

# KLONDIKE SILVER

## OUR VISION: Zinc/Silver/Lead Production

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### INFORMATION CIRCULAR

(as at November 7, 2018 unless indicated otherwise)

### MANAGEMENT SOLICITATION OF PROXIES

This Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by management of KLONDIKE SILVER CORP. (the “**Company**”) for use at the 2018 Annual General and Special Meeting of shareholders of the Company (collectively the “**Meetings**”) to be held on Wednesday, December 12, 2018 at the time and place set forth in the accompanying notice of the meeting.

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

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company at nominal cost. The Company will bear all costs of this solicitation.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy (the “Proxy”) are directors and/or officers of the Company. A registered shareholder has the right to appoint a person (who need not be a shareholder) other than the persons named as the proxy of the shareholder and may exercise this right either by inserting that person’s name in the blank space provided in the Proxy and striking out the other names or by completing another proper form of proxy. To be effective, Proxies must be deposited at the office of the Company’s registrar and transfer agent, Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1, FACSIMILE: (within North America) 1-866-249-7775, (outside North America) (416) 263-9524, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meetings or adjournment thereof.

Proxies given by registered shareholders for use at the Meetings may be revoked at any time before their use. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by depositing an instrument in writing signed by the registered shareholder, or by the registered shareholder’s attorney duly authorized in writing, at the registered office of the Company, 804-750 West Pender Street, Vancouver, British Columbia, V6C 2T7 on or before the last business day preceding the day of the Meetings, or any adjournment thereof, or with the chair of the Meetings on the day of the Meetings, or any adjournment thereof.

### VOTING AND DISCRETION OF PROXYHOLDER

The common shares of the Company represented by the Proxies solicited by management of the Company pursuant to this Circular will be voted or withheld from voting in accordance with the directions contained therein, provided your directions are clear. **If no directions are given, the proxyholder nominated by management will vote the shares represented by your proxy in accordance with their judgement. The Proxy confers discretionary authority on the persons named therein in respect of amendments or variations to the matters referred to in the Notice and in respect of other matters that may properly come before the Meetings, or any adjournment thereof.**

As at the date of this Circular, management knows of no such amendments or variations or other matters that may properly come before the Meetings but, if any such amendments, variations or other matters are properly brought before the Meetings, the persons named in the Proxies will vote thereon in accordance with their best judgment.

### NON-REGISTERED SHAREHOLDERS

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meetings. Most shareholders of the Company are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the “Non-Registered Holder”) but which are registered either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc., of which the Intermediary is a participant).

These Meeting Materials are being sent to both registered shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Company or its agent has sent these materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your

behalf.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Company are referred to as “NOBOs”. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Company are referred to as “OBOs”.

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has elected to send the Notice, this Circular and the Proxy (collectively, the “Meeting Materials”) directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them. **The Company does not intend to pay for an Intermediary to deliver to OBOs, therefore an OBO will not receive the materials unless the OBO’s Intermediary assumes the costs of delivery.**

The Meeting Materials sent to Non-Registered Holders who have not waived the right to receive meeting materials are accompanied by a request for voting instructions (a “VIF”). This form is instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a Non-Registered Holder is able to instruct the registered shareholder how to vote on behalf of the Non-Registered Holder. VIFs, whether provided by the Company or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives a VIF wish to attend the Meetings or have someone else attend on his or her behalf, the Non-Registered Holder may request a legal proxy as set forth in the VIF, which will grant the Non-Registered Holder or his or her nominee the right to attend and vote at the Meetings.

**Please return your voting instructions as specified in the VIF. Non-Registered Holders should carefully follow the instructions set out in the VIF, including those regarding when and where the VIF is to be delivered.**

#### VOTING SHARES

The record date for the determination of shareholders entitled to receive notice of and vote at the Meetings has been fixed as November 7, 2018. The affirmative vote of a majority of the votes cast at the Meetings is required for approval of an ordinary resolution, and the affirmative vote of two-thirds of the votes cast at the Meetings is required for approval of a special resolution.

To the knowledge of the directors and executive officers of the Company, the following persons beneficially own, directly or indirectly, or exercise control or direction over Common Shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company.

Name	No. of Common Shares	Percentage
<b>Maxwell Munday</b>	<b>29,600,000</b>	<b>19.78%</b>

#### Common Shares

The authorized capital of the Company consists of an unlimited number of common shares without par value. As at the date of this Circular, 149,631,893 common shares are issued and outstanding.

Each common share of the Company carries the right to one vote, and all common shares may be voted at the Meetings.

#### ELECTION OF DIRECTORS

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are appointed or elected in accordance with the *Business Corporations Act* (British Columbia) and the Company’s articles. In the absence of instructions to the contrary, the enclosed Proxy will be voted for the four (4) nominees listed herein.

THE MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. IN THE EVENT THAT, PRIOR TO THE MEETING, ANY VACANCIES OCCUR IN THE NAMED NOMINEES LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY MANAGEMENT TO VOTE THE PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS.

Name, Country of Residence and Present Position with Company	Principal Occupation and, IF NOT at Present an ELECTED Director, Occupation During the Past Five Years	Period From Which Nominee Has Been Director	Number of Common Shares Beneficially Owned <sup>(1)</sup>
<b>THOMAS J. KENNEDY<sup>(2)</sup></b> Canada, President, CEO & Director	Businessman and director of other mineral exploration companies.	April 24, 2013	Nil
<b>ANDREW H. REES<sup>(2)</sup></b> Canada, Director	Public company consultant	October 15, 2015	Nil

Name, Country of Residence and Present Position with Company	Principal Occupation and, IF NOT at Present an ELECTED Director, Occupation During the Past Five Years	Period From Which Nominee Has Been Director	Number of Common Shares Beneficially Owned <sup>(1)</sup>
<b>GLEN HARDER</b> <sup>(2)</sup> Canada, Director	Senior securities lawyer; director of other mineral exploration companies.	June 22 2016	Nil
<b>GLEN C. MACDONALD</b> Canada, Nominee	A professional geologist since 1982. Mr. Macdonald consults and manages exploration and mining development projects for major and junior mining companies.	N. A.	Nil

Notes:

- (1) The information as to shares beneficially owned directly or indirectly or over which a director exercises control or direction, not being within the knowledge of the Company, was obtained from www.sedi.ca. Information as at November 7, 2018.
- (2) Member of the audit committee.

**Corporate Cease Trade Orders or Bankruptcies**

No proposed director of the Company is or has been, within the past 10 years, a director, chief executive officer or chief financial officer of any company that, while the person was acting in that capacity, other than that listed:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become 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.

No proposed director of the Company has, within the past 10 years, become 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 the assets of the proposed director.

Thomas Kennedy was a director of Klondike Silver Corp. on October 10, 2013, at which time the British Columbia Securities Commission ("BCSC") issued a cease trade order ("CTO") against the Company for failure to file comparative financial statements and related Management's Discussion and Analysis for the year ended May 31, 2013. The CTO was rescinded by the BCSC on October 21, 2013.

Mr. Rees was a director of Barkerville Gold Mines Ltd., a TSXV listed Company which was cease traded by the British Columbia Securities Commission on August 14, 2012 for failure to file a technical report in the proper form pursuant to National Instrument 43-101. Such cease trade order was revoked on July 15, 2013. Mr. Rees ceased being a director of Barkerville Gold Mines Ltd. on April 2, 2015.

Glen C. Macdonald was a director of Dunes Exploration Ltd. (formerly Dynamic Resources Corp.) ("Dunes") since September 1993. On May 1, 2009, a management cease trade order was issued against the securities of Dunes held by Glen C. Macdonald for failure to file financial statements. The financial statements were subsequently filed, and the management cease trade order expired as of July 10, 2009. Mr. Macdonald was a director of Maxim Resources Inc. ("Maxim") (May 2002- June 2015). On May 4, 2009, a cease trade order was issued against Maxim for failure to file financial statements. The financial statements were subsequently filed, and the cease trade order expired as of August 4, 2009. Mr. Macdonald was a director of Wind River Resources Ltd. ("Wind") and on May 1, 2009, Mr. Macdonald was subject to a management cease trade order issued by the Alberta Securities Commission as a result of the failure of the Wind to make required filings. The order expired on July 10, 2009.

**Advance Notice Provisions**

On April 15, 2014, the Company's articles were amended to provide for advance notice provisions (the "Advance Notice Provisions"). Under the Advance Notice Provisions, advance notice to the Company must be made in circumstances where nominations of persons for election to the Board are made by shareholders other than pursuant to a requisition of shareholders or a proposal made in accordance with the Business Corporations Act (British Columbia).

Among other things, the Advance Notice Provisions indicate that: (a) in the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than close of business on the 10<sup>th</sup> day following such public announcement; and (b) in the case of a special meeting of shareholders (which is not also an annual meeting),

notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. The Advance Notice Provisions also set out the information that the shareholder notice must contain, for an effective nomination to occur.

No person will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Provisions

### **APPOINTMENT OF AUDITOR AND REMUNERATION OF AUDITOR**

Management of the Company proposes to nominate Morgan & Company LLP, Chartered Professional Accountants of Vancouver, British Columbia as auditors of the Company to hold office until the next Annual General Meeting of Shareholders, at a remuneration to be fixed by the directors.

Unless otherwise instructed, the proxies given in this solicitation will be voted for the re-appointment of Morgan & Company LLP.

### **AUDIT COMMITTEE**

Pursuant to Section 224(l) of the *Business Corporations Act* (British Columbia), the policies of the TSXV and National Instrument 52-110 ("NI 52-110") *Audit Committees*, the Company is required to have an Audit Committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company. NI 52-110 requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor in accordance with Form 52-110F2 of NI 52-110.

#### **The Audit Committee's Charter**

##### *Mandate*

The primary function of the audit committee (the "**Committee**") is to assist the Board (the "**Board**") of the Company in fulfilling its financial oversight responsibilities. The Committee reviews the financial reports and other financial information provided by the Company to regulatory authorities and its shareholders and reviews the Company's systems of internal controls regarding finance and accounting including our auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board .

##### *Composition*

The Committee is comprised of three directors as determined by the Board, the majority of who are free from any relationship that, in the opinion of the Board, would interfere with the exercise of their independent judgment as a member of the Committee. At least one member of the Committee should have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee are elected by the Board at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

##### *Meetings*

The Committee is to meet at least once annually, or more frequently as circumstances dictate and may pass motions or resolutions in writing. As part of its job to foster open communication, the Committee is to meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

##### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

##### Documents/Reports Review

- (a) Review and update the Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including interim financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Committee.
- (b) Recommend to the Board the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (c) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (d) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors.

Provided pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee

Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (e) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (f) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (g) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (h) Review certification process.
- (i) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

- (a) Review any related-party transaction.

**Composition of Audit Committee**

The following are the members of the Audit Committee:

	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Thomas Kennedy	N	Y
Andrew H. Rees	Y	Y
Glen Harder	Y	Y

<sup>(1)</sup> As defined by NI 52-110

**Relevant Education and Experience**

**Thomas Kennedy**

Mr. Kennedy is a businessmen with experience in financial matters, he has an understanding of accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from his past workings.

**Andrew H. Rees**

Mr. Rees has over 15 years experience working with oil & gas and mining companies having raised over \$100 million in the public markets. He has been involved in an executive management role taking projects from discovery to commercial production. Mr. Rees currently serves as a director of a number of publicly traded resource companies. Mr. Rees obtained a Bachelor of Commerce from Royal Roads University (British Columbia).

**Glen Harder**

Mr. Harder has been a member of the British Columbia Law Society since 1986 and is a senior securities lawyer, with a primary focus on natural resources law. He is the principal of Harder & Company, a Vancouver law firm.

Each member of the Audit Committee has adequate education and experience that would provide the member with:

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

#### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

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

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

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

The table below sets out all fees billed by the Company's external auditor in each of the last two fiscal years. In the table "Audit Fees" are fees billed by the Company's external auditor for services provided in auditing the Company's financial statements for the fiscal year. "Audit-Related Fees" are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax Fees" are fees billed by the Company's external auditors for professional services rendered for tax compliance, tax advice and tax planning. "All Other Fees" are fees billed by the external auditor for products and services not included in the foregoing categories:

<b>Financial Year Ended</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
May 31, 2018	\$19,500	N/A	\$2,000	\$250
May 31, 2017	\$8,000	N/A	\$1,000	N/A

#### **Exemption in Section 6.1**

The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

#### **STATEMENT OF EXECUTIVE COMPENSATION**

For the purposes of this Circular, a Named Executive Officer ("NEO") of the Company means each of the following individuals:

- (a) a CEO of the Company, or an individual who acted in a similar capacity during the year ended May 31, 2018, regardless of the amount of compensation;
- (b) a CFO of the Company, or an individual who acted in a similar capacity during the year ended May 31, 2018, regardless of the amount of compensation;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial years whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

During the year ended May 31, 2018, the Company had two NEOs: Thomas Kennedy, CEO and interim CFO, and Christopher Cherry former CFO.

The total compensation awarded, paid to or earned by the NEOs from the Company for the three most recently completed years of the Company is set out below in the Summary Compensation Table.

#### **COMPENSATION DISCUSSION AND ANALYSIS**

The Company does not have a formal Compensation Committee. The Company's Board informally discusses and approves the compensation to the NEOs, ensuring that total compensation paid to all NEOs is fair and reasonable and is consistent with the Company's compensation philosophy.

The Company does not generate operating cash flows and relies on equity financings to fund its exploration and corporate activities.

Therefore, as the Company seeks to attract, retain and motivate highly skilled and experienced executive officers, it must at the same time consider current market and industry circumstances and the Company's liquidity and ability to raise further capital.

#### *Executive Compensation Philosophy and Objectives*

The Company's principal goal is to create value for its shareholders. The Company's compensation philosophy reflects this goal, and is based on the following fundamental principles:

- 1 *Compensation programs align with shareholder interests* – the Company aligns the goals of executives with maximizing long term shareholder value;
- 2 *Performance sensitive* – compensation for executive officers should be linked to operating and market performance of the Company and fluctuate with the performance; and
- 3 *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The Company does not have a formal compensation program with set benchmarks; however, the Company does have an informal program designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long term, and to align the interests of executive officers with the interest of the Company's shareholders. This alignment of interests is achieved by making long term equity-based incentives through the granting of stock options, a significant component of executive compensation (on the assumption that the performance of the Company's common share price over the long term is an important indicator of long term performance).

The objectives of the compensation program in compensating the NEOs are derived from the above-mentioned compensation philosophy and are as follows: to attract, motivate and retain highly skilled and experienced executive officers; to align the interests of executive officers with shareholders' interests and with the execution of the Company business strategy; and, to tie compensation directly to measurements and rewards based on achieving and exceeding performance expectations.

#### *Competitive Compensation*

The Company is dependent on individuals with specialized skills and knowledge related to the exploration for and development of mineral prospects, corporate finance and management. Therefore, the Company seeks to attract, retain and motivate highly skilled and experienced executive officers by providing competitive compensation. The Board reviews data related to compensation levels and programs of various companies that are similar in size to the Company and operate within the mining exploration and development industry. The Board also relies on the experience of its members as officers and/or directors at other companies in similar lines of business as the Company in assessing compensation levels. These other companies are identified below under the heading "Statement of Corporate Governance Practices".

The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish a basis for developing salary adjustments and short-term and long-term incentive awards.

#### *Elements of Executive Compensation*

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the financial year ended May 31, 2018 the three basic components of executive officer compensation were:

- base salary;
- annual incentives (cash bonus); and
- option-based awards (long term compensation).

Base salary comprises the portion of executive compensation that is fixed, whereas annual incentives and option based compensation represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance expectations; (ii) market performance of the Company's common shares; and, (iii) the Company's liquidity and ability to raise further capital in the prevailing economic environment.

No specific formulae have been developed to assign a specific weighting to each of these components. Instead, the Board reviews each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the NEO's role and responsibilities within the Company. The focus is on remaining competitive in the market with respect to 'total compensation' as opposed to within any one component of executive compensation.

The Board reviews and approves on an annual basis the cash compensation, performance and overall compensation package of each NEO, with appropriate abstentions for conflict, if applicable.

#### *Base Salary*

The Board approve the salary ranges for the NEOs. Base salaries are set with the goal of being competitive with corporations of a comparable size and at the same stage of development, thereby enabling the Company to compete for and retain executives critical to



Christopher Cherry, CFO (former)	2018	\$Nil	Nil	Nil	Nil	Nil	Nil	Nil	\$Nil
	2017	\$1,500	Nil	13,800	Nil	Nil	Nil	Nil	\$15,300
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- (1) Rent recovery of \$32,500 (2017: \$22,410 2016: \$11,250) charged not included.  
(2) The Black-Scholes valuation method has been used to calculate the value of the options granted.

### Long-Term Incentive Plan Awards

Long term incentive plan awards (“LTIP”) means “a plan providing compensation intended to motivate performance over a period greater than one financial year”. LTIP awards do not include option or SAR plans or plans for compensation through shares or units that are subject to restrictions on resale. No LTIP awards were made to the Named Executive Officers during the most recently completed financial year.

### Outstanding Option-based Awards

#### Stock Options

The Company has a formal Stock Option Plan, previously approved by the shareholders of the Company. The Company does not have any outstanding share-based awards. During the financial year ended May 31, 2018 the following stock options were outstanding to the Named Executive Officers:

NEO Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$/Security)	Option Expiration Date	Value of Unexercised in-the-money Options
Thomas Kennedy	1,600,000	\$0.05	21-Jun-2021	N/A
	6,000,000	\$0.06	13-Jan-2023	N/A
Chris Cherry	300,000	\$0.05	21-Jun-2021 (cancelled April 26 2018)	N/A

### Aggregated Options – Value Vested or Earned during the Most Recently Completed Financial Year

The following table sets forth details of the value of option-based awards that vested or were earned during the most recently completed financial year ended May 31, 2018:

Name	Option based awards – Value Vested During Year <sup>(1)</sup>
Thomas Kennedy	Nil
Christopher Cherry	Nil

- (1) The dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award

### Pension Plans

The Company does not provide retirement benefits for directors or executive officers.

### Termination of Employment, Changes in Responsibility and Employment Contracts

There are no employment contracts between the Company and the Named Executive Officers, except as referred to under the heading “Management Contracts” below.

The Company has no plans or arrangements in respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of the executive officers’ employment with the Company or from a change of control of the Company or a change in the executive officers’ responsibilities following a change in control, where in respect of an executive officer the value of such compensation exceeds \$100,000.

### Compensation of Directors

There are no arrangements under which directors were compensated by the Company and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants, other than as described below.

The following table sets forth compensation awarded or paid to, or earned by, the other directors of the Company in all capacities for services provided to the Company during the financial year ended May 31, 2018:

Director's Name - year	Fees Earned (\$)	Share-based awards	Option-based awards <sup>(1)</sup>	Non-Equity incentive plan compensation		Pension Value (\$)	All other Comp'n (\$)	Total compensation (\$)
				Annual incentive plans (\$)	Long term incentive plans(\$)			
Andrew H. Rees 2018	Nil	Nil	\$Nil	Nil	Nil	Nil	Nil	\$Nil
Glen Harder 2018	Nil <sup>(2)</sup>	Nil	\$Nil	Nil	Nil	Nil	Nil	\$Nil

(1) The Black-Scholes valuation method has been used to calculate the value of the options granted.

(2) Legal fees billed by a company controlled by director \$9,234.

### Outstanding Option-based Awards

During the financial year ended May 31, 2018 following stock options were outstanding to the directors:

Director Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$/Security)	Option Expiration Date	Value of Unexercised in-the-money Options
Andrew H. Rees	300,000	\$0.05	21-Jun-2021	N/A
Glen Harder	300,000	\$0.05	21-Jun-2021	N/A

### Aggregated Options – Value Vested or Earned during the Most Recently Completed Financial Year

The following table sets forth details of the value of option-based awards that vested or were earned during the most recently completed financial year ended May 31, 2018:

Name of Director	Option based awards – Value Vested During Year <sup>(1)</sup>
N/A	Nil

(1) The dollar value that would have been realized is calculated by determining the difference between the market price of the underlying securities on the vesting date and the exercise or base price of the options under the option-based award.

### EQUITY COMPENSATION PLAN INFORMATION

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans [excluding securities reflected in column (a)]
Equity compensation plans approved by securityholders	10,920,000	\$0.06	4,043,189
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	10,920,000	\$0.06	4,043,189

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as disclosed herein, none of the current or former directors, executive officers, employees of the Company or the proposed nominees for election to the Board, nor any associate and affiliate of such persons, are or have been indebted to the Company since the beginning of the financial year of the Company ended May 31, 2018.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as stated herein, no informed person, director, executive officer, nominee for director, any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company, nor any associate or affiliate of such persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transactions or any proposed transactions which has materially affected or would materially affect the Company.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101, *Disclosure of Corporate Governance Practices*, requires all companies to provide certain annual disclosure of their corporate governance practices with respect to the corporate governance guidelines (the “Guidelines”) adopted in National Policy 58-201. These Guidelines are not prescriptive, but have been used by the Company in adopting its corporate governance practices. The Company’s approach to corporate governance is set out below.

### *Board*

The Board consists of Three (3) directors: Thomas Kennedy, Andrew H. Rees and Glen Harder.

The Guidelines suggest that the Board of every listed company should be constituted with a majority of individuals who qualify as “independent” directors. A director is “independent” if the individual has no direct or indirect material relationship with the Company which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgment whether on the Board or a committee of the Board. Notwithstanding the foregoing, an individual who is, or has been within the last three years, an employee or executive officer of the Company is considered to have a material relationship with the Company. Of the current Board the following members are independent: Andrew H. Rees and Glen Harder. The following members are not independent: Thomas Kennedy as he is an executive officers of the Company.

### *Directorships*

In addition to their positions on the Board, the following directors also serve as directors of the following reporting issuers:

<b>Name of Director</b>	<b>Reporting Issuer</b>
Thomas Kennedy	Big Blockchain Intelligence Group Inc., Blind Creek Resources Ltd., Engineer Gold Mines Ltd., Golden Cariboo Resources Ltd., Golden Pursuit Resources Ltd., Mene Inc., Rift Valley Resources Corp. and Starr Peak Exploration Ltd.
Andrew H. Rees	Blind Creek Resources Ltd., Doubleview Capital Corp., Golden Cariboo Resources Ltd., Lions Gate Energy Inc., RCOM Venture Corp., Starr Peak Resources Ltd. and Wellstar Energy Corp.
Glen Harder	Victory Resources Corporation.
Glen C. Macdonald	Blind Creek Resources Inc., Columbus Energy Limited, Engineer Gold Mines Ltd., Glenmac Capital Ltd., Global Li Ion Graphite Corp., Golden Cariboo Resources Ltd., Hybrid Minerals Ltd., Leanlife Pharma International Inc., Nishal Capital Inc., Noram Ventures Ltd., Pistol Bay Mining Inc., Pryanka Capital Inc., Ravensden Capital Inc., Razore Rock Resources Inc., Real Difference Capital Inc., Shoshoni Gold Ltd., Starr Peak Exploration Ltd., True North Gems Inc., Vinergy Resources Ltd. and Westminster Resources Ltd.

### *Orientation and Continuing Education*

The Company does not provide a formal orientation and education program for new directors; however, any new directors will be given the opportunity to familiarize themselves with the Company, the current directors and members of management. Directors are also encouraged and given the opportunity for continuing education.

### *Ethical Business Conduct*

The Board has not, to date, adopted a formal written Code of Business Conduct and Ethics. The current limited size of the Company’s operations, and the small number of officers and employees, allow the Board to monitor, on an ongoing basis, the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Company grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### *Nomination of Directors*

The Board selects new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and the President and CEO. The Board monitors, but does not formally assess, the performance of individual Board members or committee members or their contributions.

### *Compensation Committee*

The Board has not, to date, constituted a compensation committee. The Board determines compensation as described above under the heading “Compensation Discussion & Analysis”.

### *Other Board Committees*

The Company has one standing committee, the Audit Committee. Please refer to the “Audit Committee” section.

### *Assessments*

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company’s size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be

inappropriate at this time. The entire Board is responsible for selecting new directors and assessing current directors. A proposed director's credentials are reviewed in advance of a Board meeting by one or more members of the Board prior to the proposed director's nomination.

## PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

### Re-Approval of Stock Option Plan

As of the date hereof, the Company's only incentive plan is the Stock Option Plan adopted by the shareholders at the Company's annual general meeting last held on November 27, 2017, pursuant to the Company's information circular dated October 24, 2017, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Stock Option Plan was established to provide incentive to directors, officers and employees and consultants. As a 10% rolling plan, the aggregate number of Common Shares issuable as options under the Stock Option Plan may be up to 10% of the Company's issued and outstanding Common Shares on the date on which an option is granted, less Common Shares reserved for issuance on exercise of options then outstanding under the Stock Option Plan. The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company. The Stock Option Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees (an "Optionee").

### *Particulars of the Stock Option Plan*

If adopted, the pertinent terms and conditions of the Stock Option Plan are as follows:

- (a) The purpose of the Stock Option Plan is to encourage Common Share ownership in the Company by directors, officers, employees, management company employees and consultants of the Company, and to reward those parties for advancing the interests of the Company;
- (b) The Stock Option Plan will be administered by the Board who will have the full authority and sole discretion to grant options under the Stock Option Plan to any eligible party, subject to the terms of the Stock Option Plan and the policies of the TSXV;
- (c) The maximum number of Common Shares that may be reserved for issuance under the Stock Option Plan will be a rolling number not to exceed 10% of the issued and outstanding Common Shares of the Company at the time of the stock option grant;
- (d) The exercise price of options granted under the Stock Option Plan will be set by the Board at the time of grant and will not be less than the Discounted Market Price of the Company's Common Shares as set out in the policies of the TSXV;
- (e) The full purchase price of Common Shares purchased under the Stock Option Plan shall be paid in cash upon the exercise thereof;
- (f) Options granted under the Stock Option Plan are exercisable over a period not exceeding ten years;
- (g) Options covering not more than 5% of the issued and outstanding Common Shares of the Company may be granted to any one individual in any 12 month period;
- (h) No more than 2% of the issued and outstanding Common Shares of the Company may be granted to any one "consultant" in any 12 month period and no more than an aggregate of 2% of the issued and outstanding Common Shares of the Company may be granted to an employee conducting "investor relations activities" (as such terms are defined in TSXV policies);
- (i) Options may only be exercised while the Optionee is a director, officer, employee or consultant of the Company, or within a reasonable period after ceasing to be so (such "reasonable period" not to exceed one year after ceasing to be in the position);
- (j) Notwithstanding item (i), an Optionee's heirs or administrators shall have one year from the death of the Optionee in which to exercise any portion of options outstanding at the time of death of the Optionee;
- (k) The options shall not be assignable or transferable by an Optionee;
- (l) The Company may withhold and remit income tax payable upon the exercise of stock options to comply with the *Income Tax Act* (Canada);

- (m) The obligation of the Company to issue and deliver Common Shares under the Stock Option Plan will be subject to any approvals which may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Company; and
- (n) The Board may from time to time, subject to regulatory approval, amend or revise the terms of the Stock Option Plan.

The policies of the TSXV provide that, where a stock option plan, together with any other share compensation arrangements, could result, at any time, in the number of Common Shares reserved for issuance pursuant to the such plan exceeding 10% of the issued and outstanding Common Shares of the Company, or the issuance within a one-year period of a number of Common Shares exceeding 10% of the issued and outstanding Common Shares of the Company, approval of the plan by the Company's shareholders is required.

The policies of the TSXV further provide that if a stock option plan, together with any other share compensation arrangements, could result, at any time, in:

- (a) the number of Common Shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the outstanding issue;
- (b) the issuance to insiders, within a one-year period, of a number of Common Shares exceeding 10% of the outstanding issue; or
- (c) the issuance to any one Optionee, within a one-year period, of a number of Common Shares exceeding 5% of the outstanding issue;

then the stock option plan must be approved by a majority of the votes cast by disinterested shareholders at a shareholders' meeting, being a majority of the votes cast by all shareholders of the meeting excluding Common Shares beneficially owned by insiders to whom options may be granted under the Stock Option Plan and associates of such persons.

Shareholders of the Company will be asked at the Meeting to pass an ordinary resolution, as set forth below:

*Shareholder Approval*

**At the Meeting, Shareholders will be asked to consider and vote on the ordinary resolution to re-approve the Stock Option Plan, with or without variation, as follows:**

**"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT the Company's Stock Option Plan be ratified, confirmed and approved, subject to any amendments that may be required by any applicable stock exchange or regulatory authority, as the directors of the Company may deem necessary or advisable."**

The Board recommends that shareholders vote in favour of the Stock Option Plan. Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote FOR the approval of the foregoing ordinary resolution.

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

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

**OTHER MATTERS**

Management of the Company knows of no other matters to come before the meetings other than those referred to in the Notice. Should any other matters properly come before the Meetings, the shares represented by the Proxy solicited hereby will be voted in accordance with the best judgment of the persons voting the Proxy.

**ADDITIONAL INFORMATION**

Additional information concerning the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Financial information relating to the Company is provided in the Company's audited financial statements and the management discussion and analysis ("MD&A") for the year ended May 31, 2018. Shareholders may download the financial statements and MD&A from SEDAR ([www.sedar.com](http://www.sedar.com)) or contact the Company directly to request copies of the financial statements and MD&A by: (i) mail to 804-750 West Pender Street, Vancouver, B.C., V6C 2T7; or (ii) fax to 604-685-6905. Additional financial information concerning the Company may be obtained by any shareholder free of charge by contacting the Company at 604-682-2928.

DATED at Vancouver, British Columbia this 7<sup>th</sup> day of November, 2018

**BY ORDER OF THE BOARD**

**KLONDIKE SILVER CORP.**

/s/ "Thomas Kennedy"

Thomas Kennedy, President/CEO