulations and Potential Liabilities

The operations of Havilah are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions 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. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental hazards may exist on the properties on which Havilah holds interests which are unknown to Havilah at present and which have been caused by previous or existing owners or operators of the properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration or mining operations may be required to compensate those suffering loss or damage by reason of the exploration or mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Havilah and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties. The potential financial exposure may be significant.

Havilah's operation is subject to environmental regulation primarily by the Ministry of Sustainable Development (Manitoba) and the Ministry of the Environment (Ontario). The Department of Fisheries & Oceans (Canada) and the Department of the Environment (Canada) have an enforcement role in the event of environmental incidents.

Competition

There is significant competition in the precious metals mining industry for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Havilah, Havilah may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Existing or future competition in the mining industry could materially adversely affect Havilah's prospects for mineral exploration and success in the future. Increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of Havilah, its operations and financial condition could be materially adversely affected.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not Havilah will participate in a

particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which Havilah may be exposed and its financial position at that time.

Conflicts of Interest

The directors and officers of Havilah may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of Havilah. In the event that such a conflict of interest arises at a meeting of the directors of Havilah, a director is required by the BCBCA to disclose the conflict of interest and to abstain from voting on the matter.

Litigation Relating to the Arrangement

Each of Klondex, the directors of Klondex and the other defendants in the lawsuits believes the claims asserted in the lawsuits relating to the Arrangement are without merit, and the defendants intend to vigorously defend all claims asserted. It is, however, not possible to predict the outcome of litigation matters with certainty. While Havilah is not named in any of the lawsuits, an adverse judgment granting injunctive relief could delay, jeopardize or indefinitely enjoin completion of the Arrangement, which may force the parties to abandon and/or unwind the Arrangement, with the resulting effect that Havilah may not be able to complete its listing on the TSXV.

Risks Relating to the Havilah Shares Generally

No Guarantee of Positive Return on Investment

There is no guarantee that an investment in the securities of Havilah will earn any positive return in the short term or long term. The mineral exploration and development business is subject to numerous inherent risks and uncertainties, and any investment in the securities of Havilah should be considered a speculative investment. Past successful performance provides no assurance of any future success. The purchase of securities of Havilah involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. An investment in the securities of Havilah is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Dilution and Future Sales of Havilah Shares

Upon completion of the Arrangement, Havilah will have limited financial resources and will have further capital requirements and exploration expenditures as it proceeds to expand exploration activities at its mineral projects, develop any such projects or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. Havilah may sell additional Havilah Shares or other securities in the future to finance its operations or may issue additional Havilah Shares or other securities as consideration for future acquisitions. Havilah cannot predict the size or nature of future sales or issuances of securities or the effect, if any, that such future sales and issuances will have on the market price of the Havilah Shares. Sales or issuances of substantial numbers of Havilah Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Havilah Shares. Havilah's articles permit, among other things, the issuance of an unlimited number of Havilah Shares for such consideration and on such terms and conditions as are established by the directors of Havilah, in many cases, without the approval of shareholders.

No History of Earnings or Dividends

Havilah had no history of earnings and as such Havilah has not paid dividends on the Havilah Shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the Havilah Board after taking into account many factors, including operating results, financial condition and anticipated cash needs. See "*Dividends and Distributions*" of this Application.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings material to Havilah to which Havilah or its subsidiaries or its directors or officers are parties to or to which any of the Havilah's properties is subject, and no such proceedings are known by Havilah to be contemplated.

There were no penalties or sanctions imposed against Havilah by a court relating to securities legislation or by a securities regulatory authority during the last financial year, penalties or sanctions imposed against Havilah by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision or settlement agreements entered into by Havilah with a court relating to securities legislation or with a securities regulatory authority during the last financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Application, no director, executive officer or insider of Havilah, or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction since the formation of Havilah that has materially affected or is reasonably expected to materially affect Havilah.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Havilah Shares is Computershare Investor Services Inc., 100 University Avenue, 8th Floor, South Tower, Toronto, Ontario, M5J 2Y1.

The auditors of Havilah are PricewaterhouseCoopers LLP, Chartered Accountants ("**PwC**"). PwC is independent of Havilah within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct. PwC has audited the carve-out consolidated annual financial statements of Havilah for the year ended December 31, 2017 and the period ended December 31, 2016 set out in Schedule "A" of this Application.

MATERIAL CONTRACTS

Except for the following, Havilah is not party to any contract entered into since the beginning of the last financial year of Havilah, or before the last financial year but are still in effect, that Havilah considers material:

1. Contribution and transfer agreement to be entered into between Havilah and Klondex, which will give effect to the Arrangement and is a required step in the Plan of Arrangement. See "*General Development of the Business – The Arrangement and Related Matters*".

INTEREST OF EXPERTS

As Havilah is not yet a reporting issuer, there is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Havilah.

SCHEDULE "A"
CARVE-OUT CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF HAVILAH
FOR THE YEARS ENDED DECEMBER 31, 2017 AND THE PERIOD ENDED DECEMBER 31, 2016
(AUDITED)

See attached.

Canadian Spinco of Klondex Mines Ltd.
Carve-Out Financial Statements
For the year ended December 31, 2017 and the period January 22 - December 31, 2016
(expressed in thousands of Canadian dollars)
(Prepared in accordance with International Financial Reporting Standards)

**Canadian Spinco of Klondex
Carve-Out Financial Statements**

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May 4, 2018

Independent Auditor's Report

To the Shareholders and Board of Directors of Klondex Mines Ltd.

We have audited the accompanying carve-out financial statements of the Canadian Spinco of Klondex, which comprise the carve-out balance sheets as at December 31, 2017 and 2016 and the carve-out statements of (loss), comprehensive (loss), cash flows and equity for the periods then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the carve-out financial statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of the Canadian Spinco of Klondex as at December 31, 2017 and 2016 and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants
Vancouver, Canada

CANADIAN SPINCO OF KLONDEX
CARVE-OUT BALANCE SHEETS
(CDN dollars in thousands)

	<u>Note</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets			
Current assets			
Cash and cash equivalents.....		\$ 5,683	\$ 8,161
Inventories.....	6	12,112	5,364
Prepaid expenses and other	7	2,223	1,282
Total current assets		<u>20,018</u>	<u>14,807</u>
Mineral properties, plant and equipment, net.....	8	54,394	61,237
Total assets		<u>\$ 74,412</u>	<u>\$ 76,044</u>
Liabilities			
Current liabilities			
Accounts payable		\$ 9,859	\$ 4,913
Accrued compensation and benefits.....		821	891
Total current liabilities.....		<u>10,680</u>	<u>5,804</u>
Reclamation obligations	10	2,306	2,237
Total liabilities.....		<u>12,986</u>	<u>8,041</u>
Carve-out Equity			
Parent company investment	11	129,346	84,730
Accumulated deficit		<u>(67,920)</u>	<u>(16,727)</u>
Total equity.....		<u>61,426</u>	<u>68,003</u>
Total liabilities and equity		<u>\$ 74,412</u>	<u>\$ 76,044</u>

See Note 15. *Commitments and contingencies* and Note 16. *Subsequent events*.

Approved on behalf of the Board of Directors of Klondex:

"Paul Huet"

Paul Huet
Chief Executive Officer
Klondex Mines Ltd.

"Jamie Haggarty"

Jamie Haggarty
Director
Klondex Mines Ltd.

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CARVE-OUT STATEMENTS OF (LOSS) AND COMPREHENSIVE (LOSS)
(CDN dollars in thousands)

	<u>Note</u>	<u>Year ended December 31, 2017</u>	<u>For the period January 22 - December 31, 2016</u>
Revenues		\$ 42,174	\$ 12,437
Cost of sales			
Production costs		41,427	14,112
Depreciation and depletion		5,449	3,054
Write-down of production inventories	6	8,306	3,048
		<u>(13,008)</u>	<u>(7,777)</u>
Other operating expenses			
General and administrative		5,201	2,547
Impairment on mineral properties, plant and equipment.....	8	28,230	—
Business acquisition costs	5	—	1,523
(Gain) loss on equipment disposal		(32)	23
		<u>(46,407)</u>	<u>(11,870)</u>
(Loss) from operations			
Other income (expense)			
Finance charges, net	9	(6,108)	(4,595)
Foreign currency gain, net.....		1,187	99
Other income (expense), net		135	(361)
		<u>(51,193)</u>	<u>(16,727)</u>
(Loss) before tax			
Income tax (expense)	12	—	—
Net (loss) and comprehensive (loss)		<u>\$ (51,193)</u>	<u>\$ (16,727)</u>

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CARVE-OUT STATEMENTS OF CASH FLOWS
(CDN dollars in thousands)

	Note	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Operating activities			
Net (loss) and comprehensive (loss).....		\$ (51,193)	\$ (16,727)
Significant items not involving cash			
Depreciation and depletion		5,384	3,062
Write-down of production inventories - allocated depreciation and depletion.....	6	1,087	558
Foreign exchange, net		(1,187)	(99)
Share-based compensation		1,084	514
(Gain) loss on equipment disposal		(32)	23
Corporate G&A allocations.....		3,030	1,925
Finance charges.....	9	6,108	4,595
Impairment on mineral properties, plant and equipment.....	8	28,230	—
		<u>(7,489)</u>	<u>(6,149)</u>
Changes in non-cash working capital			
Inventories.....		(7,083)	(4,671)
Prepaid expenses and other		(625)	(1,781)
Accounts payable		5,009	4,389
Accrued compensation and benefits.....		(70)	891
		<u>(10,258)</u>	<u>(7,321)</u>
Net cash used in operating activities			
Investing activities			
Expenditures on mineral properties, plant and equipment		(18,883)	(19,336)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		(185)	524
Interest received		1	—
Cash paid for acquisitions	5	—	(28,486)
		<u>(19,067)</u>	<u>(47,298)</u>
Net cash used in investing activities			
Financing activities			
Proceeds from parent company investment.....	11	26,865	79,438
Finance charges paid.....		(7)	(582)
Repayment of Secured Promissory Note.....	9	—	(16,076)
		<u>26,858</u>	<u>62,780</u>
Net cash provided by financing activities			
Effect of foreign exchange on cash balances		(11)	—
		<u>(2,478)</u>	<u>8,161</u>
Net increase (decrease) in cash			
Cash, beginning of period		8,161	—
Cash, end of period		<u>\$ 5,683</u>	<u>\$ 8,161</u>

See Note 13. Supplemental cash flow information for additional details.

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CARVE-OUT STATEMENTS OF EQUITY
(CDN dollars in thousands)

	Note	Parent company investment	Accumulated deficit	Total
Balance at January 22, 2016		\$ —	\$ —	\$ —
Net parent company contributions	11	84,730	—	84,730
Net (loss)		—	(16,727)	(16,727)
Balance at December 31, 2016		\$ 84,730	\$ (16,727)	\$ 68,003
Net parent company contributions	11	44,616	—	44,616
Net (loss)		—	(51,193)	(51,193)
Balance at December 31, 2017		\$ 129,346	\$ (67,920)	\$ 61,426

The accompanying notes are an integral part of these carve-out financial statements.

Canadian Spinco of Klondex
Notes to Carve-Out Financial Statements

1. Organization and Nature of Operations

Spin-out from Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, as referenced in these Carve-Out Financial Statements as the Canadian Spinco of Klondex (the "Spinco"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US \$7.0 million to Spinco. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the future approval of Klondex's securityholders.

About the Canadian Spinco of Klondex

If the Arrangement Agreement is approved by Klondex securityholders, the Spinco will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance (see *Note 16. Subsequent events*). Ogama is an exploration stage property located approximately 19 miles from True North.

2. Summary of significant accounting policies

Basis of presentation

These Carve-Out Financial Statements represent the historical operations of Klondex Canada Ltd. and Bison Gold Resources, Inc. since inception (January 22, 2016 following the True North acquisition) and have been derived from Klondex's historical accounting records. The Carve-Out Financial Statements are presented on a carve-out basis and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All revenues and expenses as well as assets and liabilities directly associated with the Spinco are included in these Carve-Out Financial Statements.

These Carve-Out Financial Statements also include allocations of general and administrative expenses of Klondex's *Corporate and other* reportable segment, which have been allocated to the Spinco on a weighted pro-rata basis relative to Klondex's consolidated revenues and capital expenditures to represent an estimate of the full cost of operating the Spinco on a standalone basis. Additionally, Klondex has previously advanced funds to the Spinco through various intercompany obligations which are included in *Parent company investment* in these Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement. For additional detail on the aforementioned amounts see *Note 11. Parent company investment*.

Management believes the assumptions underlying the Carve-Out Financial Statements, including the allocations of general and administrative expenses are reasonable. Nevertheless, the Carve-Out Financial Statements may not include all of the actual expenses that may have been incurred had the Spinco operated as a standalone company during the periods presented and may not reflect the Spinco's financial position, operating results, and cash flows had the Spinco operated as a standalone company during the periods presented.

All amounts are expressed and presented in thousands of Canadian dollars (unless otherwise noted) and references to "US\$" refer to United States dollars.

These Carve-Out Financial Statements were authorized for issuance by the Board of Directors of Klondex on May 4, 2018.

Foreign currency

The functional currency of the Spinco is the Canadian dollar. Gains or losses resulting from measuring foreign currency transactions and balances into an entity's functional currency are recorded to profit or loss.

Business combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business, which is defined as an integrated set of activities and assets that includes inputs, outputs, and processes that are capable of being conducted and managed for the purpose of providing a return to the Spinco or other economic benefits.

The Spinco applies the acquisition method to account for business combinations, whereby the purchase consideration transferred is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they are adjusted retrospectively in subsequent periods upon the receipt of final values; however, the measurement period will not exceed one year from the acquisition date. Acquisition-related costs are expensed as incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which are included in the carrying amount of the related instrument. If an acquisition does not meet the definition of a business, the transaction is accounted for as an asset purchase.

The Spinco did not experience any significant adjustments to assets acquired and liabilities assumed in business combinations during the year ended December 31, 2017 and the period January 22 - December 31, 2016.

Cash and cash equivalents

Cash and cash equivalents are unrestricted as to use and consist of deposits and short term interest bearing accounts with original maturities of 90 days or less. The Spinco has not experienced any losses on cash balances and believes that no significant risk of loss exists with respect to its cash and cash equivalents as deposits are held with high-quality financial institutions.

Inventories

The Spinco's inventories include supplies inventory and the following production-related inventories: stockpiles, in-process, and doré finished goods, all of which are measured and carried at the lower of average cost or net realizable value. For production-related inventories, cost includes all mining, processing, and refining costs incurred during production stages, including allocations for mine site overhead, depreciation and depletion, and ore transport costs. Net realizable value is calculated as the estimated future sales price in the ordinary course of business using period-end metal prices less the estimated costs to convert the production-related inventories into a saleable product (less estimated selling costs).

- *Supplies* inventory consists of supplies and commodity consumables used in the mining, milling, and refining processes.
- *Stockpiles* represent ore that has been mined which requires further processing through a mill. Costs are transferred from *Stockpiles* to *In-process* at an average cost per unit.
- *In-process* inventory consists of ore being processed through the milling circuit in preparation for refining. Costs are transferred from *In-process* to *Doré finished goods* at an average cost per unit.
- *Doré finished goods* inventory consists of gold bullion held at the refiner as well as Doré bars awaiting shipment to the refiner. Refined bullion meets the required market standards of 99.95% pure gold. Costs are transferred from *Doré finished goods* to *Cost of sales* at an average cost per unit as gold is sold to customers.

As discussed in *Note 6. Inventories*, the Spinco's application of its lower of average cost or net realizable value accounting policy resulted in write-downs of production inventories. Write-downs decrease the carrying value of production-related inventories and the adjusted carrying value is prospectively incorporated into inventory costing.

Mineral properties, plant and equipment, net

Mineral properties, plant and equipment are carried at cost, less accumulated depletion, depreciation, and accumulated impairment losses (if any). Cost includes the fair value of consideration given to acquire or construct an asset and includes all charges associated with bringing an asset to the location and condition necessary for its intended use. Estimated costs of decommissioning, dismantling, and removing assets are capitalized to the cost of the asset to which they relate.

- Mineral properties consist of the fair value attributable to resources acquired in a business combination or asset acquisition, mine development costs, tailings facilities, and environmental compliance and permitting costs. Mine development costs include costs to build or construct shafts, drifts, and ramps which enable the Company to physically access ore and costs to delineate or expand an existing mineral resource ore bodies, including, costs for drilling, assaying, and engineering work. Additionally, mine development costs include amounts reclassified from capitalized exploration and evaluation costs (as discussed below).

Mineral properties are depleted using the units-of-production method. Depletion is determined each period using a factor of gold ounces mined over the estimated recoverable gold ounces at each mineral property, the totals of which are prospectively adjusted to correspond to changes in such recoverable gold ounces. To the extent capitalized mineral property costs benefit an entire ore body, they are amortized over the estimated recoverable gold ounces of that ore body. Capitalized costs that benefit specific ore veins or areas are amortized over the estimated recoverable gold ounces of that specific ore vein or area.

- Plant and equipment includes acquisition and purchase costs and the costs of major overhauls of parts of property and equipment if such part extends the productive capacity or useful economic life of the asset to which it relates. Upon such occurrence, the carrying amount of the replaced part is derecognized as a current period charge. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation on property and equipment is calculated using either the straight-line method based on the asset's expected useful life or the units-of-production method at rates sufficient to depreciate such costs over the total estimated recoverable ounces. When components of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation on assets under construction commences when such assets are substantially complete and placed in service for their intended use.

- Exploration and evaluation assets include the capitalized costs of acquiring mineral property rights and licenses and subsequent exploration drilling and related evaluation costs at sites without an existing mine or on areas outside of the approximate boundary of a known mineral resource deposit. Exploration and evaluation expenditures are capitalized as incurred within mineral properties, plant and equipment and such costs are carried forward as an asset provided that one of the following conditions is met: 1) such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or 2) exploration and evaluation activities in the area of interest have not yet reached a stage which demonstrates technical feasibility and commercial viability, and active and significant operations in relation to the area are continuing, or planned for the future.

Once an area demonstrates technical feasibility and commercial viability, subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to mineral properties within property, plant and equipment and amortized using the units-of-production method. The determination of a technically feasible and commercially viable resource is assessed based on a combination of factors including, but not limited to: 1) the extent to which mineral resources have been identified through a feasibility study or similar document, 2) the results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study, 3) the status of environmental permits, and 4) the status of mining leases or permits.

If a project does not prove to be technically feasible or economically viable, unrecoverable capitalized exploration and evaluation costs are written off. Proceeds from the sale of mineralized material (gold and silver) during the exploration and evaluation stage are offset against any capitalized costs of the related exploration and evaluation asset.

Impairment of long-lived assets

At each reporting period end, the Spinco reviews its long-lived assets, which include capitalized costs for mineral properties, plant and equipment, and exploration and evaluation assets, to determine whether any indications of impairment exist. If any such indication exists, the recoverable amount of the relevant cash generating unit ("CGU") is estimated in order to determine the extent of an impairment, if any at all. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which for the Spinco means its individual mine sites.

The recoverable amount is determined as the higher of fair value less direct costs of disposal ("FVLCD") and the asset's value in use ("VIU"). FVLCD is the estimated amount that would be obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. For mineral assets, when a binding sale agreement is not readily available, FVLCD is often estimated using a discounted post-tax cash flow approach. In assessing VIU, the estimated future pre-tax cash flows of an asset or CGU are discounted to their present value. Estimated future cash flows are computed using estimated recoverable gold ounces from period end mineral resources, estimates of future gold selling prices, and estimates of future operating, capital, and decommissioning costs. If the carrying amount of an asset or CGU exceeds its estimated recoverable amount, the carrying amount of such asset or CGU is reduced to its estimated recoverable amount and an impairment loss is recognized. Assets or CGUs that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

The Spinco recorded a \$28.2 million impairment of long-lived assets during the year ended December 31, 2017 (see *Note 4. Significant Judgments, Estimates, and Assumptions* and *Note 8. Mineral properties, plant and equipment, net* for details).

Reclamation obligations

The Spinco records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for site closure and reclamation activities where the liability is probable and a reasonable estimate can be made of the obligation amount. Provisions for closure and reclamation liabilities are estimated using expected cash flows, based on engineering and environmental reports prepared by internal and third-party industry specialists, which are adjusted for estimates of inflation and discounted at a rate specific to the estimated term of the liability which reflects risks specific to such liability. The capitalized amount is included within *Mineral properties, plant and equipment, net* and amortized on the same basis as the asset to which it relates. The decommissioning provision liability is accreted over time to reflect the unwinding of the discount with the resultant accretion expense included in *Finance charges, net*. The provision is reviewed at each period end and adjusted for changes in estimates, circumstances, disturbances, and inputs used to compute the underlying liability.

Revenue recognition

Revenue from the sale of gold is recognized when the significant risks and rewards of ownership have passed to the buyer; it is probable that economic benefits associated with the transaction will flow to the Spinco; the sales price can be reliably measured; the Spinco has no significant continuing involvement; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the sales price is fixed and title has passed to the buyer.

Share-based compensation

Select employees of the Spinco have been granted share-based awards pursuant to Klondex's share compensation plan as the Spinco itself does not have its own share compensation plan. The fair value of the estimated number of share-based awards expected to vest for employees of the Spinco is included in the total cost of production-related inventories and general and administrative expense, with a corresponding increase to *Parent company investment* over the expected vesting period. Share-based compensation awards that are forfeited before vesting result in the reversal of previously recognized costs. The fair value of share awards is determined as the market value of the underlying shares on the date of grant. Share-based compensation for employees of the Spinco totaled \$1.1 million and \$0.5 million for the year ended December 31, 2017 and the period January 22 - December 31, 2016, respectively.

Income taxes

The Spinco uses an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A valuation allowance has been provided for the portion of the Spinco's net deferred tax assets for which it is more likely than not that they will not be realized.

Segments

The Spinco's reportable segments are comprised of operating units which 1) have revenues, earnings or losses, or assets exceeding 10% of the respective consolidated totals and 2) are regularly reviewed by the Spinco's Chief Executive Officer to make decisions about resource allocation and performance assessment. Klondex's Canadian assets and operations historically comprised one segment and were reviewed as such by Klondex's Chief Executive Officer to make decisions about resource allocation and performance assessment. Accordingly, amounts shown in these Carve-Out Financial Statements represent the sole segment of the Spinco.

3. Recent accounting pronouncements

Recently issued

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Spinco has evaluated the potential impacts of IFRS 15 and does not expect it will have a material impact on its financial statements.

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. Spinco did not early adopt IFRS 16. Although Spinco does not currently have material lease agreements, Spinco expects that IFRS 16 will result in an increase in assets and liabilities as fewer current and future leases will be expensed as payments are made. The Spinco is in the process of evaluating the potential impacts of IFRS 16 on its financial statements.

4. Significant Judgments, Estimates, and Assumptions

The preparation of these Carve-Out Financial Statements requires management to make judgments, assumptions, and/or estimates that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and reported amounts of expenses and taxes during reporting periods. Actual results may differ from estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant at the time such estimates are made. Revisions to estimates and the resulting impacts on the carrying amounts of the Spinco's assets and liabilities are accounted for prospectively.

Mineral resources

The Spinco's mineral resources, which include measured and indicated and inferred, are periodically updated, usually on an annual basis and are calculated in accordance with applicable industry standards. Estimated recoverable gold ounces in the mineral resource are used in units-of-production depreciation and depletion calculations, deferred tax calculations, decommissioning provision schedules, and are the basis for future cash flow estimates utilized in impairment calculations for long-lived assets. When determining mineral resources, the Spinco must make assumptions and estimates of future commodity prices, future mining methods and extraction schedules, and the related costs incurred to develop, mine, and process the ore extracted. A change in any estimate, assumption, or input used to determine the Spinco's mineral resources could change the estimated recoverable gold ounces contained therein, which may have a material impact on the Spinco's financial statements and/or the recorded amounts of assets and liabilities which incorporate mineral resource estimates.

Impairment of long-lived assets

Spinco evaluates its long-lived assets for impairments whenever any indicators of impairment are believed to exist. If the carrying amount of an asset or CGU exceeds its estimated recoverable amount, the carrying amount of such asset or CGU is reduced to its estimated recoverable amount and an impairment loss is recognized. The recoverable amount of a CGU is determined as the higher of FVLCD or the asset's VIU, the calculations of which both require the Spinco to make estimates and probabilities of future cash flows, discount rates, future gold selling prices, recoverable gold ounces from period end mineral resources, and operating, capital, and decommissioning costs.

Spinco concluded that as of December 31, 2017, impairment indicators existed at the True North mine due to recurring production inventory write-downs (Note 6. *Inventories*) and operations being reduced (Note 16. *Subsequent events*). Key assumptions and inputs used in True North's year-end impairment calculations included a 2018 gold price of US\$1,239/oz., a long-term consensus gold price through the life of True North of US\$1,308/oz., gold recovery rates between 90-92%, a discount rate of 7.0%, and probability weighted scenarios for different future cash flows. To

determine True North's FVLCD, an analysis was prepared using numerous internal and external estimated valuations to derive a market value a participant might pay for True North, which was then reduced for estimated costs to complete such a sales transaction. The estimated FVLCD for True North was \$45.6 million (US\$36.4 million) which was used to record a \$28.2 million impairment charge during the year ended December 31, 2017. The impairment charge was allocated on a pro-rata basis to the carrying value of True North's long-lived assets (see *Note 8. Mineral properties, plant and equipment, net* for details).

Any change in estimate, assumption, or input used to estimate the VIU or FVLCD for True North could result in an upward or downward adjustment to the impairment charge recorded.

Inventory net realizable value

The Spinco's production-related inventories are measured and carried at the lower of average cost or net realizable value. Net realizable value is calculated as the estimated future sales price in the ordinary course of business less the estimated costs to convert the production-related inventories into a saleable product less estimated selling costs. A change in any estimate, assumption, or input incorporated into the net realizable value calculation could result in an upward or downward adjustment to the \$8.3 million inventory write-down charge recorded during the year ended December 31, 2017 (see *Note 6. Inventories* for details).

Business combination fair value determinations

When accounting for business combinations the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition must be determined. Fair value measurements require the use of the inputs which often times cannot be observed or are observable for similar assets and liabilities (as opposed to identical assets and liabilities). Where provisional fair values are used in accounting for a business combination, they are adjusted retrospectively in subsequent periods (up to one year) upon the receipt of final fair value determinations.

5. Business combinations and asset acquisitions

True North acquisition

On January 22, 2016, the True North mine and mill complex located near Bissett, Manitoba, Canada was acquired for US\$32.0 million (the "True North Acquisition"), which was carried out pursuant to the terms of an asset purchase agreement among Klondex Mines Ltd., its wholly-owned subsidiary, Klondex Canada Ltd. and the vendor, 7097914 Manitoba Ltd. The purchase price of US\$32.0 million was satisfied by US\$20.0 million in cash paid at closing and US\$12.0 million in deferred payments in the form of a promissory note to the vendor with an annual interest rate of 4.0% (the "Promissory Note") (see *Note 9. Debt*). The True North Acquisition is presented as an acquisition of the Spinco in these Carve-Out Financial Statements as True North is part of the Canadian assets.

The Spinco accounted for the True North Acquisition as a business combination and allocated the purchase consideration transferred to the fair value of identifiable assets and liabilities acquired, as shown below (in thousands):

Purchase consideration:	Amount⁽²⁾
Cash	\$ 28,486
Promissory note ⁽¹⁾	15,810
	<u>\$ 44,296</u>
Assets and liabilities acquired:	
Mineral properties	\$ 22,391
Plant and equipment	24,028
Prepaid expenses and other	431
Reclamation obligation	(2,554)
	<u>\$ 44,296</u>

(1) The fair value of the US\$12.0 million Promissory Note (purchase consideration) was calculated at \$15.8 million, resulting in a 1.3 million issuance discount.

(2) Incorporates a USD:CDN dollar exchange rate of 1.4243, which was the closing rate on the January 22, 2016 acquisition date.

Costs and expenses associated with the acquisition of True North are recorded to *Business acquisition costs* in these Carve-Out Financial Statements and totaled nil and \$1.5 million for the year ended December 31, 2017 and the period January 22 - December 31, 2016, respectively.

Bison Gold Resources, Inc. asset acquisition

During the year ended December 31, 2017, Klondex acquired all the issued and outstanding common shares of Bison Gold Resources Inc. ("Bison"), which owned, among other things, the Ogama property, by exchanging shares of Bison for shares of Klondex. This acquisition is presented in these Carve-Out Financial Statements as Bison and is part of the Canadian assets. As a result of this transaction, the Spinco recorded an addition to mineral properties of \$8.9 million, which represents substantially all of the consideration transferred to Bison and assets acquired by Klondex.

6. Inventories

The following table provides the components of *Inventories* (in thousands):

	December 31,	
	2017	2016
Supplies	\$ 2,900	\$ 1,200
Production related inventories:		
Stockpiles	1,817	739
In-process	6,815	3,217
Doré finished goods	580	208
	<u>\$ 12,112</u>	<u>\$ 5,364</u>

As of December 31, 2017 and 2016, the Spinco's stockpiles, in-process, and doré finished goods inventories included approximately \$0.6 million and \$0.8 million, respectively, of capitalized non-cash depreciation and depletion costs.

Write-down of production inventories

As discussed in *Note 2. Summary of significant accounting policies* and *Note 4. Significant Judgments, Estimates, and Assumptions*, the period-end market value of the Spinco's production-related inventories is determined in part by using the period-end prices (per ounce) of gold and is sensitive to this input. Due to increases in production costs, the

Spinco's application of its lower of average cost or net realizable value accounting policy resulted in write-downs of production inventories. Write-downs have resulted solely from the Spinco's application of its lower of average cost or net realizable value accounting policy and were unrelated to any ounce adjustments or changes to recovery rates.

The following table provides information about the Spinco's write-downs (in thousands, except per ounce amounts):

Type of previously incurred cost	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Cash production costs.....	\$ 7,219	\$ 2,490
Allocated depreciation and depletion	1,087	558
Write-down of production inventories	\$ 8,306	\$ 3,048
Prices used in write-down calculation		
Price per gold ounce - US\$.....	\$ 1,297	\$ 1,159

7. Prepaid expenses and other

The following table provides the components of *Prepaid expenses and other* (in thousands):

	December 31,	
	2017	2016
Canadian GST receivable.....	\$ 1,878	\$ 889
Other.....	345	393
	\$ 2,223	\$ 1,282

8. Mineral properties, plant and equipment, net

The following table provides the components of *Mineral properties, plant and equipment, net* (in thousands):

<u>Cost</u>	Note	Mineral properties	Plant and equipment	Exploration and evaluation	Total
Balance at December 31, 2016.....		\$ 35,083	\$ 28,571	\$ 1,956	\$ 65,610
Bison acquisition	5	—	—	8,888	8,888
Additions		16,995	2,137	—	19,132
Transfers		1,956	—	(1,956)	—
Dispositions		—	(307)	—	(307)
Impairments	4	(19,827)	(8,403)	—	(28,230)
Balance at December 31, 2017.....		34,207	21,998	8,888	65,093
<u>Accumulated depreciation and depletion</u>					
Balance at December 31, 2016.....		(584)	(3,789)	—	(4,373)
Additions		(1,703)	(4,688)	—	(6,391)
Dispositions		—	65	—	65
Balance at December 31, 2017.....		(2,287)	(8,412)	—	(10,699)
<u>Net</u>		\$ 31,920	\$ 13,586	\$ 8,888	\$ 54,394

<u>Cost</u>	Note	Mineral properties	Plant and equipment	Exploration and evaluation	Total
Balance at December 31, 2015.....		\$ —	\$ —	\$ —	\$ —
True North acquisition	5	22,391	24,028	—	46,419
Additions		12,692	4,566	1,956	19,214
Dispositions		—	(23)	—	(23)
Balance at December 31, 2016.....		35,083	28,571	1,956	65,610
<u>Accumulated depreciation and depletion</u>					
Balance at December 31, 2015.....		—	—	—	—
Additions		(584)	(3,789)	—	(4,373)
Balance at December 31, 2016.....		(584)	(3,789)	—	(4,373)
<u>Net</u>		\$ 34,499	\$ 24,782	\$ 1,956	\$ 61,237

As discussed in *Note 4. Significant Judgments, Estimates, and Assumptions* the Spinco's annual impairment testing resulted in a \$28.2 million write-down to True North's long-lived assets during the year ended December 31, 2017, which was allocated among mineral properties and plant and equipment.

As of December 31, 2017 and 2016 the Spinco had recorded approximately \$0.2 million and nil, respectively, of construction in process within *Plant and equipment*.

9. Debt

As of December 31, 2017 and 2016, the Spinco had no outstanding *Debt*.

Secured Promissory Note

In conjunction with its January 22, 2016 acquisition of True North (see *Note 5. Business combinations and asset acquisitions*), the Spinco entered into a US\$12.0 million promissory note to the vendor with an annual interest rate of 4.0% (the "Promissory Note"). The Promissory Note required principal repayments of US\$4.0 million in each of the next three years on the anniversary of the closing date. Interest payments were due monthly. In the fourth quarter of 2016, on behalf of the Spinco, Klondex repaid the entire principal amount of the Promissory Note which was recorded

as an increase to *Parent company investment*. As a result of the early repayment, the Spinco recorded a \$0.7 million *Loss on debt extinguishment* for the unamortized issuance discount, which is included in *Finance charges, net*.

The following table summarizes the activity of the Promissory Note (in thousands):

	For the period January 22 - December 31, 2016
Principal issuance from True North acquisition	\$ 17,092
Discount on issuance	(1,282)
Interest charges and accretion of discount	1,082
Payments of principal and interest.....	(16,655)
Realized foreign currency gain on principal repayment	(930)
Write-off of unamortized debt issuance costs.....	693
	<u>\$ —</u>

Intercompany Debt Interest

Intercompany interest charges to the Spinco are from Klondex for previously advanced funds through various intercompany debt obligations and reflect an estimated cost of operating the Spinco's business on a standalone basis. Interest is charged at a rate per annum equal to the sum of a LIBOR rate and 7.0% on the unpaid principal balance. Actual outstanding intercompany obligations have been included in *Parent company investment* in these Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement (see *Note 11. Parent company investment*).

Finance charges, net

The following table summarizes the components of *Finance charges, net* (in thousands):

	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Intercompany debt.....	\$ 5,944	\$ 3,011
Interest charges on Promissory Note.....	—	579
Accretion of discount on Promissory Note.....	—	503
Loss on debt extinguishment.....	—	693
Reclamation obligation accretion.....	158	162
Bank charges	7	4
Capitalized interest.....	—	(357)
Interest income	(1)	—
	<u>\$ 6,108</u>	<u>\$ 4,595</u>

10. Reclamation obligations

The Spinco's reclamation obligation is related to True North and are estimated based upon present value techniques of expected cash flows, estimates of inflation, and a credit adjusted risk-free discount rate. The following table provides a summary of changes in the reclamation obligation (in thousands):

	December 31,	
	<u>2017</u>	<u>2016</u>
Balance, beginning of period.....	\$ 2,237	\$ —
Additions resulting from True North Acquisition.....	—	2,554
Accretion expense.....	158	162

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Changes in estimates and assumptions	(89)	(479)
Balance, end of period.....	<u>\$ 2,306</u>	<u>\$ 2,237</u>

As of December 31, 2017, the Spinco's asset retirement obligations were secured by the Spinco's plant assets in Canada.

11. Parent company investment

Parent company investment is comprised of transactions between the Spinco and its parent, Klondex, for intercompany advances and financings and corporate G&A allocations. The Spinco does not present any remaining outstanding intercompany obligations to Klondex in these Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement.

The following table summarizes the activity of *Parent company investment* (in thousands):

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of period		\$ 84,730	\$ —
True North purchase (cash component)	5	—	28,486
Bison Gold Resources Inc. asset acquisition	5	9,081	—
Promissory Note repayment	9	—	16,076
Corporate allocations ⁽¹⁾		3,219	1,985
Share-based compensation		1,084	514
Intercompany interest expense	9	5,944	3,011
Intercompany working capital advances		(1,014)	16,567
Other intercompany financing.....		26,302	18,091
Balance, end of period		<u>\$ 129,346</u>	<u>\$ 84,730</u>

⁽¹⁾ Reflects allocations of general and administrative expenses of Klondex's *Corporate and other* reportable segment, which have been allocated to the Spinco on a weighed pro-rata basis relative to Klondex's consolidated revenues and capital expenditures to represent an estimate of the full cost of operating the Spinco's business on a standalone basis.

12. Income taxes

No tax expense or benefit was recorded for the year ended December 31, 2017 and the period January 22 - December 31, 2016.

A reconciliation of the Spinco's effective tax rate with the statutory tax rate for the year ended December 31, 2017 and the period January 22 - December 31, 2016 is below (in thousands):

	<u>Year ended December 31, 2017</u>	<u>For the period January 22 - December 31, 2016</u>
(Loss) before tax	\$ (51,193)	\$ (16,727)
Statutory tax rate	26.00%	26.00%
Income tax (benefit) at statutory rate	(13,310)	(4,349)
Reconciling items:		
Difference in current and future income tax rate	(512)	(167)
Share-based compensation expense.....	51	16
Deferred tax asset not recognised	14,188	4,701

	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Other	(417)	(201)
Income tax (expense)	\$ —	\$ —

At December 31, 2017 and 2016, deductible temporary differences for which no deferred tax assets are recognized are below (in thousands):

	December 31,	
	2017	2016
Net operating losses	\$ 72,932	\$ 24,695
Deductible temporary differences:		
Mineral properties, plant and equipment	162,362	149,158
Asset retirement obligation	2,306	2,237
Provincial mining tax attributes	62,907	33,240
Total deductible differences	\$ 300,507	\$ 209,330

As of December 31, 2017, the Spinco had net operating loss carryforwards of \$72.9 million which expire between 2026 and 2037.

13. Supplemental cash flow information

The following table provides a summary of significant supplemental cash flow information (in thousands):

	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Cash paid for taxes	—	—
True North Acquisition financed through Promissory Note	—	15,810
Repayment of Promissory Note by parent	—	16,076
Bison Acquisition through issuance of parent common shares	9,081	—

14. Financial risk management

The Spinco is subject to certain risks, which are described below.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations, such as cash deposits and payments from metal sales. The Spinco maintains its cash balances with, and sells its metal to, major banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the Spinco's cash and trade receivables balances. The Spinco has not experienced any losses on cash balances or trade receivables and believes that no significant risk of loss exists.

Market risk

Market risk is the risk that future cash flows will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk, and currency risk.

Price risk - The Spinco is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. From time to time, the Spinco's parent, Klondex, would mitigate price risk by entering into derivative

financial instruments, such as fixed forward sales and collars. As of December 31, 2017, the Spinco itself had not entered into any agreements to mitigate its exposure to market price risk.

Interest rate risk - Interest rate risk is the risk that future cash flows will be negatively impacted because of changes in market interest rates. As of December 31, 2017, the Spinco did not have any debt obligation outstanding and therefore was not exposed to material interest rate risks.

Foreign currency risk - Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Spinco's foreign currency gains and losses primarily relate to amounts on intercompany loan balances and US dollar transactions with vendors. As of December 31, 2017, the Spinco had not entered into any agreements to mitigate its exposure to foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Spinco will not be able to meet its financial obligations when they fall due. The Spinco manages this risk through reviews of ongoing operations and the timing of capital expenditures. The Spinco has historically been dependent on its parent, Klondex, to fund any liquidity shortages (see *Note 11. Parent company investment*). Other than financing from Klondex, historically the Spinco has not had access to, or any funds come from, third-party sources such as revolving credit facilities.

15. Commitments and contingencies

From time to time the Spinco is involved in legal actions or contingencies related to its business; however, management is not currently aware of any pending or threatened legal matter which could be expected to have a material adverse effect on the Spinco's financial position.

16. Subsequent events

True North reduction in operations

On January 9, 2018, Klondex announced a change in its operations in Canada, which included the immediate reduction of underground mining operations and workforce at its True North mine in Manitoba, Canada.

Following an extensive review of recent operational performance at True North, Klondex decided to limit underground mining to areas already developed. Once these areas are depleted, underground mining will be suspended. The decision was largely based on the site's inability to achieve planned operating and cash flow metrics in 2017. The mine will be placed on care and maintenance status after the developed areas are mined to review strategic options and to provide optionality at higher metal prices. Klondex will continue to process tailings, as contained in its reserve estimate, through the mill for the foreseeable future in order to maximize cash flow and offset expected care and maintenance costs.

Spin-out of Klondex Canada from Klondex Mines Ltd.

On March 16, 2018, Klondex entered into the Arrangement Agreement with Hecla and 1156291 B.C. Unlimited Liability Company in which Klondex's Canadian assets will be spun into a new company, as referenced in these Carve-Out Financial Statements as the Canadian Spinco of Klondex, if the Arrangement Agreement is approved (see *Note 1. Organization and Nature of Operations* for additional detail).

SCHEDULE "B"
CARVE-OUT CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF HAVILAH FOR THE
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(UNAUDITED)

See attached.

**Canadian Spinco of Klondex
Condensed Interim Carve-Out Financial Statements**

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CANADIAN SPINCO OF KLONDEX
CONDENSED INTERIM CARVE-OUT BALANCE SHEETS (Unaudited)
(CDN dollars in thousands)

	<u>Note</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets			
Current assets			
Cash and cash equivalents.....		\$ 1,569	\$ 5,683
Inventories.....	4	5,873	12,112
Prepaid expenses and other	5	637	2,223
Total current assets		<u>8,079</u>	<u>20,018</u>
Mineral properties, plant and equipment, net.....	6	53,084	54,394
Total assets		<u>\$ 61,163</u>	<u>\$ 74,412</u>
Liabilities			
Current liabilities			
Accounts payable		\$ 2,898	\$ 9,860
Accrued compensation and benefits.....		433	821
Total current liabilities.....		<u>3,331</u>	<u>10,681</u>
Reclamation obligations		2,345	2,306
Total liabilities.....		<u>5,676</u>	<u>12,987</u>
Commitments and contingencies	11		
Carve-out Equity			
Parent company investment	8	133,248	129,346
Accumulated deficit		<u>(77,761)</u>	<u>(67,921)</u>
Total equity.....		<u>55,487</u>	<u>61,425</u>
Total liabilities and equity		<u>\$ 61,163</u>	<u>\$ 74,412</u>

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CONDENSED INTERIM CARVE-OUT STATEMENTS OF (LOSS) AND COMPREHENSIVE (LOSS)
(Unaudited)
(CDN dollars in thousands)

	<u>Note</u>	<u>Three Months Ended March 31,</u>	
		<u>2018</u>	<u>2017</u>
Revenues		\$ 8,688	\$ 7,239
Cost of sales			
Production costs		12,156	9,883
Depreciation and depletion		1,559	1,442
Write-down of production inventories	4	622	2,409
		<u>(5,649)</u>	<u>(6,495)</u>
Other operating expenses			
General and administrative		1,746	1,271
(Loss) from operations		<u>(7,395)</u>	<u>(7,766)</u>
Other income (expense)			
Finance charges, net	7	(1,941)	(1,226)
Foreign currency (loss) gain, net.....		(504)	138
(Loss) before tax		<u>\$ (9,840)</u>	<u>\$ (8,854)</u>
Income tax (expense)	9	—	—
Net (loss) and comprehensive (loss)		<u><u>\$ (9,840)</u></u>	<u><u>\$ (8,854)</u></u>

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CONDENSED INTERIM CARVE-OUT STATEMENTS OF CASH FLOWS (Unaudited)
(CDN dollars in thousands)

	Note	<u>Three Months Ended March 31,</u>	
		<u>2018</u>	<u>2017</u>
Operating activities			
Net (loss) and comprehensive (loss).....		\$ (9,840)	\$ (8,854)
Significant items not involving cash			
Depreciation and depletion		1,559	680
Write-down of production inventories - allocated depreciation and depletion	4	68	294
Foreign exchange, net		504	(138)
Share-based compensation		44	208
Corporate G&A allocations.....		195	735
Finance charges.....	7	1,941	1,226
		<u>(5,529)</u>	<u>(5,849)</u>
Changes in non-cash working capital			
Inventories.....		5,955	643
Prepaid expenses and other		1,586	177
Accounts payable		(6,704)	1,776
Accrued compensation and benefits.....		(388)	18
		<u>(5,080)</u>	<u>(3,235)</u>
Net cash used in operating activities			
Investing activities			
Expenditures on mineral properties, plant and equipment		(33)	(4,604)
Change in accounts payable related to expenditures on mineral properties, plant and equipment		(258)	(341)
Cash paid for acquisitions		—	1
		<u>(291)</u>	<u>(4,944)</u>
Net cash used in investing activities			
Financing activities			
Proceeds from parent company investment.....	8	1,256	4,612
Finance charges paid		(1)	(1)
		<u>1,255</u>	<u>4,611</u>
Net cash provided by financing activities			
Effect of foreign exchange on cash balances		2	(1)
		<u>(4,114)</u>	<u>(3,569)</u>
Net (decrease) in cash			
Cash, beginning of period			
		5,683	8,161
Cash, end of period			
		<u>\$ 1,569</u>	<u>\$ 4,592</u>

Spinco paid no cash for taxes during the periods ended March 31, 2018 and 2017

The accompanying notes are an integral part of these carve-out financial statements.

CANADIAN SPINCO OF KLONDEX
CONDENSED INTERIM CARVE-OUT STATEMENTS OF EQUITY (Unaudited)
(CDN dollars in thousands)

	<u>Note</u>	<u>Parent company investment</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at December 31, 2017		\$ 129,346	\$ (67,921)	\$ 61,425
Net parent company contributions	8	3,902	—	3,902
Net (loss)		—	(9,840)	(9,840)
Balance at March 31, 2018		<u>\$ 133,248</u>	<u>\$ (77,761)</u>	<u>\$ 55,487</u>
Balance at December 31, 2016		\$ 84,730	\$ (16,727)	\$ 68,003
Net parent company contributions		6,560	—	6,560
Net (loss)		—	(8,854)	(8,854)
Balance at March 31, 2017		<u>\$ 91,290</u>	<u>\$ (25,581)</u>	<u>\$ 65,709</u>

The accompanying notes are an integral part of these carve-out financial statements.

Canadian Spinco of Klondex

Notes to Condensed Interim Carve-Out Financial Statements (Unaudited)

1. Organization and Nature of Operations

Spin-out from Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, as referenced in these Condensed Interim Condensed Interim Carve-Out Financial Statements as the Canadian Spinco of Klondex (the "Spinco"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US\$7.0 million to Spinco. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the approval of Klondex's securityholders.

About the Canadian Spinco of Klondex

If the Arrangement Agreement is approved by Klondex shareholders, the Spinco will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance. Ogama is an exploration stage property located approximately 19 miles from True North.

2. Summary of significant accounting policies

Basis of presentation

These Condensed Interim Carve-Out Financial Statements represent the historical operations of Klondex Canada Ltd. and Bison Gold Resources, Inc. since inception (January 22, 2016 following the True North acquisition) and have been derived from Klondex's historical accounting records. The Condensed Interim Carve-Out Financial Statements are presented on a carve-out basis and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*. These Condensed Interim Carve-Out Financial Statements should be read in conjunction with Spinco's audited financial statements for the year ended December 31, 2017. All revenues and expenses as well as assets and liabilities directly associated with the Spinco are included in these Condensed Interim Carve-Out Financial Statements.

These Condensed Interim Carve-Out Financial Statements also include allocations of general and administrative expenses of Klondex's *Corporate and other* reportable segment, which have been allocated to the Spinco on a weighted pro-rata basis relative to Klondex's consolidated revenues and capital expenditures to represent an estimate of the full cost of operating the Spinco on a standalone basis. Additionally, Klondex has previously advanced funds to the Spinco through various intercompany obligations which are included in *Parent company investment* in these Condensed Interim Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement. For additional detail on the aforementioned amounts see *Note 8. Parent company investment*.

Management believes the assumptions underlying the Condensed Interim Carve-Out Financial Statements, including the allocations of general and administrative expenses are reasonable. Nevertheless, the Condensed Interim Carve-Out Financial Statements may not include all of the actual expenses that may have been incurred had the Spinco operated as a standalone company during the periods presented and may not reflect the Spinco's financial position, operating results, and cash flows had the Spinco operated as a standalone company during the periods presented.

These interim financial statements, with the exception of any recently adopted accounting pronouncements described in *Note 3. Recent accounting pronouncements*, follow the same significant accounting policies disclosed in the Spinco's most recent audited carve-out financial statements for the Canadian Spinco of Klondex Mines Ltd.

All amounts are expressed and presented in thousands of Canadian dollars (unless otherwise noted) and references to "US\$" refer to United States dollars.

These Condensed Interim Carve-Out Financial Statements were authorized for issuance by the Board of Directors of Klondex on May 4, 2018.

Significant Judgments, Estimates, and Assumptions

The preparation of these Condensed Interim Carve-Out Financial Statements requires management to make judgments, assumptions, and/or estimates that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and reported amounts of expenses and taxes during reporting periods. Actual results may differ from estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant at the time such estimates are made. Revisions to estimates and the resulting impacts on the carrying amounts of the Spinco's assets and liabilities are accounted for prospectively.

3. Recent accounting pronouncements

Recently adopted

Effective January 1, 2018, the Spinco adopted IFRS 15, "Revenue from Contracts with Customers" and the applicable related updates that followed. The Spinco adopted IFRS 15 using the modified retrospective method, which required it to apply the new revenue standard to (i) all new revenue contracts entered into after January 1, 2018, and (ii) revenue contracts which were not completed as of January 1, 2018. In accordance with this approach, the consolidated revenues for periods prior to January 1, 2018 were not revised and there was no cumulative effect of the adoption of IFRS 15 as of January 1, 2018.

The Spinco's current revenue recognition policy is consistent with IFRS 15 which requires that revenue from contracts with customers be recognized upon transfer of control over a good to the customer. The recognition of revenue upon transfer of control is generally satisfied when title transfers to the customer. As a result, the adoption of IFRS 15 did not have an impact on the Spinco's financial statements.

Not yet adopted

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. Spinco did not early adopt IFRS 16. Although Spinco does not currently have material lease agreements, Spinco expects that IFRS 16 will result in an increase in assets and liabilities as fewer current and future leases will be expensed as payments are made. The Spinco is in the process of evaluating the potential impacts of IFRS 16 and does not expect it will have a material impact on its financial statements.

4. Inventories

The following table provides the components of *Inventories* (in thousands):

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Supplies	\$ 2,833	\$ 2,900
Production related inventories:		
Stockpiles.....	—	1,817
In-process.....	258	6,815
Doré finished goods	2,782	580
	<u>\$ 5,873</u>	<u>\$ 12,112</u>

As of March 31, 2018 and December 31, 2017, the Spinco's stockpiles, in-process, and doré finished goods inventories included approximately \$0.3 million and \$0.6 million, respectively, of capitalized non-cash depreciation and depletion costs.

Write-down of production inventories

The period-end market value of the Spinco's production-related inventories is determined in part by using the period-end prices (per ounce) of gold and is sensitive to this input. Due to increases in production costs, the Spinco's application of its lower of average cost or net realizable value accounting policy resulted in write-downs of production inventories. Write-downs have resulted solely from the Spinco's application of its lower of average cost or net realizable value accounting policy and were unrelated to any ounce adjustments or changes to recovery rates.

The following table provides information about the Spinco's write-downs (in thousands, except per ounce amounts):

<u>Type of previously incurred cost</u>	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash production costs.....	\$ 554	\$ 2,115
Allocated depreciation and depletion	68	294
Write-down of production inventories	<u>\$ 622</u>	<u>\$ 2,409</u>
<u>Prices used in write-down calculation</u>		
Price per gold ounce - US\$.....	\$ 1,324	\$ 1,242

5. Prepaid expenses and other

The following table provides the components of *Prepaid expenses and other* (in thousands):

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Canadian GST receivable.....	\$ 391	\$ 1,878
Other.....	244	345
	<u>\$ 635</u>	<u>\$ 2,223</u>

6. Mineral properties, plant and equipment, net

The following tables provide the components of *Mineral properties, plant and equipment, net* (in thousands):

<u>Cost</u>	Mineral properties	Plant and equipment	Exploration and evaluation	Total
Balance at December 31, 2017.....	\$ 34,207	\$ 21,998	\$ 8,888	\$ 65,093
Additions	22	11	—	33
Balance at March 31, 2018.....	34,229	22,009	8,888	65,126
<u>Accumulated depreciation and depletion and impairments</u>				
Balance at December 31, 2017.....	(2,287)	(8,412)	—	(10,699)
Additions	(234)	(1,109)	—	(1,343)
Balance at March 31, 2018.....	(2,521)	(9,521)	—	(12,042)
<u>Net</u>	\$ 31,708	\$ 12,488	\$ 8,888	\$ 53,084

<u>Cost</u>	Mineral properties	Plant and equipment	Exploration and evaluation	Total
Balance at December 31, 2016.....	\$ 35,083	\$ 28,571	\$ 1,956	\$ 65,610
Additions	2,741	1,863	—	4,604
Balance at March 31, 2017.....	37,824	30,434	1,956	70,214
<u>Accumulated depreciation and depletion</u>				
Balance at December 31, 2016.....	(584)	(3,789)	—	(4,373)
Additions	(274)	(1,095)	—	(1,369)
Balance at March 31, 2017.....	(858)	(4,884)	—	(5,742)
<u>Net</u>	\$ 36,966	\$ 25,550	\$ 1,956	\$ 64,472

7. Debt

As of March 31, 2018 and December 31, 2017, the Spinco had no outstanding *Debt*.

Intercompany Debt Interest

Intercompany interest charges to the Spinco are from Klondex for previously advanced funds through various intercompany debt obligations and reflect an estimated cost of operating the Spinco's business on a standalone basis. Interest is charged at a rate per annum equal to the sum of a LIBOR rate and 7.0% on the unpaid principal balance. Actual outstanding intercompany obligations have been included in *Parent company investment* in these Condensed Interim Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement (see *Note 8. Parent company investment*).

Finance charges, net

The following table summarizes the components of *Finance charges, net* (in thousands):

	Three Months Ended March 31,	
	2018	2017
Intercompany debt.....	\$ 1,901	\$ 1,186
Reclamation obligation accretion.....	39	39
Bank charges	1	2
Capitalized interest	—	(1)
	\$ 1,941	\$ 1,226

8. Parent company investment

Parent company investment is comprised of transactions between the Spinco and its parent, Klondex, for intercompany advances and financings and corporate G&A allocations. The Spinco does not present any remaining outstanding intercompany obligations to Klondex in these Condensed Interim Carve-Out Financial Statements as such amounts will not be obligations of the Spinco on a go-forward basis following the approval of the Arrangement Agreement.

The following table summarizes the activity of *Parent company investment* (in thousands):

	<u>Note</u>	<u>2018</u>
Balance, beginning of period.....		\$ 129,346
Corporate allocations ⁽¹⁾		195
Share-based compensation.....		44
Intercompany interest expense.....	7	1,901
Intercompany working capital advances.....		254
Other intercompany financing		1,508
Balance, end of period.....		<u>\$ 133,248</u>

- ⁽¹⁾ Reflects allocations of general and administrative expenses of Klondex's *Corporate and other* reportable segment, which have been allocated to the Spinco on a weighed pro-rata basis relative to Klondex's consolidated revenues and capital expenditures to represent an estimate of the full cost of operating the Spinco's business on a standalone basis.

9. Income taxes

No tax expense or benefit was recorded for the three months ended March 31, 2018 and 2017.

10. Financial risk management

The Spinco is subject to certain credit, market, and liquidity risks as described in the Company's most recent audited carve-out financial statements for the Canadian Spinco of Klondex Mines Ltd.

11. Commitments and contingencies

From time to time the Spinco is involved in legal actions or contingencies related to its business; however, management is not currently aware of any pending or threatened legal matter which could be expected to have a material adverse effect on the Spinco's financial position.

SCHEDULE "C"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF HAVILAH
FOR THE YEAR ENDED DECEMBER 31, 2017

See attached.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

For the Year Ended December 31, 2017

This Management's Discussion & Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations of the Canadian Spinco of Klondex ("Spinco", "we", "our", "us", or the "Company") and should be read in conjunction with our audited carve-out financial statements for the year ended December 31, 2017 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Readers are advised that this MD&A has been prepared using technical information and contains "forward-looking statements", both of which are subject to the risks discussed under the headings "Cautionary Note Regarding Forward-Looking Information" and "Risk Factors" of "Appendix I - Information Concerning Spinco" of the Management Information Circular of Klondex Mines Ltd. to which this MD&A is a schedule.

This MD&A has been prepared as of May 4, 2018. All dollar amounts included in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted. References to US\$ refers to United States dollars. References to "Notes" refers to the notes contained in our audited Carve-Out Financial Statements for the year ended December 31, 2017 prepared in accordance with IFRS.

About Spinco

Spin-out from Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, referred to in this MD&A as the Canadian Spinco of Klondex ("Spinco"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US\$7.0 million to Spinco. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the future approval of Klondex's securityholders.

About the Canadian Spinco of Klondex

If the Arrangement Agreement is approved by Klondex securityholders, the Spinco will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance. Ogama is an exploration stage property located approximately 19 miles from True North.

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Executive Summary and Annual Highlights

- *Arrangement Agreement with Hecla* - As discussed in the above *About Spinco* section and in *Note 1. Organization and Nature of Operations*, we entered in an agreement in which Hecla will acquire all the outstanding common shares of Klondex.
- *Health, safety, and environmental* - During 2017, we had one lost-time injury at True North. Prior to this, True North had operated for nearly two years without a lost-time injury.
- *True North* - At True North, we mined 228,495 ore tons from mining operations at an average mine head grade of 0.12 gold ounces per ton (3.73 grams per tonne) producing 24,592 gold ounces. We also milled 80,848 tons from the True North tailings at an average grade of 0.04 gold ounces per ton (1.24 grams per tonne) producing an additional 3,285 gold ounces.
- *Ounces sold and financial results* - We sold 25,806 gold ounces and 3,174 silver ounces. Revenue was \$42.2 million and Net loss was \$51.2 million.
- *Cash flows and liquidity* - Our ending cash balance was \$5.7 million after \$10.3 million used in operating activities, \$19.1 million used in investing activities, and \$26.9 million provided by financing activities. Ending working capital was \$9.3 million.
- *Acquisition* - On October 19, 2017, we completed the arrangement with Bison Gold Resources Inc. ("Bison Gold").

Summary of Quarterly Results

The following tables summarize select financial and operating information for the most recent eight quarters (in thousands except ounces sold):

Quarter ended:	Year ended December 31, 2017				For the period January 22 - December 31, 2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gold sold (ounces)	8,983	5,591	6,832	4,400	7,016	1,000	—	—
Revenues.....	\$ 14,621	\$ 9,027	\$ 11,287	\$ 7,239	\$ 10,686	\$ 1,751	\$ —	\$ —
Net (loss).....	\$ (33,134)	\$ (4,948)	\$ (4,257)	\$ (8,854)	\$ (12,392)	\$ (2,126)	\$ (880)	\$ (1,329)

True North and Bison were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Following the acquisition, True North was placed into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance as it was unable to achieve its planned operating and production targets. Since its inception, over each of the last eight quarters, Spinco has recorded net losses, negative cash flows from operations, and relied significantly on its parent, Klondex, to fund its business. See the *Financial Position, Liquidity, and Capital Resources* section for a summary of amounts invested in Spinco from its parent Klondex.

Consolidated Financial Results of Operations

	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Revenues	\$42,174	\$12,437
Cost of sales		
Production costs.....	41,427	14,112
Depreciation and depletion	5,449	3,054
Write-down of production inventories.....	8,306	3,048
	<u>(13,008)</u>	<u>(7,777)</u>
Other operating expenses		
General and administrative	5,201	2,547
Impairment on mineral properties, plant and equipment	28,230	—
Business acquisition costs.....	—	1,523
(Gain) loss on equipment disposal.....	(32)	23
	<u>(46,407)</u>	<u>(11,870)</u>
(Loss) from operations	(46,407)	(11,870)
Other income (expense)		
Finance charges, net	(6,108)	(4,595)
Foreign currency gain, net	1,187	99
Other income (expense), net.....	135	(361)
	<u>(5,786)</u>	<u>(4,857)</u>
(Loss) before tax	\$ (51,193)	\$ (16,727)
Income tax (expense).....	—	—
	<u>(51,193)</u>	<u>(16,727)</u>
Net (loss) and comprehensive (loss)	<u>\$ (51,193)</u>	<u>\$ (16,727)</u>

Discussions of the above results for the year ended December 31, 2017 and the period January 22 - December 31, 2016 are discussed below.

Revenues

Revenue - The table below summarizes gold revenue, ounces sold, and average realized prices for the following periods (in thousands, except ounces sold and per ounce amounts):

	Year ended December 31, 2017	For the period January 22 - December 31, 2016	Change
Sales statistics:			
Total gold revenue ⁽¹⁾ (thousands).....	\$ 42,174	\$ 12,437	\$ 29,737
Gold ounces sold	25,806	8,016	17,790
Average realized gold price (per ounce) ...	\$1,632	\$1,549	\$83

⁽¹⁾ Includes \$69k and \$18k of silver revenue during the 2017 and 2016 periods, respectively.

Gold revenue increased during 2017 as True North had a full year of operations, compared to 2016 in which operations commenced in the third quarter. As shown in the *Mining Operations* section, during 2017 we increased the total ore tons milled while maintaining consistent grade and recoveries. During 2017, revenue benefited from an increase in the average realized price per gold ounce sold.

Cost of sales

Total cost of sales consists of production costs and depreciation and depletion. The table below summarizes changes in total cost of sales for the following periods (in thousands):

	Year ended December 31, 2017	For the period January 22 - December 31, 2016	Change
Production costs	\$ 41,427	\$ 14,112	\$ 27,315
Depreciation and depletion	5,449	3,054	2,395
Write-down of production inventories	8,306	3,048	5,258
	<u>\$ 55,182</u>	<u>\$ 20,214</u>	<u>\$ 34,968</u>

Production costs - For the reasons discussed in the above *Revenues* section, higher ounces sold largely contributed to increased production costs in 2017 from the 2016 period.

Depreciation and depletion - Depreciation and depletion increased during 2017 as compared to the 2016 period primarily due to changes in the volume of ounces sold.

Write-down of production inventories - Increases in production costs and depletion and depreciation led to write-downs of ending inventory balances at True North in 2017 and the 2016 period. See *Note 6. Inventories* for additional detail.

General and administrative expenses

General and administrative totaled \$5.2 million and \$2.5 million during 2017 and the 2016 period, respectively. Increases in 2017 are due to higher compensation and benefit costs from increased staff levels at the corporate office, which were allocated to Spinco. See *Note 2. Summary of significant accounting policies* for additional detail.

Impairment on mineral properties, plant and equipment

Annual impairment testing resulted in a \$28.2 million write-down to True North's long-lived assets during the year ended December 31, 2017, which was allocated among mineral properties and plant and equipment. See *Note 8. Mineral properties, plant and equipment, net* for additional detail.

Finance charges, net

Finance charges totaled \$6.1 million and \$4.6 million during 2017 and the 2016 period, respectively, and related to interest charges on Spinco's intercompany debt with Klondex and the Promissory Note from the True North acquisition. See *Note 9. Debt* for additional detail.

Income tax expense

No tax expense or benefit was recorded for the year ended December 31, 2017 and the period January 22 - December 31, 2016. See *Note 12. Income taxes* for additional detail.

Net (loss) and comprehensive (loss)

For the reasons discussed above, we reported net loss of \$51.2 million and \$16.7 million during 2017 and the 2016 period, respectively.

Mining Operations

True North (Manitoba, Canada)

True North, located in Manitoba, Canada, is 100% owned, fully-permitted, and was acquired on January 22, 2016. True North is a past producing underground gold mining operation consisting of three underground deposits with a modern, fully-permitted mill. Under previous ownership, mining took place at True North continuously from 2007 until May 2015, when the operation was placed on care and maintenance. True North was placed into production towards the end of the third quarter of 2016 following the release of an updated mineral reserve and resource estimate.

Mine Operations - True North⁽¹⁾	Year ended December 31, 2017			For the period	Change
	Mine	Tailings	Total	January 22 - December 31, 2016	
Ore tons mined	228,495	80,848	309,343	51,768	257,575
Gold mined (oz).....	28,208	3,616	31,824	9,111	22,713
Ore tons milled	216,978	80,848	297,826	95,710	202,116
Average gold mill head grade (oz/ton)	0.12	0.04	0.10	0.11	(0.01)
Average gold recovery rate (%).....	93.0	91.0	93.0	92.7	0.3
	%	%	%	%	%
Gold produced (oz).....	24,592	3,285	27,877	10,187	17,690
Silver produced (oz)	3,174	—	3,174	853	2,321
Gold sold (oz).....	22,562	3,244	25,806	8,016	17,790
Silver sold (oz)	3,174	—	3,174	853	2,321
<u>Revenues and realized prices</u>					
Gold revenue (000s)			\$ 42,105	\$ 12,419	\$ 29,686
Silver revenue (000s).....			69	18	51
Total revenues (000s).....			<u>\$ 42,174</u>	<u>\$ 12,437</u>	<u>\$ 29,737</u>
Average realized gold price (\$/oz).....			\$ 1,632	\$ 1,549	\$ 83
Average realized silver price (\$/oz).....			\$ 21.74	\$ 21.10	\$ 0.64

⁽¹⁾ The Company does not track silver operating statistics at True North due to silver being immaterial to the operation.

Operations and costs - At True North, we milled 216,978 ore tons, from mining operations, at an average milled head grade of 0.12 gold ounces per ton, producing 24,592 gold ounces. We also processed 80,848 tons from the True North tailings at an average grade of 0.04 gold ounces per ton, producing an additional 3,285 gold ounces.

After the Spinco performed an extensive review of the operational performance at True North and the 2018 objectives of Spinco and Klondex (its parent) as a whole, management decided to place the mine under care and maintenance to review strategic options and to provide optionality at higher metal prices. This decision was largely based on the site's inability to achieve planned operating and cash flow targets in 2017 and to refocus Klondex's resources on its Nevada assets. It is anticipated that Spinco will continue to process tailings through the mill for the near future in order to maximize cash flow and offset expected care and maintenance costs.

Spinco recognized write-downs to production inventories of \$8.3 million for the year ended December 31, 2017 (see *Note 6. Inventories* for additional detail).

Capital spending - For the year ended December 31, 2017, capital spending was \$18.9 million.

Ogama-Rockland (Manitoba, Canada)

There was no activity at the Ogama-Rockland property during the year ended December 31, 2017 as it was acquired late in the year.

Financial Position, Liquidity, and Capital Resources

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Cash.....	\$ 5,683	\$ 8,161
Total current assets.....	20,018	14,807
Total assets.....	74,412	76,044
Total current liabilities.....	10,680	5,804
Total liabilities.....	12,986	8,041
Total equity.....	61,426	68,003

As discussed in the above *Summary of Quarterly Results* and *Consolidated Financial Results of Operations* sections, Spinco acquired True North in January 2016 and commenced operations in the third quarter of 2016. In January 2018 the underground operations were reduced. Spinco has historically been dependent on financing from its parent, Klondex, as it has not generated positive operating cash flows and has incurred substantial capital expenditures in the 2017 and the 2016 periods.

General Strategy

Our liquidity and capital resources management strategy places substantial reliance on our parent, Klondex, which has historically provided all funding necessary to operate. Historically, Spinco has not had any access to third party financial resources (i.e., credit facilities or capital leases) and has not generated positive operating cash flows and has incurred substantial capital expenditures. There can be no assurance that Spinco will be able to obtain any future financing if the Arrangement Agreement is completed as its relationship with its parents will no longer exist. The following table provides a summary of investments received by Spinco from its parent, Klondex (in thousands):

	<u>2017</u>	<u>2016</u>
Balance, beginning of period.....	\$ 84,730	\$ —
True North purchase (cash component).....	—	28,486
Bison Gold Resources Inc. asset acquisition.....	9,081	—
Promissory Note repayment.....	—	16,076
Corporate allocations.....	3,219	1,985
Share-based compensation.....	1,084	514
Intercompany interest expense.....	5,944	3,011
Intercompany working capital advances.....	(1,014)	16,567
Other intercompany financing.....	26,302	18,091
Balance, end of period.....	<u>\$ 129,346</u>	<u>\$ 84,730</u>

Liquidity and Capital Resources

As discussed below in the *Sources and Uses of Cash* section, at December 31, 2017, our *Cash* balance totaled \$5.7 million, decreasing \$2.5 million from the December 31, 2016 balance of \$8.2 million. We have placed substantially all of our cash in operating accounts with high-quality financial institutions, thereby ensuring balances remain readily available. Due to the nature of our operations and the composition of our balance sheet assets, at December 31, 2017, our current assets, which include *Cash* and *Inventories* represented substantially all of our liquid assets on hand and available sources of liquidity. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US\$7.0 million to Spinco.

Our working capital increased by \$0.3 million from December 31, 2016 to December 31, 2017, and our working capital ratio decreased to 1.87. The following table summarizes working capital (in thousands, except working capital ratio):

	December 31, 2017	December 31, 2016	Change
Total current assets	\$ 20,018	\$ 14,807	\$ 5,211
Total current liabilities.....	10,680	5,804	4,876
Working capital	\$ 9,338	\$ 9,003	\$ 335
Working capital ratio ⁽¹⁾	1.87	2.55	

⁽¹⁾ Current assets divided by current liabilities.

Working capital changes related to the increase in total current assets were primarily attributable to a decrease in cash and cash equivalents (discussed below in the *Sources and Uses of Cash* section) offset by an increase in inventory. Working capital changes related to the increase in total current liabilities were primarily attributable to increases in accounts payable.

Sources and Uses of Cash

	Year ended December 31, 2017	For the period January 22 - December 31, 2016
Net (loss)	\$ (51,193)	\$ (16,727)
Net non-cash adjustments.....	43,704	10,578
Net change in non-cash working capital.....	(2,769)	(1,172)
Net cash used in operating activities.....	(10,258)	(7,321)
Net cash used in investing activities	(19,067)	(47,298)
Net cash provided by financing activities	26,858	62,780
Effect of foreign exchange on cash balances ...	(11)	—
Net (decrease) increase in cash	(2,478)	8,161
Cash, beginning of period	8,161	—
Cash, end of period.....	\$ 5,683	\$ 8,161

Operating Cash Flows - Our cash flows from operations are largely impacted by the number of ounces sold, average realized prices, and production costs. See the *Consolidated Financial Results of Operations* and *Mining Operations* sections for detail.

Investing Cash Flows - During 2017 and the 2016 period, net cash used in investing activities decreased as we acquired True North for \$28.5 million in 2016. During 2017 and the 2016 period, expenditures on mineral properties, plant, and equipment totaled \$18.9 million and \$19.3 million, respectively.

Financing Cash Flows - During 2017 and the 2016 period, net cash provided by financing activities primarily related to amounts received from our parent, Klondex (see the table above in the *General Strategy* section). During the 2016 period, Spinco repaid \$16.1 million on its Promissory Note.

Contractual Obligations

The following table provides our gross contractual obligations as of December 31, 2017 (in thousands):

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Reclamation obligation.....	—	—	—	4,952	4,952

The amounts shown above represent undiscounted amounts not reflective of inflation, see *Note 10. Reclamation obligations* for additional details.

Off-Balance Sheet Arrangements

As of December 31, 2017, there were no off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Spinco is subject to certain risks, which are described below.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations, such as cash deposits and payments from metal sales. The Spinco maintains its cash balances with, and sells its metal to, major banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the Spinco's cash and trade receivables balances. The Spinco has not experienced any losses on cash balances or trade receivables and believes that no significant risk of loss exists.

Market risk

Market risk is the risk that future cash flows will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk, and foreign currency risk.

Commodity price risk - The Spinco is exposed to the risk of fluctuations in prevailing market commodity prices on the gold it produces. From time to time, the Spinco's parent, Klondex, would mitigate price risk by entering into derivative financial instruments, such as fixed forward sales and collars. As of December 31, 2017, the Spinco itself had not entered into any agreements to mitigate its exposure to market price risk.

Interest rate risk - Interest rate risk is the risk that future cash flows will be negatively impacted because of changes in market interest rates. As of December 31, 2017, the Spinco did not have any debt obligation outstanding and therefore was not exposed to material interest rate risks.

Foreign currency risk - Foreign currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Spinco's foreign currency gains and losses primarily relate to amounts on intercompany loan balances and US dollar transactions with vendors. As of December 31, 2017, the Spinco had not entered into any agreements to mitigate its exposure to foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Spinco will not be able to meet its financial obligations when they fall due. The Spinco manages this risk through reviews of ongoing operations and the timing of capital expenditures. The Spinco has historically been dependent on its parent, Klondex, to fund any liquidity shortages (see *Note 11. Parent company investment*). Other than financing from Klondex, historically the Spinco has not had access to, or any funds come from, third-party sources such as revolving credit facilities. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US \$7.0 million to Spinco.

Critical Accounting Policies and Significant Judgments, Estimates, and Assumptions

Significant Accounting Policies

See *Note 2. Summary of significant accounting policies* for information on our significant accounting policies and *Note 3. Recent accounting pronouncements* for an evaluation of the impacts of recently issued, but not yet effective, accounting pronouncements.

Significant Judgments, Estimates, and Assumptions

This MD&A is based on our Carve-Out Financial Statements, which have been prepared in accordance with IFRS. The preparation of our Carve-Out Financial Statements requires us to make judgments, assumptions, and/or estimates that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and reported amounts of expenses and taxes during reporting periods. Actual results may differ from estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant at the time such estimates are made. Revisions to estimates and the resulting impacts on the carrying amounts of our assets and liabilities are accounted for prospectively.

For a detailed discussion of the judgments, estimates, and assumptions used in preparing our Carve-Out Financial Statements and this related MD&A, refer to *Note 4. Significant Judgments, Estimates, and Assumptions*.

Cautionary Notes

See "Cautionary Note Regarding Forward-Looking Information" in "Appendix I – Information Concerning Spinco" of the Management Information Circular of Klondex to which this MD&A is scheduled.

SCHEDULE "D"
MANAGEMENT'S DISCUSSION AND ANALYSIS OF HAVILAH
FOR THE THREE MONTHS ENDED MARCH 31, 2018

See attached.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Three Months Ended March 31, 2018

This Management's Discussion & Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations of the Canadian Spinco of Klondex ("Spinco", "we", "our", "us", or the "Company") and should be read in conjunction with our unaudited Condensed Interim Carve-Out Financial Statements for the three months ended March 31, 2018 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Readers are advised that this MD&A has been prepared using technical information and contains "forward-looking statements", both of which are subject to the risks discussed under the headings "Cautionary Note Regarding Forward-Looking Information" and "Risk Factors" of "Appendix I - Information Concerning Spinco" of the Management Information Circular of Klondex Mines Ltd. to which this MD&A is a schedule.

This MD&A has been prepared as of May 4, 2018. All dollar amounts included in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted. References to US\$ refers to United States dollars. References to "Notes" refers to the notes contained in our unaudited Condensed Interim Carve-Out Financial Statements for the three months ended March 31, 2018 prepared in accordance with IFRS.

About Spinco

Spin-out from Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, referred to in this MD&A as the Canadian Spinco of Klondex ("Spinco"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US\$7.0 million to Spinco. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the approval of Klondex's securityholders.

About the Canadian Spinco of Klondex

If the Arrangement Agreement is approved by Klondex securityholders, the Spinco will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance (see *Note 16. Subsequent events*). Ogama is an exploration stage property located approximately 19 miles from True North.

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Executive Summary and Annual Highlights

- *Arrangement Agreement with Hecla* - As discussed in the above *About Spinco* section and in *Note 1. Organization and Nature of Operations*, we entered in an agreement in which Hecla will acquire all the outstanding common shares of Klondex.
- *Health, safety, and environmental* - No lost-time injuries occurred at True North during the quarter and as of March 31, 2018 we operated 143 days without a lost-time injury.
- *True North* - During the first quarter the True North mine reduced underground operations and plans to process tailings in the future. During the first quarter True North mined 19,301 ore tons produced 2,091 gold ounces. No tailings were processed during the first quarter.
- *Ounces sold and financial results* - We sold 5,151 gold ounces and 1,559 silver ounces. Revenue was \$8.7 million and Net loss was \$9.8 million.
- *Cash flows and liquidity* - Our ending cash balance was \$1.6 million after \$5.1 million used in operating activities, \$0.3 million used in investing activities, and \$1.3 million provided by financing activities. Ending working capital was \$4.7 million.

Summary of Quarterly Results

The following tables summarize select financial and operating information for the most recent eight quarters (in thousands except ounces sold):

Quarter ended:	2018		2017		2016			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Gold sold (ounces).....	5,151	8,983	5,591	6,832	4,400	7,016	1,000	—
Revenues.....	\$ 8,688	\$ 14,621	\$ 9,027	\$ 11,287	\$ 7,239	\$ 10,686	\$ 1,751	\$ —
Net (loss)	\$ (9,840)	\$ (33,134)	\$ (4,948)	\$ (4,257)	\$ (8,854)	(12,392)	(2,126)	(880)

True North and Bison were acquired on January 22, 2016 and October 19, 2017, respectively, and, as such, the Spinco had no operations or assets prior to 2016. Following the acquisition, True North was placed into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and

maintenance as it was unable to achieve its planned operating and production targets. Since its inception, over each of the last eight quarters, Spinco has recorded net losses, negative cash flows from operations, and relied significantly on its parent, Klondex, to fund its business. See the *Financial Position, Liquidity, and Capital Resources* section for a summary of amounts invested in Spinco from its parent Klondex.

Consolidated Financial Results of Operations

	Three Months Ended March 31,	
	2018	2017
Revenues	\$ 8,688	\$ 7,239
Cost of sales		
Production costs.....	12,156	9,883
Depreciation and depletion	1,559	1,442
Write-down of production inventories	622	2,409
	<u>(5,649)</u>	<u>(6,495)</u>
Other operating expenses		
General and administrative	1,746	1,271
(Loss) from operations	<u>(7,395)</u>	<u>(7,766)</u>
Other income (expense)		
Finance charges, net.....	(1,941)	(1,226)
Foreign currency (loss) gain, net	(504)	138
(Loss) before tax	<u>\$ (9,840)</u>	<u>\$ (8,854)</u>
Income tax (expense).....	—	—
Net (loss) and comprehensive (loss)	<u><u>\$ (9,840)</u></u>	<u><u>\$ (8,854)</u></u>

Discussions of the above results for the three months ended March 31, 2018 and 2017 are discussed below.

Revenues

Revenue - The table below summarizes gold revenue, ounces sold, and average realized prices for the following periods (in thousands, except ounces sold and per ounce amounts):

Sales statistics:	Three Months Ended March 31,		
	2018	2017	Change
Total gold revenue ⁽¹⁾ (thousands)	\$ 8,688	\$ 7,239	\$ 1,449
Gold ounces sold	5,151	4,400	751
Average realized price (per ounce).....	\$ 1,680	\$ 1,640	\$ 40

⁽¹⁾ Includes \$33k and \$24k of silver revenue during the 2018 and 2017 periods, respectively.

Gold revenue increased during three months ended March 31, 2018 as True North processed all of the stock piles, and benefited from an increase in the average realized price per gold ounce sold.

Cost of sales

Total cost of sales consists of production costs and depreciation and depletion. The table below summarizes changes in total cost of sales for the following periods (in thousands):

	Three Months Ended March 31,		
	2018	2017	Change
Production costs	\$ 12,156	\$ 9,883	\$ 2,273
Depreciation and depletion	1,559	1,442	117
Write-down of production inventories	622	2,409	(1,787)
	<u>\$ 14,337</u>	<u>\$ 13,734</u>	<u>\$ 603</u>

Production costs - For the reasons discussed in the above *Revenues* section, higher ounces sold largely contributed to increased production costs in three months ended March 31, 2018 as compared to the same period of the prior year.

Depreciation and depletion - Depreciation and depletion increased during three months ended March 31, 2018 as compared to the 2017 period primarily due to changes in the volume of ounces sold.

Write-down of production inventories - Decreases in ounces held in inventory at the end of March 31, 2018 as compared to March 31, 2017 reduced write-downs of ending inventory balances at True North. See *Note 4. Inventories* for additional detail.

General and administrative expenses

General and administrative totaled \$1.7 million and \$1.3 million during three months ended March 31, 2018 and the 2017 period, respectively. Increases in 2018 are due to severance costs from reducing underground operations. See *Note 1. Organization and Nature of Operations* for additional detail.

Finance charges, net

Finance charges totaled \$1.9 million and \$1.2 million during the three months ended March 31, 2018 and the 2017 period, respectively, and related to interest charges on Spinco's intercompany debt with Klondex. See *Note 7. Debt* for additional detail.

Income tax expense

No tax expense or benefit was recorded for the three months ended March 31, 2018 and the 2017 period. See *Note 9. Income taxes* for additional detail.

Net (loss)

For the reasons discussed above, we reported net loss of \$9.8 million and \$8.9 million during the three months ended March 31, 2018 and the 2017 period, respectively.

Mining Operations

True North (Manitoba, Canada)

True North, located in Manitoba, Canada, is 100% owned, fully-permitted, and was acquired on January 22, 2016. True North is a past producing underground gold mining operation consisting of three underground deposits with a modern, fully-permitted mill. Under previous ownership, mining took place at True North continuously from 2007 until May 2015, when the operation was placed on care and maintenance. True North was placed into production towards the end of the third quarter of 2016 following the release of an updated mineral reserve and resource estimate.

	Three Months Ended March 31,		
	2018	2017	Change
<u>Mine Operations - True North</u> ^{(1) (2)}			
Ore tons mined	19,301	28,686	(9,385)
Gold mined (oz).....	0.12	0.14	(0.02)
Ore tons milled	19,390	28,936	(9,546)
Average gold mill head grade (oz/ton)	0.12	0.14	(0.02)
Average gold recovery rate (%).....	92.3%	96.1%	(3.8%)
Gold produced (oz).....	2,091	3,800	(1,709)
Silver produced (oz)	1,559	—	1,559
Gold sold (oz).....	5,151	4,400	751
Silver sold (oz)	1,559	1,000	559
<u>Revenues and realized prices</u>			
Gold revenue (000s)	\$ 8,655	\$ 7,215	\$ 1,440
Silver revenue (000s).....	33	24	9
Total revenues (000s)	<u>\$ 8,688</u>	<u>\$ 7,239</u>	<u>\$ 1,449</u>
Average realized gold price (\$/oz).....	\$ 1,680	\$ 1,640	\$ 40
Average realized silver price (\$/oz).....	\$ 21.17	\$ 24.00	\$ (2.83)

(1) The Company does not track silver operating statistics at True North due to silver being immaterial to the operation.

(2) No tailings were processed during the first quarter of 2018 and 2017.

Operations and costs - At True North, we milled 19,390 ore tons, from mining operations, at an average milled head grade of 0.12 gold ounces per ton, producing 2,091 gold ounces.

It is anticipated that Spincor will begin to process tailings through the mill for the near future in order to maximize cash flow and offset expected care and maintenance costs.

Spincor recognized write-downs to production inventories of \$0.6 million for the three months ended March 31, 2018 (see *Note 4. Inventories* for additional detail).

Capital spending - For the three months ended March 31, 2018, capital spending was nil.

Ogama-Rockland (Manitoba, Canada)

There was no activity at the Ogama-Rockland property during the three months ended March 31, 2018 as it was acquired late in 2017.

Financial Position, Liquidity, and Capital Resources

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Cash.....	\$ 1,569	\$ 5,683
Total current assets	8,079	20,018
Total assets	61,163	74,412
Total current liabilities	3,331	10,681
Total liabilities.....	5,676	12,987
Total equity	55,487	61,425

As discussed in the above *Summary of Quarterly Results* and *Consolidated Financial Results of Operations* sections, in January 2018 the underground operations were reduced. Spinco has historically been dependent on financing from its parent, Klondex, as it has not generated positive operating cash flows and has incurred substantial capital expenditures.

General Strategy

Our liquidity and capital resources management strategy places substantial reliance on our parent, Klondex, which has historically provided all funding necessary to operate. Historically, Spinco has not had any access to third party financial resources (i.e., credit facilities or capital leases) and has not generated positive operating cash flows and has incurred substantial capital expenditures. There can be no assurance that Spinco will be able to obtain any future financing if the Arrangement Agreement is completed as its relationship with its parents will no longer exist. The following table provides a summary of investments received by Spinco from its parent, Klondex (in thousands):

	<u>2018</u>
Balance, beginning of period	\$ 129,346
Corporate allocations.....	195
Share-based compensation	44
Intercompany interest expense	1,901
Intercompany working capital advances	254
Other intercompany financing.....	1,508
Balance, end of period	<u>\$ 133,248</u>

Liquidity and Capital Resources

As discussed below in the *Sources and Uses of Cash* section, at March 31, 2018, our *Cash* balance totaled \$1.6 million, decreasing \$4.1 million from the December 31, 2017 balance of \$5.7 million. We have placed substantially all of our cash in operating accounts with high-quality financial institutions, thereby ensuring balances remain readily available. Due to the nature of our operations and the composition of our balance sheet assets, at March 31, 2018, our current assets, which include *Cash* and *Inventories* represented substantially all of our liquid assets on hand and available sources of liquidity. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Spinco by contributing US\$7.0 million to Spinco.

Our working capital increased by \$4.6 million from December 31, 2017 to March 31, 2018, and our working capital ratio increased to 2.43. The following table summarizes working capital (in thousands, except working capital ratio):

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>Change</u>
Total current assets	\$ 8,079	\$ 20,018	\$ (11,939)
Total current liabilities.....	3,331	10,681	(7,350)
Working capital.....	<u>\$ 4,748</u>	<u>\$ 9,337</u>	<u>\$ (4,589)</u>
Working capital ratio ⁽¹⁾	<u>2.43</u>	<u>1.87</u>	

⁽¹⁾ Current assets divided by current liabilities.

Working capital changes related to the increase in total current assets were primarily attributable to a decrease in cash and cash equivalents (discussed below in the *Sources and Uses of Cash* section) offset by an increase in inventory. Working capital changes related to the increase in total current liabilities were primarily attributable to increases in accounts payable.

Sources and Uses of Cash

	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Net (loss).....	\$ (9,840)	\$ (8,854)
Net non-cash adjustments	4,311	3,005
Net change in non-cash working capital	449	2,614
Net cash used in operating activities	(5,080)	(3,235)
Net cash used in investing activities.....	(291)	(4,944)
Net cash provided by financing activities	1,255	4,611
Effect of foreign exchange on cash balances	2	(1)
Net decrease in cash.....	(4,114)	(3,569)
Cash, beginning of period.....	5,683	8,161
Cash, end of period.....	<u>\$ 1,569</u>	<u>\$ 4,592</u>

Operating Cash Flows - Our cash flows from operations are largely impacted by the number of ounces sold, average realized prices, and production costs. See the *Consolidated Financial Results of Operations* and *Mining Operations* sections for detail.

Investing Cash Flows - During the three months ended March 31, 2018 and 2017, expenditures on mineral properties, plant, and equipment totaled nil and \$4.6 million, respectively.

Financing Cash Flows - During the three months ended March 31, 2018 and 2017, net cash provided by financing activities primarily related to amounts received from our parent, Klondex (see the table above in the *General Strategy* section).

Contractual Obligations

The following table provides our gross contractual obligations as of March 31, 2018 (in thousands):

	<u>Less than 1</u> <u>year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5</u> <u>years</u>	<u>Total</u>
Reclamation obligation.....	—	—	—	4,952	4,952

The amounts shown above represent undiscounted amounts not reflective of inflation, amount remains consistent.

Off-Balance Sheet Arrangements

As of March 31, 2018 there were no off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Spinco's commodity price risks, interest rate risks, and foreign currency risks have not changed from those listed in the most recent annual audited financial statements.

Critical Accounting Policies and Significant Judgments, Estimates, and Assumptions

Significant Accounting Policies

See *Note 2. Summary of significant accounting policies* for information on our significant accounting policies and *Note 3. Recent accounting pronouncements* for an evaluation of the impacts of recently issued, but not yet effective, accounting pronouncements.

Significant Judgments, Estimates, and Assumptions

This MD&A is based on our interim Carve-Out Financial Statements, which have been prepared in accordance with IFRS. The preparation of our Carve-Out Financial Statements requires us to make judgments, assumptions, and/or estimates that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and reported amounts of expenses and taxes during reporting periods. Actual results may differ from estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant at the time such estimates are made. Revisions to estimates and the resulting impacts on the carrying amounts of our assets and liabilities are accounted for prospectively.

For a detailed discussion of the judgments, estimates, and assumptions used in preparing our interim Carve-Out Financial Statements and this related MD&A, refer to the most recent annual statements.

Cautionary Notes

See "Cautionary Note Regarding Forward-Looking Information" in "Appendix I – Information Concerning Spinco" of the Management Information Circular of Klondex to which this MD&A is scheduled.

SCHEDULE "E"
MANDATE OF THE BOARD OF DIRECTORS

1. INTRODUCTION

The directors (the "Board") of Havilah Mining Corporation ("Havilah") are responsible for the stewardship of Havilah. The purpose of this mandate is to describe the principal duties and responsibilities of the Board as well as some of the policies and procedures the Board will adopt to assist it in discharging its duties and responsibilities.

2. ROLE AND RESPONSIBILITIES OF THE BOARD

The role of the Board is to represent the shareholders of Havilah, enhance and maximize shareholder value and conduct the business and affairs of Havilah ethically and in accordance with the highest standards of corporate governance. The Board is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of Havilah.

The responsibilities of the Board include:

- adopting a strategic planning process;
- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approval of annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that Havilah, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

The Board will select one of its members to be appointed Chairman at the first Board meeting following the annual general meeting of shareholders of Havilah for such term as the Board may determine. The Board has a preference for an independent, non-executive Chairman of the Board.

The Board will delegate responsibility for the day-to-day management of Havilah's business and affairs to Havilah's senior officers and will supervise such senior officers.

The Board may delegate certain matters it is responsible for to Board committees. The Board will, however, retain its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

3. STRATEGIC PLANNING PROCESS AND RISK MANAGEMENT

The Board will adopt a strategic planning process to establish objectives and goals for Havilah's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a strategic plan, which takes into account, among other things, the opportunities and risks of Havilah's business and affairs.

The Board, in conjunction with management, will identify the principal risks of Havilah's business and oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks.

4. CORPORATE SOCIAL RESPONSIBILITY, ETHICS AND INTEGRITY

The Board will provide leadership to Havilah in support of its commitment to Corporate Social Responsibility, set the ethical tone for Havilah and its management and foster ethical and responsible decision making by management. The Board will take all reasonable steps to satisfy itself of the integrity of the Chief Executive Officer and management and satisfy itself that the Chief Executive Officer and management create a culture of integrity throughout the organization.

5. SUCCESSION PLANNING, APPOINTMENT AND SUPERVISION OF MANAGEMENT

The Board will approve the succession plan for Havilah, including the selection, appointment, supervision and evaluation of the Chief Executive Officer and the other senior officers of Havilah, and will also approve the compensation of the Chief Executive Officer and the other senior officers of Havilah.

6. DELEGATIONS AND APPROVAL AUTHORITIES

The Board will delegate to the Chief Executive Officer and senior management authority over the day-to-day management of the business and affairs of Havilah. This delegation of authority will be subject to specified financial limits and any transactions or arrangements in excess of general authority guidelines will be reviewed by and subject to the prior approval of the Board.

7. MONITORING OF FINANCIAL REPORTING AND MANAGEMENT

The Board will approve all regulatory filings where it is required to do so under applicable laws, rules and regulations. Without limiting the generality of the foregoing, the Board will approve the annual audited financial statements, interim financial statements, the notes and management discussion and analysis accompanying such financial statements, quarterly and annual reports, management proxy circulars, annual information forms and prospectuses. The Board will also approve capital investments out of the ordinary course of business, equity financings, borrowings out of the ordinary course of business and all annual operating plans and budgets.

The Board will adopt procedures to ensure the integrity of internal controls and management information systems, to ensure compliance with all applicable laws, rules and regulations, and to prevent violations of applicable laws, rules and regulations relating to financial reporting and disclosure, and violation of Havilah's code of business conduct and ethics.

8. CORPORATE DISCLOSURE AND COMMUNICATIONS

The Board will ensure that all corporate disclosure complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which Havilah's securities are listed. In addition, the Board may adopt procedures for receiving feedback from stakeholders on material issues.

9. CORPORATE POLICIES

The Board will adopt and annually review policies and procedures designed to ensure that Havilah, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct Havilah's business ethically and with honesty and integrity. Policies the Board may adopt include without limitation the following:

- Code of Business Conduct and Ethics
- Foreign Corrupt Practices Policy
- Whistleblower Policy
- Safety, Health and Environmental Policy
- Corporate Disclosure Policy
- Contract Approval and Authority Limits Policy

10. REVIEW OF MANDATE

The Corporate Governance and Compensation Committee will annually review and assess the adequacy of this Mandate and recommend any proposed changes to the Board for consideration.

SCHEDULE "F"
HAVILAH OPTION PLAN

ARTICLE I
DEFINITIONS AND INTERPRETATION

1.01 Definitions. For purposes of this Share Option Plan, unless such capitalized word or term is otherwise defined herein or the context in which such capitalized word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) **"Blackout Period"** means a period of time during which (i) the trading guidelines of the Corporation, as amended or replaced from time to time, restrict one or more Participants from trading in securities of the Corporation or (ii) the Corporation has determined that one or more Participants may not trade any securities of the Corporation;
- (b) **"Blackout Period Expiry Date"** means the date on which a Blackout Period expires;
- (c) **"Business Day"** means a day on which the Stock Exchange is open for trading;
- (d) **"Committee"** means the Directors or, if the Directors so determine in accordance with Section 2.03 hereof, the committee of the Directors authorized to administer this Share Option Plan;
- (e) **"Common Shares"** means the common shares of the Corporation, as adjusted in accordance with the provisions of article five hereof from time to time;
- (f) **"Corporation"** means Havilah Mining Corporation, a corporation existing under the *Business Corporations Act* (British Columbia), and any successor thereof;
- (g) **"Designated Affiliates"** means the affiliates of the Corporation designated by the Committee for purposes of this Share Option Plan from time to time;
- (h) **"Directors"** means the directors of the Corporation from time to time;
- (i) **"Eligible Directors"** means the Directors or the directors of any Designated Affiliate from time to time;
- (j) **"Eligible Employees"** means employees and officers, whether Directors or not, of the Corporation or any Designated Affiliate, provided that such employees and officers are either individuals who are considered employees under *the Income Tax Act* (Canada) or individuals who work full-time, or on a continuing and regular basis for a minimum amount of time per week, for the Corporation or a Designated Affiliate providing services normally provided by an employee and who are subject to the same control and direction by the Corporation or a Designated Affiliate over the details and methods of work as an employee of the Corporation or a Designated Affiliate, but for whom income tax deductions are not made at source;
- (k) **"Employment Contract"** means any contract between the Corporation or any Designated Affiliate and any Eligible Employee, Eligible Director or Other Participant relating to, or entered into in connection with, the employment or departure of the Eligible Employee, the appointment, election or departure of the Eligible Director or the engagement of the Other Participant or any other agreement to which the Corporation or a Designated Affiliate is a party with respect to the rights of such Participant in respect of a change in control of the Corporation or the termination of employment, appointment, election or engagement of such Participant;
- (l) **"Exercise Price"** has the meaning given to such term in Section 3.03 hereof;

- (m) **"Insider"** has the meaning given to such term in the policies of the TSX Venture Exchange;
- (n) **"Option"** means an option to purchase Common Shares granted pursuant to, or governed by, this Share Option Plan;
- (o) **"Optionee"** means a Participant to whom an Option has been granted pursuant to this Share Option Plan;
- (p) **"Option Period"** means the period of time during which the particular Option may be exercised, including as extended in accordance with Section 3.04 hereof;
- (q) **"Other Participant"** means, other than an Eligible Director or an Eligible Employee, any individual engaged to provide ongoing management, advisory, consulting, technical or other services (other than services provided in relation to a distribution of securities of the Corporation) for the Corporation or a Designated Affiliate, or any employee of such person, under a written contract between the Corporation and such person, and who spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Affiliate and has a relationship with the Corporation or a Designated Affiliate that enables such person to be knowledgeable about the business and affairs of the Corporation or Designated Affiliate, as the case may be;
- (r) **"Participant"** means each Eligible Director, Eligible Employee and Other Participant;
- (s) **"Share Option Plan"** means this share option plan as amended from time to time;
- (t) **"Stock Exchange"** means the TSX Venture Exchange or, if the Common Shares are not then listed on the TSX Venture Exchange, such other principal market on which the Common Shares are then traded as designated by the Committee from time to time;
- (u) **"Termination"** has the meaning given to such term in Section 3.11 hereof;
- (v) **"U.S. Participant"** means a Participant who is a U.S. citizen, a U.S. resident for U.S. tax purposes, or any other Participant whose Options awarded under the Plan are subject to taxation under the U.S. Internal Revenue Code; and
- (w) **"U.S. Securities Act"** has the meaning given to such term in Section 4.02 hereof.

1.02 Securities Definitions. In this Share Option Plan, the terms "affiliate", "associate" and "subsidiary" shall have the meaning given to such terms in the *Securities Act* (Ontario).

1.03 Headings. The headings of all articles, sections, paragraphs and subparagraphs in this Share Option Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Share Option Plan.

1.04 Context, Construction. Whenever the singular or masculine are used in this Share Option Plan the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires. The

word "person" shall be given the widest meaning possible and shall include, without limitation, an individual, a corporation, a partnership, a limited partnership or any other unincorporated entity.

- 1.05 References to this Share Option Plan.** The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this Share Option Plan as a whole and not to any particular article, section, paragraph, subparagraph or other part hereof.
- 1.06 Canadian Funds.** Unless otherwise specifically provided, all references to dollar amounts in this Share Option Plan are references to lawful money of Canada.

ARTICLE II PURPOSE AND ADMINISTRATION OF THIS SHARE OPTION PLAN

- 2.01 Purpose of this Share Option Plan.** This Share Option Plan provides for the potential acquisition of Common Shares by Participants for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of key employees, directors and consultants of the Corporation and the Designated Affiliates and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Common Shares by key employees, directors and consultants of the Corporation and the Designated Affiliates, it being generally recognized that share incentive plans can aid in attracting, retaining and encouraging employees, directors and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation.
- 2.02 Administration of this Share Option Plan.** This Share Option Plan shall be administered by the Committee and the Committee shall have full authority to administer this Share Option Plan, including the authority to interpret and construe any provision of this Share Option Plan and to adopt, amend and rescind such rules and regulations for administering this Share Option Plan as the Committee may deem necessary or desirable in order to comply with the requirements of this Share Option Plan, subject in all cases to compliance with regulatory requirements. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Share Option Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary or desirable for the implementation of this Share Option Plan and of the rules and regulations established for administering this Share Option Plan. All costs incurred in connection with this Share Option Plan shall be for the account of the Corporation. This Share Option Plan shall be administered in accordance with the rules and policies of the TSX Venture Exchange by the Committee so long as the Common Shares are listed on the TSX Venture Exchange.
- 2.03 Delegation to Committee.** All of the powers exercisable hereunder by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Directors comprised of not less than three Directors.
- 2.04 Record Keeping.** The Corporation shall maintain a register in which shall be recorded:
- (a) the name and address of each Optionee;
 - (b) the number of Common Shares subject to Options granted to each Optionee; and
 - (c) the aggregate number of Common Shares subject to Options.
- 2.05 Determination of Participants.** The Committee shall from time to time determine the Participants who may participate in this Share Option Plan. The Committee shall from time to time determine the Participants to

whom Options shall be granted, the number of Common Shares to be made subject to, and the expiry date of, each Option granted to each Participant and the other terms, including any vesting provisions, of each Option granted to each Participant, all such determinations to be made in accordance with the terms and conditions of this Share Option Plan, and the Committee may take into consideration the present and potential contributions of, and the services rendered by, the particular Participant to the success of the Corporation and any other factors which the Committee deems appropriate and relevant. All Eligible Employees and Other Participants shall be bona fide Eligible Employees or Other Participants, as the case may be.

2.06 Maximum Number of Shares.

- (a) The maximum number of Common Shares reserved for issue pursuant to this Share Option Plan shall be determined from time to time by the Committee but, in any case, shall not exceed, in the aggregate, 10% of the number of Common Shares then outstanding.
- (b) The maximum number of Common Shares reserved for issue pursuant to Options granted under this Share Option Plan to Participants who are Insiders of the Corporation in any 12 month period shall not exceed 10% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the Stock Exchange.
- (c) The maximum number of Common Shares reserved for issue to any one Participant upon the exercise of Options in any 12 month period shall not exceed 5% of the number of Common Shares then outstanding, unless disinterested shareholder approval is received therefor in accordance with the policies of the Stock Exchange.
- (d) The maximum number of Common Shares reserved for issue to any one Other Participant upon the exercise of Options in any 12 month period shall not exceed 2% of the number of Common Shares then outstanding.
- (e) The maximum number of Common Shares reserved for issue to all Eligible Employees and to all Other Participants conducting Investor Relations Activities (as such terms are defined in the policies of the TSX Venture Exchange) upon the exercise of Options in any 12 month period shall not exceed, in the aggregate, 2% of the number of Common Shares then outstanding. Options granted to Other Participants performing Investor Relations Activities shall vest in stages over a 12 month period, with no more than $\frac{1}{4}$ of the Options vesting in any three month period. The Directors shall, through the establishment of appropriate procedures, monitor the trading in the securities of the Corporation by all Optionees performing Investor Relations Activities.

For purposes of this Section 2.06, "**the number of Common Shares then outstanding**" shall mean the number of Common Shares outstanding on a non-diluted basis calculated at the date of the proposed grant of the applicable Option.

ARTICLE III SHARE OPTION PLAN

3.01 The Share Option Plan and Participants. This Share Option Plan is hereby established for Eligible Directors, Eligible Employees and Other Participants.

3.02 Option Notice or Agreement. Each Option granted to a Participant may be evidenced by a stock option notice or stock option agreement setting out terms and conditions consistent with the provisions of this Share Option Plan, which terms and conditions need not be the same in each case and which terms and conditions may be changed from time to time.

3.03 Exercise Price. The price per share (the "**Exercise Price**") at which any Common Share which is the subject of an Option may be purchased shall be determined by the Committee at the time the Option is granted, provided that the Exercise Price shall be not less than the closing price of the Common Shares on the Stock

Exchange on the last trading day immediately preceding the date of the grant of such Option less the maximum discount, if any, permitted by the Stock Exchange or, if the Common Shares are not then listed on any stock exchange, the Exercise Price shall not be less than the fair market value of the Common Shares as may be determined by the Directors on the day immediately preceding the date of the grant of such Option. Disinterested shareholder approval shall be required for any reduction in the Exercise Price of any Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment to the Exercise Price. Notwithstanding the foregoing, the Exercise Price of an Option awarded to a U.S. Participant shall be not less than the closing price of the Common Shares on the Stock Exchange on the last trading day immediately preceding the date of the grant of such Option.

- 3.04 Term of Option.** The Option Period for each Option shall be such period of time as shall be determined by the Committee, subject to amendment by an Employment Contract, provided that in no event shall an Option Period exceed ten years. Notwithstanding the definition of Option Period contained herein or the foregoing, the expiration date of an Option will be the date fixed by the Directors with respect to such Option unless such expiration date falls within a Blackout Period or within ten days after a Blackout Period Expiry Date, in which case the expiration date of the Option will be the date which is ten Business Days after the Blackout Period Expiry Date. Disinterested shareholder approval shall be required for the extension of any Option Period if the Optionee is an Insider of the Corporation at the time of the proposed amendment to the Option Period.
- 3.05 Lapsed Options.** If Options granted under this Share Option Plan are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Common Shares not purchased under such lapsed Options (or such lapsed stock options).
- 3.06 Limit on Options to be Exercised.** Except as otherwise specifically provided herein or in any Employment Contract, Options may be exercised by the Optionee in whole at any time, or in part from time to time (in each case to the nearest full Common Share), during the Option Period only in accordance with the vesting schedule, if any, determined by the Committee, in its sole and absolute discretion, subject to the applicable requirements of the Stock Exchange, at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option shall be exercisable in whole at any time, or in part from time to time, during the Option Period, subject to the applicable requirements of the Stock Exchange. In the event that the Common Shares are listed on the TSX Venture Exchange, Options with an Exercise Price based on the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange), and the Common Shares issuable upon the exercise thereof, shall be subject to the restricted period and legending requirements imposed by the policies of the TSX Venture Exchange.
- 3.07 Eligible Participants on Exercise.** An Option may be exercised by the Optionee in whole at any time, or in part from time to time, during the Option Period, provided however that, except as otherwise specifically provided in Section 3.10 or Section 3.11 hereof or in any Employment Contract, no Option may be exercised unless the Optionee at the time of exercise thereof is:
- (a) in the case of an Eligible Employee, an officer of the Corporation or a Designated Affiliate or in the employment of the Corporation or a Designated Affiliate and has been continuously an officer or so employed since the date of the grant of such Option, provided however that a leave of absence with the approval of the Corporation or such Designated Affiliate shall not be considered an interruption of employment for purposes of this Share Option Plan;
 - (b) in the case of an Eligible Director who is not also an Eligible Employee, a director of the Corporation or a Designated Affiliate and has been such a director continuously since the date of the grant of such Option; and

- (c) in the case of an Other Participant, engaged, directly or indirectly, in providing ongoing management, advisory, consulting, technical or other services for the Corporation or a Designated Affiliate and has been so engaged since the date of the grant of such Option.

3.08 Payment of Exercise Price. The issue of Common Shares on the exercise of any Option shall be contingent upon receipt by the Corporation of payment of the aggregate purchase price for the Common Shares in respect of which the Option has been exercised by cash or certified cheque delivered to the registered office of the Corporation together with a completed notice of exercise. No Optionee or legal representative, legatee or distributee of any Optionee will be, or will be deemed to be, a holder of any Common Shares with respect to which such Optionee was granted an Option, unless and until certificates for such Common Shares are issued to such Optionee, or them, under the terms of this Share Option Plan. Subject to Section 3.12 hereof, upon an Optionee exercising an Option and paying the Corporation the aggregate purchase price for the Common Shares in respect of which the Option has been exercised, the Corporation shall as soon as practicable thereafter issue and deliver a certificate representing the Common Shares so purchased.

3.09 Acceleration on Take-over Bid, Consolidation, Merger, etc. In the event that:

- (a) the Corporation seeks or intends to seek approval from the shareholders of the Corporation for a transaction which, if completed, would constitute an Acceleration Event (as defined below); or
- (b) a person makes a bona fide offer or proposal to the Corporation or the shareholders of the Corporation which, if accepted or completed, would constitute an Acceleration Event,

the Corporation shall send notice to all Optionees of such transaction, offer or proposal as soon as practicable and, provided that the Committee has determined that no adjustment will be made pursuant to Section 5.06 hereof, (i) the Committee may, by resolution and notwithstanding any vesting schedule applicable to any Option or Section 3.06 hereof, permit all Options outstanding which have restrictions on their exercise to become immediately exercisable during the period specified in the notice (but in no event later than the applicable expiry date of an Option), so that the Optionee may participate in such transaction, offer or proposal, and (ii) the Committee may accelerate the expiry date of such Options and the time for the fulfillment of any conditions or restrictions on such exercise.

In this Section 3.09, an Acceleration Event means:

- (i) the acquisition by any "offeror" (as defined in section 89 of the *Securities Act* (Ontario) as of the date hereof) of beneficial ownership of more than 50% of the votes attached to the outstanding voting securities of the Corporation, by means of a take-over bid or otherwise;
- (ii) any consolidation, merger, statutory amalgamation or arrangement involving the Corporation and pursuant to which the Corporation will not be the continuing or surviving corporation or pursuant to which the Common Shares will be converted into cash or securities or property of another entity, other than a transaction involving the Corporation and in which the shareholders of the Corporation immediately prior to the completion of the transaction will have the same proportionate ownership of the surviving corporation immediately after the completion of the transaction;
- (iii) a separation of the business of the Corporation into two or more entities;
- (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to another entity; or
- (v) the approval by the shareholders of the Corporation of any plan of liquidation or dissolution of the Corporation.

3.10 Effect of Death. If a Participant or, in the case of an Other Participant which is not an individual, the primary individual providing services to the Corporation or Designated Affiliate on behalf of the Other Participant, shall die, any outstanding Option held by such Participant or Other Participant at the date of such death shall become immediately exercisable notwithstanding Section 3.06 hereof, and shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the will of the Optionee or the laws of descent and distribution for a period of 12 months after the date of death of the Optionee or prior to the expiration of the Option Period in respect of the Option, whichever is earlier, and then only to the extent that such Optionee was entitled to exercise the Option at the date of the death of such Optionee in accordance with Sections 3.06, 3.07 and 3.11 hereof.

3.11 Effect of Termination of Engagement. If a Participant shall:

- (a) cease to be a director of the Corporation or of a Designated Affiliate, as the case may be (and is not or does not continue to be an employee thereof), for any reason (other than death); or
- (b) cease to be employed by, or provide services to, the Corporation or the Designated Affiliates (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Corporation or the Designated Affiliates, for any reason (other than death) or shall receive notice from the Corporation or any Designated Affiliate of the termination of his Employment Contract;

(the earliest to occur of any of the foregoing events being referred to herein as a "**Termination**"), except as otherwise provided in any Employment Contract, such Participant may, but only within the 90 days next succeeding such Termination, exercise the Options to the extent that such Participant was entitled to exercise such Options at the date of such Termination. Notwithstanding the foregoing or any Employment Contract, in no event shall such right extend beyond the Option Period or one year from the date of Termination.

3.12 Necessary Approvals. The obligation of the Corporation to issue and deliver any Common Shares in accordance with this Share Option Plan shall be subject to any necessary approval of any stock exchange or regulatory authority having jurisdiction over the securities of the Corporation. If any Common Shares cannot be issued to any Participant upon the exercise of an Option for whatever reason, the obligation of the Corporation to issue such Common Shares shall terminate and any exercise price paid to the Corporation in respect of the exercise of such Option shall be returned to the Participant.

ARTICLE IV WITHHOLDING TAXES AND SECURITIES LAWS OF THE UNITED STATES OF AMERICA

4.01 Withholding Taxes. The Corporation or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Corporation or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Option or Common Share including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Shares to be issued upon the exercise of any Option, until such time as the Participant has paid the Corporation or any Designated Affiliate for any amount which the Corporation or the Designated Affiliate is required to withhold with respect to such taxes.

4.02 Securities Laws of the United States of America. Neither the Options which may be granted pursuant to this Share Option Plan nor the Common Shares which may be issued pursuant to the exercise of Options have been registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under any securities law of any state of the United States of America. Accordingly, any Participant who is issued Common Shares or granted an Option in a transaction which is subject to the U.S. Securities Act or

the securities laws of any state of the United States of America may be required to represent, warrant, acknowledge and agree that:

- (a) the Participant is acquiring the Option and/or any Common Shares as principal and for the account of the Participant;
- (b) in granting the Option and/or issuing the Common Shares to the Participant, the Corporation is relying on the representations and warranties of the Participant to support the conclusion of the Corporation that the granting of the Option and/or the issue of Common Shares do not require registration under the U.S. Securities Act or to be qualified under the securities laws of any state of the United States of America;
- (c) each certificate representing Common Shares so issued may be required to have the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR UNDER ANY STATE SECURITIES LAWS, AND THE SECURITIES REPRESENTED HEREBY MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144

OR 144A UNDER THE U.S. SECURITIES ACT, IF APPLICABLE, AND IN COMPLIANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, OR (D) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION (WHICH WILL BE DELIVERED PROMPTLY AND WILL NOT BE UNREASONABLY WITHHELD, BUT WHICH MAY BE CONDITIONAL ON DELIVERY OF A LEGAL OPINION IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION), PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE. A CERTIFICATE WITHOUT A LEGEND MAY BE OBTAINED FROM THE REGISTRAR AND TRANSFER AGENT OF THE CORPORATION IN CONNECTION WITH A SALE OF THE SECURITIES REPRESENTED HEREBY, UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE REGISTRAR AND TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT SUCH SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided that if such Common Shares are being sold outside the United States of America in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act, such legend may be removed by providing a written declaration signed by the holder to the registrar and transfer agent for the Common Shares to the following effect:

"The undersigned (A) represents and warrants that the sale of the securities of Havilah Mining Corporation (the "**Corporation**") to which this declaration relates is being made in compliance with Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not an affiliate of the Corporation as that term is defined in the U.S. Securities Act, (2) the offer of such securities was not made to a person in the United States and either (A) at the time the buy order was originated, the buyer was outside the United States, or the undersigned and any person acting on its behalf reasonably believe that the buyer was outside the United States or (B) the transaction was executed on or through the

facilities of a Designated Offshore Securities Market and neither the undersigned nor any person acting on behalf thereof knows or has any reason to believe that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act), (5) the seller does not intend to replace the securities sold in reliance on Rule 904 of the U.S. Securities Act with fungible unrestricted securities and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S under the U.S. Securities Act, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.";

- (d) other than as contemplated by paragraph 4.02(c) hereof, prior to making any disposition of any Common Shares acquired pursuant to this Share Option Plan which might be subject to the requirements of the U.S. Securities Act, the Participant shall give written notice to the Corporation describing the manner of the proposed disposition and containing such other information as is necessary to enable counsel (or such other evidence acceptable to the Corporation) for the Corporation to determine whether registration under the U.S. Securities Act or qualification under any securities laws of any state of the United States of America is required in connection with the proposed disposition and whether the proposed disposition is otherwise in compliance with such legislation and the regulations thereto;
- (e) other than as contemplated by paragraph 4.02(c) hereof, the Participant will not attempt to effect any disposition of the Common Shares owned by the Participant and acquired pursuant to this Share Option Plan or of any interest therein which might be subject to the requirements of the U.S. Securities Act in the absence of an effective registration statement relating thereto under the U.S. Securities Act or an opinion of counsel satisfactory in form and substance to counsel for the Corporation that such disposition would not constitute a violation of the U.S. Securities Act and then will only dispose of such Common Shares in the manner so proposed;
- (f) the Corporation may place a notation on the records of the Corporation to the effect that none of the Common Shares acquired by the Participant pursuant to this Share Option Plan shall be transferred unless the provisions of the Plan have been complied with; and
- (g) the effect of these restrictions on the disposition of the Common Shares acquired by the Participant pursuant to this Share Option Plan is such that the Participant may not be able to sell or otherwise dispose of such Common Shares for a considerable length of time in a transaction which is subject to the provisions of the U.S. Securities Act other than as contemplated by paragraph 4.02(c) hereof.

ARTICLE V GENERAL

5.01 Effective Time of this Share Option Plan. This Share Option Plan shall become effective upon a date to be determined by the Directors.

5.02 Amendment of Plan. The Committee may from time to time in the absolute discretion of the Committee, subject to the applicable requirements of the Stock Exchange, amend, modify and change the provisions of this Share Option Plan or any Options granted pursuant to this Share Option Plan, provided that any amendment, modification or change to the provisions of this Share Option Plan or any Options granted pursuant to this Share Option Plan which would:

- (a) materially increase the benefits under this Share Option Plan or any Options granted pursuant to the Plan;

- (b) increase the number of Common Shares, other than by virtue of sections 5.06 and 5.07 hereof, which may be issued pursuant to this Share Option Plan; or
- (c) materially modify the requirements as to eligibility for participation in this Share Option Plan;

shall only be effective upon such amendment, modification or change being approved by the shareholders of the Corporation, and, if required, by any stock exchange or any other regulatory authority having jurisdiction over the securities of the Corporation. In addition, if an Optionee is an Insider of the Corporation at the time of an amendment, modification or change that would materially increase the benefits under any of his Options granted pursuant to this Shares Option Plan, the Corporation must obtain disinterested shareholder approval. This Share Option Plan may be amended, without obtaining the approval of the TSX Venture Exchange, to (i) reduce the number of Common Shares under Option, or (ii) increase the exercise price or cancel an Option, provided the Corporation issues a news release outlining the terms of the amendment. In the event that the Common Shares are listed on the TSX Venture Exchange, all other amendments to this Share Option Plan will require the approval of the TSX Venture Exchange.

- 5.03 Non-Assignable.** No rights under this Share Option Plan and no Option awarded pursuant to this Share Option Plan are assignable or transferable by any Participant other than pursuant to a will or by the laws of descent and distribution.
- 5.04 Rights as a Shareholder.** No Optionee shall have any rights as a shareholder of the Corporation with respect to any Common Shares which are the subject of an Option. No Optionee shall be entitled to receive any dividends, distributions or other rights declared for shareholders of the Corporation for which the record date is prior to the date of issue of certificates representing Common Shares acquired upon the exercise of Options of such Optionee.
- 5.05 No Contract of Employment.** Nothing contained in this Share Option Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Corporation or any Designated Affiliate nor interfere or be deemed to interfere in any way with any right of the Corporation or any Designated Affiliate to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in any of this Share Option Plan by a Participant shall be voluntary.
- 5.06 Consolidation, Merger, etc.** If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an Option under this Share Option Plan the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Option immediately prior to the effective time of such event, unless the Committee otherwise determines the basis upon which such Option shall be exercisable.
- 5.07 Adjustment in Number of Common Shares Subject to the Plan.** In the event there is any change in the Common Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Committee in:
- (a) the number of Common Shares available under this Share Option Plan;
 - (b) the number of Common Shares subject to any Option; and
 - (c) the exercise price of the Common Shares subject to Options.

If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Share Option Plan.

- 5.08 Securities Exchange Take-over Bid.** In the event that the Corporation becomes the subject of a take-over bid (within the meaning of the *Securities Act* (Ontario)) as a result of which all of the outstanding Common Shares are acquired by the offeror through compulsory acquisition provisions of the incorporating statute or otherwise, and where consideration is paid in whole or in part in equity securities of the offeror, the Committee may send notice to all Optionees requiring them to surrender their Options within 10 days of the mailing of such notice, and the Optionees shall be deemed to have surrendered such Options (with such surrender conditioned on the successful completion of the Take-over Bid) on the tenth day after the mailing of such notice without further formality, provided that:
- (a) the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the Optionees on the equity securities offered as consideration;
 - (b) the Committee has determined, in good faith, that such replacement options have substantially the same economic value as the Options being surrendered, and with respect to Options held by U.S. Participants, such replacement options will satisfy the requirements of U.S. Treasury Regulation 1.409A-1(b)(5)(v)(D) to the extent required to avoid adverse U.S. federal income tax consequences; and;
 - (c) the surrender of Options and the granting of replacement options can be effected on a tax free rollover basis under the *Income Tax Act* (Canada).
- 5.09 No Representation or Warranty.** The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of this Share Option Plan.
- 5.10 Participation through RRSPs and Holding Companies.** Except as otherwise provided in this Section 5.10, and subject to the approval of the Committee, an Eligible Employee or Eligible Director may elect, at the time rights or Options are granted under this Share Option Plan, to participate in this Share Option Plan by holding any rights or Options granted under this Share Option Plan in a registered retirement savings plan established by such Eligible Employee or Eligible Director for the sole benefit of such Eligible Employee or Eligible Director or in a personal holding corporation controlled by such Eligible Employee or Eligible Director. Notwithstanding the foregoing, Options of U.S. Participants shall not be held in a registered retirement savings plan or any other vehicle or entity, the intended effect of which would be to delay the taxation of such Options beyond the time of exercise of the Option. For the purposes of this Section 5.10, a personal holding corporation shall be deemed to be controlled by an Eligible Employee or Eligible Director if (i) voting securities carrying 100% of the votes for the election of directors of such corporation are held, otherwise than by way of security only, by or for the benefit of such Eligible Employee or Eligible Director and the votes carried by such voting securities are entitled, if exercised, to elect a majority of the board of directors of such corporation, and (ii) all of the equity securities of such corporation are directly held, otherwise than by way of security only, by or for the benefit of such Eligible Employee or Eligible Director. In the event that an Eligible Employee or Eligible Director elects to hold the Options granted under this Share Option Plan in a registered retirement savings plan or personal holding corporation, such Eligible Employee or Eligible Director must submit certifications, undertakings or any other documents, if any, required by the Stock Exchange, and the provisions of this Share Option Plan shall continue to apply as if the Eligible Employee or Eligible Director held such Options directly.
- 5.11 Compliance with Applicable Law.** If any provision of this Share Option Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction over the securities of the Corporation, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.
- 5.12 Interpretation.** This Share Option Plan shall be governed by, and be construed in accordance with, the laws of the Province of Ontario.

SCHEDULE "G"
AUDIT COMMITTEE CHARTER

This charter (the "**Charter**") sets forth the purpose, composition, responsibilities, duties, powers and authority of the Audit Committee (the "**Committee**") of the directors (the "**Board**") of Havilah Mining Corporation. ("**Havilah**").

1. PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented by management of Havilah; and
- external and internal audit processes.

2. COMPOSITION AND MEMBERSHIP

(a) The members (collectively "**Members**" and individually a "**Member**") of the Committee shall be appointed by the Board to serve one-year terms and shall be permitted to serve an unlimited number of consecutive terms. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will cease to be a Member upon ceasing to be a director of Havilah.

(b) The Committee will consist of at least three Members. Every Member must be a director of Havilah who is independent and financially literate to the extent required by (and subject to the exemptions and other provisions set out in) applicable laws, rules, regulations and stock exchange requirements (collectively "**Applicable Laws**"). In this Charter, the terms "independent" and "financially literate" have the meanings ascribed to such terms in Applicable Laws and include the meanings given to similar terms in Applicable Laws to the extent such similar terms are used in this Charter and are applicable under Applicable Laws.

(c) The chairman of the Committee (the "**Chairman**") will be appointed by the Board and confirmed by the Committee or appointed by the Committee from time to time and must have such accounting or related financial management expertise as the Board or Committee may determine in their business judgment is necessary. The secretary of Havilah (the "**Secretary**") will be the secretary of all meetings and will maintain minutes of all meetings, deliberations and proceedings of the Committee. In the absence of the Secretary at any meeting, the Committee will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

3. MEETINGS

(a) Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four (4) times per year. Any Member or the auditor of Havilah may call a meeting of the Committee at any time upon not less than forty-eight (48) hours advance notice being given to each Member orally, by telephone, by facsimile or by email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call.

(b) At the request of the external auditors of Havilah, the Chief Executive Officer or the Chief Financial Officer of Havilah or any Member will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.

(c) The Chairman, if present, will act as the Chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, then the Members present may select one of their number to act as chairman of the meeting.

(d) A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority of Members present at the meeting at which the vote is taken. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolution signed by all Members.

(e) The Committee may invite from time to time such persons as the Committee considers appropriate to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee, except to the extent the exclusion of certain persons is required pursuant to this Charter or by Applicable Laws. The Committee will meet in camera without management at each meeting of the Committee.

(f) In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Havilah to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.

4. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee as they relate to the following matters, to the extent considered appropriate or desirable or required by Applicable Laws, are to:

4.1 Financial Reporting and Disclosure

(a) review and recommend to the Board for approval, the audited annual financial statements of Havilah, including the auditors' report thereon, the management's discussion and analysis of Havilah prepared in connection with the annual financial statements, financial reports of Havilah, guidance with respect to earnings per share, and any initial public release of financial information of Havilah through press release or otherwise, with such documents to indicate whether such information has been reviewed by the Board or the Committee;

(b) review and approval of the quarterly financial statements of Havilah including the management's discussion and analysis prepared in connection with the quarterly financial statements, with such documents to indicate whether such information has been reviewed by the Board or the Committee;

(c) review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents;

(d) review with management of Havilah and with the external auditors of Havilah significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles ("GAAP") all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly Havilah's financial position and the results of its operations in accordance with Canadian GAAP;

(e) annually review Havilah's corporate disclosure policy and recommend any proposed changes to the Board for consideration; and

(f) review the minutes from each meeting of the disclosure committee of Havilah established pursuant to Havilah's corporate disclosure policy, since the last meeting of the Committee.

4.2 Internal Controls and Audit

(a) review and assess the adequacy and effectiveness of Havilah's system of internal control and management information systems through discussions with management and the external auditor of Havilah to ensure that Havilah maintains: (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Havilah's transactions; (ii) effective internal control systems; and (iii) adequate processes for assessing the risk of material misstatement of the financial statements of Havilah and for detecting control weaknesses or fraud. From time to time

the Committee will assess whether a formal internal audit department is necessary or desirable having regard to the size and stage of development of Havilah at any particular time;

- (b) satisfy itself that management has established adequate procedures for the review of Havilah's disclosure of financial information extracted or derived directly from Havilah's financial statements;
- (c) periodically assess the adequacy of such systems and procedures to ensure compliance with regulatory requirements and recommendations;
- (d) review and discuss the major financial risk exposures of Havilah and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- (e) review and assess, and in the Committee's discretion make recommendations to the Board regarding, the adequacy of Havilah's risk management policies and procedures with regard to identification of Havilah's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Havilah; and
- (f) review and assess annually, and in the Committee's discretion make recommendations to the Board regarding, the investment policy of Havilah.

4.3 External Audit

- (a) recommend to the Board a firm of external auditors to be engaged by Havilah;
- (b) ensure the external auditors report directly to the Committee on a regular basis;
- (c) review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (d) review and approve the compensation of the external auditors, and the scope and timing of the audit and other related services rendered by the external auditors;
- (e) review the audit plan of the external auditors prior to the commencement of the audit;
- (f) establish and maintain a direct line of communication with Havilah's external and, if applicable, internal auditors;
- (g) meet in camera with only the auditors (if present), with only management (if present), and with only the Members at every Committee meeting;
- (h) review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;
- (i) oversee the work of the external auditors appointed by the shareholders of Havilah with respect to preparing and issuing an audit report or performing other audit, review or attest services for Havilah, including the resolution of issues between management of Havilah and the external auditors regarding financial disclosure;
- (j) review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with management of Havilah and the ramifications of their use, as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;

(k) discuss with the external auditors their perception of Havilah's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;

(l) review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board; and

(m) review annually a report from the external auditors in respect of their internal quality- control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

4.4 Associated Responsibilities

(a) monitor and periodically review the whistleblower policy of Havilah and associated procedures for:

(i) the receipt, retention and treatment of complaints received by Havilah regarding accounting, internal accounting controls or auditing matters;

(ii) the confidential, anonymous submission by directors, officers and employees of Havilah of concerns regarding questionable accounting or auditing matters; and

(iii) any violations of any Applicable Laws that relate to corporate reporting and disclosure, or violations of the Code of Business Conduct & Ethics of Havilah, if applicable; and

(b) review and approve the hiring policies of Havilah regarding employees and partners, and former employees and partners, of the present and former external auditors of Havilah.

4.5 Non-Audit Services

(a) pre-approve all non-audit services to be provided to Havilah or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the Committee at its first scheduled meeting following such pre-approval.

4.6 Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Havilah's financial statements are complete and accurate or are in accordance with Canadian GAAP and applicable rules and regulations. These are the responsibilities of the management and the external auditors of Havilah. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are directors of Havilah, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Havilah, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Havilah's financial information or public disclosure.

5. REPORTING

The Committee shall provide the Board with a summary of all actions taken at each Committee meeting or by written resolution. The Committee will annually review and approve the Committee's report for inclusion in the management proxy circular. The Secretary will circulate the minutes of each meeting of the Committee and each written resolution passed by the Committee to the Board. The Committee shall produce and provide the Board with all reports or other information required to be prepared under Applicable Laws.

6. ACCESS TO INFORMATION AND AUTHORITY

The Committee will be granted unrestricted access to all information regarding Havilah and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at Havilah's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities. The Committee also has the authority to communicate directly with external and, if applicable, internal auditors of Havilah.

7. REVIEW OF CHARTER

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

8. CHAIR

The Chair of the Committee should:

- (a) provide leadership to the Committee with respect to its functions as described in this mandate and as otherwise may be appropriate, including overseeing the operation of the Committee;
- (b) chair meetings of the Committee, unless not present, including in camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations of the Committee;
- (c) ensure that the Committee meets at least once per quarter and otherwise as considered appropriate;
- (d) in consultation with the Chairman of the Board and the Committee members, establish dates for holding meetings of the Committee;
- (e) set the agenda for each meeting of the Committee, with input from other Committee members, the Chairman of the Board, the Lead Director, if one, and any other appropriate persons;
- (f) ensure that Committee materials are available to any director upon request;
- (g) act as liaison and maintain communication with the Chairman of the Board and the Board to optimize and co-ordinate input from directors, and to optimize the effectiveness of the Committee. This includes reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable; and
- (h) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board.

SCHEDULE "H"
AUDITED OPENING FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON
MAY 3, 2018 TO MAY 31, 2018

See attached.

Havilah Mining Corporation
Audited Interim Financial Statements
For the period from Incorporation on May 3, 2018 to May 31, 2018
(Expressed in Canadian dollars)

Havilah Mining Corporation
Interim Financial Statements
For the period from Incorporation on May 3, 2018 to May 31, 2018

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June 25, 2018

Independent Auditor's Report

To the Directors of Havilah Mining Corporation

We have audited the accompanying interim financial statements of Havilah Mining Corporation, which comprise the interim statement of financial position as at May 31, 2018 and the interim statements of comprehensive (loss), cash flows and changes in equity for the period from May 3, 2018 (date of incorporation) to May 31, 2018, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim financial statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim financial statements present fairly, in all material respects, the financial position of Havilah Mining Corporation as at May 31, 2018 and its financial performance and its cash flows for the period from May 3, 2018 (date of incorporation) to May 31, 2018 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

HAVILAH MINING CORPORATION
INTERIM STATEMENT OF FINANCIAL POSITION
(CDN dollars)

May 31, 2018

Assets	
Current assets	
Cash and cash equivalents	\$ 1
Total assets	\$ 1
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 5,000
Total liabilities	5,000
Shareholder's Equity	
Share capital <i>(Note 4)</i>	1
Accumulated deficit	(5,000)
Total equity	(4,999)
Total liabilities and equity	\$ 1

On behalf of the Board:

/s/ Blair Schultz
Chairman

/s/ James Haggarty
Director

The accompanying notes are an integral part of these interim financial statements.

HAVILAH MINING CORPORATION
INTERIM STATEMENT OF COMPREHENSIVE (LOSS)
(CDN dollars)

	Period from incorporation on May 3, 2018 to May 31, 2018
Expenses	
Professional fees	\$ 5,000
Net (loss) and comprehensive (loss)	<u>\$ (5,000)</u>
Loss per share	
Basic and diluted	\$ (5,000)
Weighted average common shares outstanding	1

The accompanying notes are an integral part of these interim financial statements.

HAVILAH MINING CORPORATION
INTERIM STATEMENTS OF CASH FLOWS
(CDN dollars)

	Period from incorporation on May 3, 2018 to May 31, 2018
Operating activities:	
Net (loss) and comprehensive (loss)	\$ (5,000)
Changes in non-cash working capital	
Accounts payable and accrued liabilities	5,000
	—
Financing activities:	
Share subscription	1
	1
Net increase in cash	1
Cash, beginning of period	—
Cash, end of period	\$ 1

The accompanying notes are an integral part of these interim financial statements.

HAVILAH MINING CORPORATION
INTERIM STATEMENT OF CHANGES IN EQUITY
(CDN dollars)

	Number of shares issued and outstanding	Share capital	Accumulated deficit	Total
Balance at May 3, 2018	—	\$ —	\$ —	\$ —
Shares issued on incorporation (<i>Note 4</i>)	1	1	—	1
Net (loss) and comprehensive (loss)	—	—	(5,000)	(5,000)
Balance at May 31, 2018	1	\$ 1	\$ (5,000)	\$ (4,999)

The accompanying notes are an integral part of these interim financial statements.

Havilah Mining Corporation
Notes to the Interim Financial Statements
(All amounts expressed in thousands of CDN dollars)

1. Nature of Operations

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, Havilah Mining Corporation ("Havilah" or the "Company"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Havilah for US\$7.0 million. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the approval of Klondex's shareholders.

Havilah's ability to settle its existing liabilities and continue as a going concern is dependent upon the Company securing financing through the closing of the Arrangement Agreement and continued support from its current parent company, Klondex.

About Havilah

Havilah Mining Corporation was incorporated under the British Columbia Business Corporations Act on May 3, 2018. Havilah's registered office is located at 1055 West Hastings Street, Suite 2200, Vancouver, BC, V6E 2E9, and its head office is located at 82 Richmond Street East, Toronto, ON, M5C 1P1. Havilah is currently a wholly-owned subsidiary of Klondex which was formed for the sole purpose of facilitating the completion of the Arrangement Agreement, if approved.

If the Arrangement Agreement is approved by Klondex shareholders, Havilah will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired by Klondex on January 22, 2016 and October 19, 2017, respectively, and, as such, the Canadian Spinco of Klondex had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance. Ogama is an exploration stage property located approximately 19 miles from True North.

2. Basis of presentation

These interim financial statements have been prepared on a historical cost basis 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 consolidated financial statements were authorized for issuance by the Board of Directors of the Company on June 25, 2018.

3. Summary of significant accounting policies

a) Functional and presentation currency

The functional and presentation currency of the Company is the Canadian dollar.

b) Financial instrument classification and risks

In respect of the recognition and measurement of financial instruments, the Company has adopted the following policies:

Accounting classification of the following financial instruments	Other financial liabilities
Measured at amortized cost:	
Accounts payable and accrued liabilities	\$ 5,000

c) Current and deferred income tax

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

4. Share Capital

The Company is authorized to issue an unlimited number of common shares, without par value. On May 3, 2018, the Company issued one common share upon incorporation to Klondex Mines Ltd.

5. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern until the date in which the Arrangement Agreement is completed (see *Note 1. Nature of Operations* for additional detail). In the management and definition of capital, the Company considers the items included in shareholders' equity to be capital. Havilah's ability to settle its existing liabilities and continue as a going concern is dependent upon the Company securing financing through the closing of the Arrangement Agreement and continued support from its current parent company, Klondex.

6. Management of Financial Risks

The Company relies upon Klondex, its current parent company, in managing its capital structure. The Company's financial instruments are exposed to the following financial risk:

(a) Liquidity risks associated with the inability to meet obligations as they become due is minimized through its dependence on Klondex. Accounts payable are due within twelve months of the Statement of Financial Position date.

7. Income taxes

A reconciliation of current income taxes at statutory rates with the period income tax is as follows:

	May 31, 2018
Net loss before taxes	\$ (5,000)
Statutory tax rate	27.00%
Income tax benefit at statutory rate	(1,350)
Income tax benefits not recognized	1,350
Future income tax recovery	\$ —

The income tax benefit, if any, of these losses have not been recorded in the condensed interim financial statements due to the uncertainty of their recovery.

SCHEDULE "I"
***PRO FORMA* CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS
ENDED MARCH 31, 2018 AND FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)**

See attached.

Havilah Mining Corporation
Pro Forma Financial Statements (Unaudited)
March 31, 2018
(expressed in thousands of Canadian dollars)

Havilah Mining Corporation
Pro Forma Financial Statements (Unaudited)

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HAVILAH MINING CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(Unaudited - prepared by management)
(CDN dollars in thousands)

	Havilah Mining Corp.	Canadian Spinco of Klondex Carve-out	Pro forma adjustments	Note	Havilah Mining Corp. Consolidated Pro Forma
Assets					
Current assets					
Cash and cash equivalents	\$ — ⁽¹⁾	\$ 1,569	\$ 9,182	4a	
			(1,569)	4b	\$ 9,182
Inventories	—	5,873	(2,782)	4b	3,091
Prepaid expenses and other	—	637	—		637
Total current assets	—	8,079	4,831		12,910
Mineral properties, plant and equipment, net		53,084	—		53,084
Total assets	<u>\$ —</u>	<u>\$ 61,163</u>	<u>\$ 4,831</u>		<u>\$ 65,994</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 5	\$ 2,898	\$ —		\$ 2,903
Accrued compensation and benefits	—	433	—		433
Total current liabilities	5	3,331	—		3,336
Reclamation obligations	—	2,345	—		2,345
Total liabilities	5	5,676	—		5,681
Commitments and contingencies					
Equity					
Share capital	— ⁽¹⁾	—	9,182	4a	
			(1,569)	4b	
			(2,782)	4b	
			133,248	4c	138,079
Parent company investment	—	133,248	(133,248)	4c	—
Accumulated deficit	(5)	(77,761)	—		(77,766)
Total equity	(5)	55,487	4,831		60,313
Total liabilities and equity	<u>\$ —</u>	<u>\$ 61,163</u>	<u>\$ 4,831</u>		<u>\$ 65,994</u>

⁽¹⁾ Havilah Mining Corporation's initial capitalization consisted of one share issued for one dollar.

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

HAVILAH MINING CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)
THREE MONTHS ENDED MARCH 31, 2018
(Unaudited - prepared by management)
(CDN dollars in thousands except shares and per share amounts)

	Havilah Mining Corp.	Canadian Spinco of Klondex Carve-out	Pro forma adjustments	<i>Note</i>	Havilah Mining Corp. Consolidated Pro Forma
Revenues	\$ —	\$ 8,688	\$ —		\$ 8,688
Cost of sales					
Production costs	—	12,156	—		12,156
Depreciation and depletion	—	1,559	—		1,559
Write-down of production inventories	—	622	—		622
	—	(5,649)	—		(5,649)
Other operating expenses					
General and administrative	5	1,746	—		1,751
(Loss) from operations	(5)	(7,395)	—		(7,400)
Other income (expense)					
Finance charges, net	—	(1,941)	—		(1,941)
Foreign currency (loss) gain, net	—	(504)	—		(504)
(Loss) before tax	\$ (5)	\$ (9,840)	\$ —		\$ (9,845)
Income tax (expense)	—	—	—		—
Net (loss) and comprehensive (loss)	<u>\$ (5)</u>	<u>\$ (9,840)</u>	<u>\$ —</u>		<u>\$ (9,845)</u>
Loss per share					
Basic and diluted	\$ (5.00)	\$ —	\$ —		\$ (0.38)
Weighted average common shares outstanding	1	—	25,943,919	<i>4d</i>	25,943,920

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

HAVILAH MINING CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)
YEAR ENDED DECEMBER 31, 2017
(Unaudited - prepared by management)
(CDN dollars in thousands except shares and per share amounts)

	Havilah Mining Corp.	Canadian Spinco of Klondex Carve-out	Pro forma adjustments	<i>Note</i>	Havilah Mining Corp. Consolidated Pro Forma
Revenues	\$ —	\$ 42,174	\$ —		\$ 42,174
Cost of sales					
Production costs	—	41,427	—		41,427
Depreciation and depletion	—	5,449	—		5,449
Write-down of production inventories	—	8,306	—		8,306
	—	(13,008)	—		(13,008)
Other operating expenses					
General and administrative	5	5,201	—		5,206
Impairment on mineral properties, plant and equipment	—	28,230	—		28,230
(Gain) loss on equipment disposal	—	(32)	—		(32)
(Loss) from operations	(5)	(46,407)	—		(46,412)
Other income (expense)					
Finance charges, net	—	(6,108)	—		(6,108)
Foreign currency (loss) gain, net	—	1,187	—		1,187
Other income (expense), net	—	135	—		135
(Loss) before tax	\$ (5)	\$ (51,193)	\$ —		\$ (51,198)
Income tax (expense)	—	—	—		—
Net (loss) and comprehensive (loss)	<u>\$ (5)</u>	<u>\$ (51,193)</u>	<u>\$ —</u>		<u>\$ (51,198)</u>
Loss per share					
Basic and diluted	\$ (5.00)	\$ —	\$ —		\$ (1.97)
Weighted average common shares outstanding	1	—	25,943,919	<i>4d</i>	25,943,920

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

Havilah Mining Corporation
Notes to the Pro Forma Consolidated Financial Statements
As at and for the three months ended March 31, 2018 and for the year ended December 31, 2017
(Unaudited - prepared by management)
(All amounts expressed in thousands of CDN dollars)

1. About the Arrangement Agreement

Spin-out from Klondex Mines Ltd.

On March 16, 2018, Klondex Mines Ltd. ("Klondex") entered into an arrangement agreement (the "Arrangement Agreement") with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of a new company, Havilah Mining Corporation ("Havilah"), formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Havilah for US\$7.0 million. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the approval of Klondex's shareholders.

About Havilah

If the Arrangement Agreement is approved by Klondex shareholders, Havilah will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired by Klondex on January 22, 2016 and October 19, 2017, respectively, and, as such, the Canadian Spinco of Klondex had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance. Ogama is an exploration stage property located approximately 19 miles from True North.

Havilah Mining Corporation was incorporated under the BCBCA on May 3, 2018. Havilah's registered office is located at 1055 West Hastings Street, Suite 2200, Vancouver, BC, V6E 2E9, and its head office is located at 82 Richmond Street East, Toronto, ON, M5C 1P1.

2. Basis of presentation

The unaudited pro forma consolidated financial statements are prepared to give effect to and reflect the transactions as described in *Note 1. About the Arrangement Agreement* and the pro-forma assumptions and adjustment described in *Note 4. Pro Forma Assumptions and Adjustments* below and include:

- Unaudited pro forma consolidated statement of financial position as at March 31, 2018 prepared from the financial statements of Havilah Mining Corporation for the period ended May 31, 2018 and the carve-out financial statements of the Canadian Spinco of Klondex for the period ended March 31, 2018, as included in the Management Information Circular, reflecting the Arrangement Agreement as if it had occurred on March 31, 2018.
- Unaudited pro forma consolidated statement of comprehensive loss for the period from January 1, 2018 to March 31, 2018, prepared from the financial statements of Havilah Mining Corporation for the period ended May 31, 2018 and the carve-out financial statements of the Canadian Spinco of Klondex for the period ended March 31, 2018, as included in the Management Information Circular, reflecting the Arrangement Agreement as if it had occurred on January 1, 2018.
- Unaudited pro forma consolidated statement of comprehensive loss for the year ended December 31, 2017, prepared from the financial statements of Havilah Mining Corporation for the period ended May 31, 2018 and the carve-out financial statements of the Canadian Spinco of Klondex for the year ended December 31, 2017, as included in the Management Information Circular, reflecting the Arrangement Agreement as if it had occurred on January 1, 2017.

These unaudited pro forma consolidated financial statements are not intended to reflect the financial position and results of operations that would have occurred if the events reflected therein had been in effect at the dates indicated. Further, these pro forma consolidated financial statements are not necessarily indicative of the financial position and results of operations that may be obtained in the future.

3. Summary of significant accounting policies

The accounting policies used in the preparation of these unaudited pro forma financial statements are those as set out in the most recent audited carve-out financial statements for the Canadian Spinco of Klondex Mines Ltd.

4. Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated financial statements incorporate the following pro forma adjustments and/or assumptions:

- a. As part of the Arrangement Agreement, Havilah receives US\$7.0 million (\$9.2 million) in cash from Hecla's subscription for a 13.46% interest in Havilah.
- b. As part of the Arrangement Agreement, Klondex will transfer all but one dollar of cash (\$1.6 million at March 31, 2018) and all dore inventory (\$2.8 million at March 31, 2018) to Hecla.
- c. Following the Arrangement Agreement, the parent company net investment from Klondex will be transferred to share capital.
- d. As disclosed in the Management Information Circular, the consolidated March 31, 2018 capitalization of Havilah following completion of the Arrangement Agreement was comprised of 25,943,919 common shares and 1,250,000 warrants.

5. Share Capital

The following table provides the changes in the number of shares and warrants pursuant to the Arrangement Agreement (in ones):

	<u>Number of common shares</u>	<u>Number of warrants</u>
Issued on incorporation	1	—
Issued under the Arrangement Agreement	25,943,919	1,250,000
	<u>25,943,920</u>	<u>1,250,000</u>

The following table provides the changes in share capital pursuant to the Arrangement Agreement (in thousands):

	<u>Amount</u>
Capital from initial incorporation	\$ — ⁽¹⁾
Capital effects of the Arrangement Agreement:	
Transfer of Klondex parent company investment	133,248
Subscription by Hecla	9,182
Cash and dore finished goods transferred to Hecla	(4,351)
	<u>\$ 138,079</u>

⁽¹⁾ Havilah Mining Corporation's initial capitalization consisted of one share issued for one dollar.

6. Calculation of Basic and Diluted Loss per Share

Pro forma basic and diluted loss per share are calculated based upon the weighted average number of Havilah common shares that would have been outstanding, assuming that any shares issued under the Arrangement Agreement would have been issued and outstanding for the periods presented. The weighted average number of shares outstanding for the basic and diluted loss per share calculations for the interim period ended March 31, 2018 and the year ended December 31, 2017 was assumed to be 25,943,920 and excludes the effects of 1,250,000 warrants as such instruments would have been anti-dilutive.

CERTIFICATES

CERTIFICATE OF THE CORPORATION

Dated: July 13, 2018

Each of the undersigned hereby certified that the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Application and of any material fact not otherwise required to be disclosed under an item of this Application.

By: /s/ "*Blair Schultz*"

Blair Schultz

Chairman and Interim President and Chief Executive
Officer

By: /s/ "*Shaun Heinrichs*"

Shaun Heinrichs

Interim Chief Financial Officer

On Behalf of the Board of Directors

By: /s/ "*James Haggarty*"

James Haggarty

Director

By: /s/ "*Paul Huet*"

Paul Huet

Director

CERTIFICATE OF SPONSOR

Not applicable.

ACKNOWLEDGEMENT – PERSONAL INFORMATION

Dated: July 13, 2018

Havilah hereby represents and warrants that it has obtained all consents required under applicable law for the collection, use and disclosure by the TSXV of the Personal Information contained in or submitted pursuant to this Application for the purposes described in Appendix "A" to this Application.

HAVILAH MINING CORPORATION

By: /s/ "*Blair Schultz*"

Blair Schultz

Chairman and Interim President and Chief

Executive Officer

APPENDIX "A"
FORM 2B PERSONAL INFORMATION COLLECTION POLICY

Collection, Use and Disclosure

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including TSX Venture Exchange and Toronto Stock Exchange, (collectively referred to as the "Exchange") collect the information contained in or submitted pursuant to Form 2B (which may include personal, confidential, non-public or other information) and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Applicant,
- to consider the eligibility of the Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Applicant, or its associates or affiliates, including information as to such individuals' involvement with any other reporting issuers
- to detect and prevent fraud, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the capital markets in Canada.

Personal Information the Exchange collects may also be disclosed:

- (a) to securities regulators and regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, and each of their subsidiaries, affiliates, regulators and authorized agents, for the purposes described above, and these agencies and organizations may use the information in their own investigations;
- (b) on the Exchange's website or through printed materials published by or pursuant to the directions of the Exchange for the purposes described above; and
- (c) as otherwise permitted or required by law.

The Exchange may from time to time use third parties to process information or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers for the purposes described above.

Questions

If you have any questions or enquiries regarding the policy outlined above or about our privacy practices, please send a written request to: Chief Privacy Officer, TMX Group, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2.