KING'S BAY RESOURCES CORP.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING
TO BE HELD ON OCTOBER 2, 2019

AND

MANAGEMENT INFORMATION CIRCULAR

September 3, 2019

This document requires immediate attention. If you are in doubt as to how to deal with the documents or matters referred to in this notice and information circular, you should immediately contact your advisor.

Neither the TSX Venture Exchange, the Canadian Securities Exchange, nor any securities regulatory authority has in any way passed upon the merits of the change of business described in this information circular.

KING’S BAY RESOURCES CORP.

1450 – 789 WEST PENDER STREET
VANCOUVER, BC, CANADA V6C 1H2
TELEPHONE: 604-681-1568 FAX: 604-681-8240

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the “**Meeting**”) of the holders (the ”**Shareholders**”) of common shares (each, a “**Share**”) of King’s Bay Resources Corp. (the “**Company**”) will be held at Suite 900 - 885 West Georgia Street, Vancouver, British Columbia, on October 2, 2019 at 10:00 a.m. (Vancouver time), and at any continuation thereof after an adjournment, for the following purposes:

1. to receive the audited financial statements of the Company for the financial year ended December 31, 2018, and 2017 together with the reports of the auditor thereon;

2. to appoint Davidson & Company LLP, Chartered Professional Accounts, as auditor of the Company for the financial year ended December 31, 2019 and to authorize the directors to fix the remuneration to be paid to the auditors for the financial year ended December 31, 2019;

3. to consider and, if thought appropriate, pass, with or without variation, an ordinary resolution (the “**Reverse Takeover Resolution**”), the full text of which is set forth in the management information circular (the “**Information Circular**”) approving the proposed reverse takeover (the “ **S&S Acquisition**”) of the Company by S&S Company Nevada LLC (“**S&S**”) and the members thereof, all as more particularly described in the Information Circular;

4. to set the size of the board of directors and to elect two alternate slates of directors, namely (i) a slate set at four (4) directors of the Company elected to take office immediately after the Meeting, and (ii) a slate set at four (4) of the resulting issuer directors elected to replace the original slate of directors immediately following the completion of the Transactions if, and only if, the S&S Acquisition completed, as more particularly described in the Information Circular;

5. to consider and, if thought appropriate, pass, with or without variation, an ordinary resolution to adopt and approve the stock option plan of the Company (the “**Stock Option Plan**”), as more particularly described in the Information Circular;

6. to consider, and if thought appropriate, pass, with or without variation, a special resolution authorizing and approving an amendment of the articles of the Company to create preferred, super voting, non-participating shares, as more fully described in the Information Circular (the “**Change of Capital Structure**”);

7. to consider and, if thought appropriate, pass, with or without variation, a special resolution approving the consolidation of the issued and outstanding Common Shares of the Company on the basis of 1 post-consolidation Share for every 5 pre-consolidation Shares, as more particularly described in the Information Circular (the ”**Consolidation**”);

8. to consider and, if thought appropriate, pass, with or without variation, a special resolution authorizing the Company’s change of name from “King’s Bay Resources Corp.” to “Merced Holdings Corp.” or such other name as the directors may, in their sole discretion determine, as more particularly described in the Information Circular (the “**Change of Name**”);

9. to consider, and if thought appropriate, pass, with or without variation, a special resolution authorizing the Company to make an application for the continuance (the "**Continuance**") of the Company out of the *Canada Business Corporations Act* (the "**CBCA**") and into the Province of British Columbia after which the Company will be subject to the *Business Corporations Act* (British Columbia), and, upon continuance, the adoption of new articles, as more particularly described in the accompanying Information Circular;

10. to consider and, if thought fit, to approve, with or without variation, an ordinary resolution to approve the delisting of the Common Shares from the TSX Venture Exchange and the application to list the Shares on the Canadian Securities Exchange, as more particularly described in the Information Circular; and

11. transacting such further and other business as may properly come before the Meeting or any adjournment thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this notice of Meeting. All of the matters to be considered by the shareholders, outside of normal AGM business, is related to the structuring and intended closing of the S&S Acquisition. In order to accommodate a cross border transaction without the Members of S&S having immediate and substantial tax liabilities, we are creating new classes of shares in both the Company and its wholly owned United States subsidiary. These are explained in detail throughout this information circular.

To be approved, the Reverse Takeover Resolution, the Stock Option Plan, and the CSE Listing Resolution must be approved by an "ordinary resolution" of at least 50% plus one (1) vote of the votes cast by disinterested Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

To be approved, the Change of Capital Structure, the Consolidation, the Change of Name and the Continuance need to be passed by a "special resolution", being 66⅔% of the votes cast by Shareholders in respect of that resolution at the Meeting.

The Company's board of directors has fixed August 26, 2019 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

If you are a registered shareholder of the Company and unable to attend the Meeting in person, please vote by proxy by following the instructions provided in the form of proxy, and deliver the signed proxy at least 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before the time and date of the Meeting or any adjournment or postponement thereof.

If you are a non-registered shareholder of the Company and received this Notice of Meeting and accompanying materials through a broker, a financial institution, a participant, a trustee or administrator of a retirement savings plan, retirement income fund, education savings plan or other similar savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing that holds your securities on your behalf (an "**Intermediary**"), please complete and return the materials in accordance with the instructions provided to you by your Intermediary.

DATED at Vancouver, British Columbia this 3rd day of September, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

"Kevin Bottomley"
Kevin Bottomley
President & Chief Executive Officer
King's Bay Resources Corp.

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KING'S BAY RESOURCES CORP.
1450 - 789 West Pender Street
Vancouver, BC V6C 1H2
Telephone: 604-681-1568

INFORMATION CIRCULAR
September 3, 2019

INTRODUCTION

This information circular (the "**Information Circular**") accompanies the Notice of Annual General and Special Meeting (the "**Notice**") and is furnished to shareholders (each, a "**Shareholder**") holding common shares (each, a "**Share**") in the capital of King's Bay Resources Corp. (the "**Company**") in connection with the solicitation by the management of the Company of proxies to be voted at the special meeting (the "**Meeting**") of the Shareholders to be held at 10:00 a.m. (Vancouver time) on October 2, 2019 at the offices of Clark Wilson LLP at 900 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1, or at any adjournment or postponement thereof.

Date and Currency

The date of this Information Circular is September 3, 2019. Unless otherwise stated, all amounts herein are in Canadian dollars.

PROXIES AND VOTING RIGHTS

Management Solicitation

The solicitation of proxies by management of the Company will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation by the directors, officers and employees of the Company. The Company does not reimburse Shareholders, nominees or agents for costs incurred in obtaining from their principals authorization to execute forms of proxy, except that the Company has requested brokers and nominees who hold stock in their respective names to furnish this proxy material to their customers, and the Company will reimburse such brokers and nominees for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by the Company. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

Appointment of Proxy

Accompanying this Information Circular are forms of proxy for the Shareholders. The individuals named in the accompanying forms of proxy are directors or officers of the Company. **A Shareholder has the right to appoint a person (who need not be a securityholder of the Company) to attend and act for him on his behalf at the Meeting other than the persons named in the enclosed applicable instrument of proxy. To exercise this right, a Shareholder must strike out the names of the persons named in the instrument of proxy and insert the name of his nominee in the blank space provided or complete another instrument of proxy.**

The completed instrument of proxy must be dated and signed and the duly completed instrument of proxy must be deposited at the Company's transfer agent, Computershare Investor Services Inc., no later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof or may be accepted by the chairman of the Meeting prior to the commencement of the Meeting. The mailing address for proxies is:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1
Fax number: 1-866-249-7775.
Vote by Phone:
Registered Shareholders: 1-866-732-VOTE (8683)
Beneficial Shareholders: 1-866-734-VOTE (8683)
Vote Online: www.investorvote.com

The instrument of proxy must be signed by the Shareholder or by his duly authorized attorney. If signed by a duly authorized attorney, the instrument of proxy must be accompanied by the original power of attorney or a notarially certified copy thereof. If the Shareholder is a corporation, the instrument of proxy must be signed by a duly authorized attorney, officer, or corporate representative, and must be accompanied by the original power of attorney or document whereby the duly authorized officer or corporate representative derives his power, as the case may be, or a notarially certified copy thereof.

Revocation of Proxies

A Shareholder who has given a proxy may revoke it at any time, before it is exercised, by an instrument in writing: (a) executed by that Shareholder or by that Shareholder's attorney-in-fact authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer of, or attorney-in-fact for, the corporation; and (b) delivered either: (i) to the Company at the address set forth above, at any time up to and including the last business day preceding the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (ii) to the Chairman of the Meeting prior to the vote on matters covered by the proxy on the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (iii) in any other manner provided by law.

Also, a proxy will automatically be revoked by either: (i) attendance at the Meeting and participation in a poll (ballot) by a Shareholder, or (ii) submission of a subsequent proxy in accordance with the foregoing procedures. A revocation of a proxy does not affect any matter on which a vote has been taken prior to any such revocation.

Voting of Shares and Proxies and Exercise of Discretion by Designated Persons

A Shareholder may indicate the manner in which the Designated Persons are to vote with respect to a matter to be voted upon at the Meeting by marking the appropriate space on the proxy. **The Shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.**

If no choice is specified in the proxy with respect to a matter to be acted upon, the proxy confers discretionary authority with respect to that matter upon the designated persons named in the form of proxy. It is intended that the designated persons will vote the shares represented by the proxy in favour of each matter identified in the proxy.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the Meeting, including any amendments or variations to any matters identified in the Notice, and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company is not aware of any such amendments, variations, or other matters to come before the Meeting.

In the case of abstentions from, or withholding of, the voting of the Shares on any matter, the Shares that are the subject of the abstention or withholding will be counted for determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set out in this section is of significant importance to those Shareholders who do not hold Shares in their own name. Shareholders who do not hold their Shares in their own name (referred to in this Information Circular as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided by a broker, then in almost all cases those Shares will not be registered in the Beneficial Shareholder's name on the records of the Company. Such Shares will more likely be registered under the names of the Beneficial Shareholder's broker or an agent of that broker. In the United States, the vast majority of such Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depositary for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). **Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person well in advance of the Meeting.**

The Company does not have access to names of all Beneficial Shareholders. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is similar to the Form of Proxy provided to registered Shareholders by the Company. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge typically prepares a special voting instruction form, mails this form to the Beneficial Shareholders and asks for appropriate instructions regarding the voting of Shares to be voted at the Meeting. If Beneficial Shareholders receive the voting instruction forms from Broadridge, they are requested to complete and return the voting instruction forms to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free number and access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and to vote the Shares held by them. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge voting instruction form cannot use that form as a proxy to vote Shares directly at the Meeting – the voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have its Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of their broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Alternatively, a Beneficial Shareholder may request in writing that their broker send to the Beneficial Shareholder a legal proxy which would enable the Beneficial Shareholder to attend at the Meeting and vote their Shares.

Beneficial Shareholders consist of non-objecting beneficial owners and objecting beneficial owners. A non-objecting beneficial owner is a beneficial owner of securities that has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner does not object, for that account, to the intermediary disclosing ownership information about the beneficial owner under National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators. An objecting beneficial owner means a beneficial owner of securities that has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner objects, for that account, to the intermediary disclosing ownership information about the beneficial owner under National Instrument 54-101.

The Company is sending proxy-related materials directly to non-objecting beneficial owners of the Shares. The Company will not pay for the delivery of proxy-related materials to objecting beneficial owners of the Shares. The objecting beneficial owners of the Shares will not receive the materials unless their intermediary assumes the costs of delivery.

All references to Shareholders in this Information Circular are to registered Shareholders, unless specifically stated otherwise.

GLOSSARY OF TERMS

The following is a glossary of certain definitions used in this Information Circular. Terms and abbreviations used in the appendices to this Information Circular are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and *vice versa* and words importing any gender include all genders.

"**Affiliate**" means a company that is affiliated with another company.

A company is an "**Affiliate**" of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

A company is "**controlled**" by a Person if:

(c) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(d) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"**Applicable Laws**" means with respect to any person, all laws, statutes, regulations, by-laws, statutory rules, orders, ordinances, protocols, codes, guidelines, notices, directions (including all applicable Canadian securities laws), and terms and conditions of any grant of approval, permission, authority or license of any court, governmental authority, statutory body or self-regulatory authority (including the TSXV or CSE, as applicable), in each case, that is binding upon or applicable to such person, as amended unless expressly specified otherwise;

"**Arm's Length Transaction**" means a transaction which is not a Related Party Transaction;

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to all outstanding voting securities of the issuer,

(b) any partner of the Person,

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity, and

(d) in the case of a Person who is an individual,

(a) that Person's spouse or child, or

(b) any relative of that Person or of his spouse who has the same residence as that Person;

but where the TSXV or CSE, if applicable, determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSXV or the equivalent policies of the CSE, if applicable, with respect to that Member firm, Member corporation or holding company;

"**Audit Committee**" means the audit committee of the Company;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as the same has been and may hereafter from time to time be amended;

"**Board**" means the board of directors of the Company or the Resulting Issuer, as the context requires;

"**Board Reconstitution Resolution**" means the reconstitution of the Resulting Issuer's board of directors following the Closing, whereby the Resulting Issuer Slate shall take office, replacing the Original Slate, if and only if the Transactions are completed;

"**Business Day**" means any day other than a Saturday, Sunday or a statutory holiday in British Columbia;

"**CEO**" means chief executive officer;

"**CFO**" means chief financial officer;

"**Change of Capital Structure**" means the creation of the Preferred Shares;

"**Change of Capital Structure Resolution**" means the special resolution approving the Change of Capital Structure, as more particularly described in the Information Circular;

"**Change of Control**" includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

(a) any one Person holds a sufficient number of the voting shares of the issuer or resulting issuer to affect materially the control of the issuer or resulting issuer, or

(b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Shares of the issuer or resulting issuer to affect materially the control of the issuer or resulting issuer;

where such Person or combination of Persons did not previously hold a sufficient number of voting shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the voting shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

"**Change of Name**" means the change of the name of the Company to "Merced Holdings Corp.", which is expected to occur concurrently with Closing;

"**Change of Name Resolution**" means the special resolution of Shareholders to approve the Change of Name, as more particularly described in the Information Circular;

"**Closing**" means the closing of the Transactions;

"**Company**" means King's Bay Resources Corp., a company incorporated under the laws of Canada;

"**Concurrent Financing**" means the non-brokered private placement of post-Consolidation Shares at a deemed price of $0.20 per Unit (or other price as determined by the Board) to raise gross proceeds of a minimum of $2,000,000 and a maximum up to $4,000,000;

"**Consolidation**" means the proposed consolidation of the Shares on the basis of five pre-consolidation Shares for one post-consolidation Share, which consolidation is intended to be completed concurrently with Closing;

"**Consolidation Resolution**" means the special resolution of Shareholders to approve the Consolidation, as more particularly described in the Information Circular;

"**Continuance Resolution**" means the special resolution authorizing the Company to make an application for the Continuance, and, upon Continuance, the adoption of New Articles, as more particularly described in the Information Circular;

"**Continuance**" means the continuance of the Company from the Canada *Business Corporations Act* to the *Business Corporations Act* (British Columbia) to be effected in conjunction with and forming part of Transactions;

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"**CSA**" means the *Controlled Substances Act of 1970* (United States);

"**CSE**" means the Canadian Securities Exchange;

"**CSE Listing Resolution**" means the ordinary resolution to approve the delisting of the Shares from the TSXV and the listing of the Shares on CSE, as more particularly described in the Information Circular;

"**Final Exchange Approval**" means the conditional listing of the Resulting Issuer Shares on the CSE;

"**IFRS**" means the international financial reporting standards as set out in the Chartered Professional Accountants of Canada handbook, at the relevant time applied on a consistent basis;

"**Information Circular**" means this information circular, together with all appendices attached hereto and including the summary hereof;

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(b) a director or senior officer of a company that is an Insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or

(d) the issuer itself if it holds any of its own securities;

"**King's Bay Financial Statements**" means the audited financial statements of the Company for the years ended December 31, 2018, and December 31, 2017, and the unaudited interim financial statements for the period ended June 30, 2019, together with the associated management discussion and analysis filed by the Company with the securities commissions or similar authorities in Canada, are incorporated by reference herein and are also available on SEDAR at www.sedar.com under the Company's profile. The foregoing documents may also be obtained upon request without charge from the Company's registered and records office located at 885 West Georgia Street, suite 800, Vancouver, British Columbia, Canada V6C 3H1;

"**Listing Statement**" means Form 4 of the CSE providing information regarding the Company as part of the application process to list the Company's common shares for trading on the CSE;

"**MD&A**" means management's discussion and analysis;

"**Meeting**" means the annual general and special meeting of the shareholders of the Company to be held on October 2, 2019 at 10:00 a.m. (Vancouver time);

"**Members**" means the member of S&S who, from time-to-time, hold S&S Membership Units prior to completion of the S&S Acquisition;

"**Membership Units**" means all of the issued and outstanding membership units of S&S;

"**Minority Approval**" means the approval of the Shareholders without counting the votes for any Shares held by Insiders of the Company;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**New Articles**" means the articles of the Company or the Resulting Issuer, as applicable, following the Continuance, after which the Company will be subject to the BCBCA;

"**Non-Arm's Length Party**" means:

(a) in relation to a company,

  (a) a Promoter, officer, director, other Insider or Control Person of that company and any Associates or Affiliates of any such Persons; or

  (b) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the company; and

(b) in relation to an individual, any Associate of the individual or any company of which the individual is a Promoter, officer, Insider or Control Person;

"**Operating Agreement**" means the operating agreement dated March 27' 2019 among the Members, the terms of which govern the affairs the Members of S&S;

"**Original Slate**" means the proposed slate of directors nominated by the Company, who, if elected, shall take office immediately after the Meeting and who shall hold office until the Closing, which slate consists of Kevin Bottomley, Dusan Berka, Nicholas Rodway and Jody Bellefleur;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status;

"**Preferred Shares**" means the proposed preferred, super voting, non-participating shares of the Company, the rights and restrictions of which are attached to this Information Circular as Schedule A;

"**Pro Forma Financial Statements**" means the pro forma balance sheet of the Resulting Issuer as at June 30, 2019, and for the period then ended, and which are attached to this Information Circular as Schedule C;

"**Record Date**" means August 26, 2019, being the date set for determining which Shareholders of the Company are entitled to receive notice of and vote at the Meeting;

"**Redemption-Exchange Right**" means the right to exchange one (1) Preferred Share and one (1) SubCo Exchangeable Share for one thousand (1000) Resulting Issuer Shares;

"**Related Party Transaction**" has the meaning set out in MI 61-101;

"**Resulting Issuer**" means following completion of the Transactions and the continuance of the Company to British Columbia, the Company to be named Merced Holdings Corp.;

"**Resulting Issuer Options**" means the stock options of the Resulting Issuer following completion of the Transactions;

"**Resulting Issuer Shares**" means the common shares of the Resulting Issuer following completion of the Transactions;

"**Resulting Issuer Slate**" means the board of directors of the Resulting Issuer nominated by the Company, who, if elected, shall take office as of the Closing, which slate is comprised of Joshua Stimmel, Tage Stimmel, Joshua Hartsell, Granite Stanley and David Hwang;

"**Reverse Takeover**" means a transaction or series of transactions, as defined in Policy 5.2 Changes of Business and Reverse Takeover of the TSXV Corporate Finance Manual, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

(a) new shareholders holding more than 50% of the outstanding voting securities of the issuer; and

(b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a private placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above;

"**Reverse Takeover Resolution**" means the ordinary resolution of disinterested Shareholders to approve the S&S Acquisition, as more particularly described in the Information Circular;

"**S&S**" means S&S Company Nevada LLC, a domestic limited-liability company incorporated under the laws of the State of Nevada;

“**S&S Acquisition**” means the acquisition by SubCo of S&S pursuant to the terms and conditions set forth in the Securities Exchange Agreement, which together with the Concurrent Financing may constitute a Reverse Takeover of the Company;

“**S&S California**” means S&S Company, LLC, a domestic limited-liability company incorporated under the laws of the State of California, and a wholly-owned subsidiary of S&S;

“**Securities Exchange Agreement**” means the securities exchange agreements dated March 29, 2019, among the Company, SubCo, S&S and the Members, whereby SubCo agreed to purchase all of the outstanding Membership Units;

“**Securities Laws**” means securities legislation, securities regulations and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to an issuer;

“**SEDAR**” means System for Electronic Document Analysis and Retrieval;

“**Shareholder**” means a registered or beneficial holder of Shares;

“**Shares**” means the issued and outstanding common shares of the Company or the Resulting Issuer, as the case may be;

“**Stock Option Plan**” means the 10% rolling stock option plan of the Company adopted by the Board, a copy of which is attached to this Information Circular as Schedule E;

“**Stock Option Plan Resolution**” means the ordinary resolution of Shareholders to adopt and approve the Stock Option Plan, as more particularly described in the Information Circular;

“**SubCo**” means King’s Bay Holdings USA Corp., a corporation incorporated pursuant to the State of Nevada, and a wholly-owned subsidiary of the Company;

“**SubCo Exchangeable Shares**” means Class B non-voting, participating, convertible preferred shares in the capital of SubCo, whereby each Class B non-voting, participating, convertible preferred share together with a Preferred Share is exchangeable for 1000 Resulting Issuer Shares;

“**SubCo Shares**” means the common stock of SubCo;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Transactions**” means, collectively, the S&S Acquisition, the Concurrent Financing, the Consolidation, and the Change of Name and “**Transaction**” means any one of them;

“**Transfer Agent**” means Computershare Investor Services Inc., with and address at 100 University Ave., Toronto, Ontario M5J 2Y1;

“**TSXV**” means the TSX Venture Exchange; and

“**Unit**” means one post-Consolidation Share and one purchase warrant exercisable for 24 months, in the first 12 months at $0.35 and in the second 12 months at $0.60 for one additional post-Consolidation Share.

FORWARD LOOKING INFORMATION

Certain statements and information contained in this Information Circular constitute forward-looking statements or forward-looking information (collectively "forward-looking statements") within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective", "outlook" or similar words suggesting future outcomes or language suggesting an outlook.

In particular, this Information Circular contains forward-looking statements with respect to the following:

- the completion of the S&S Acquisition;
- the completion of the Concurrent Financing;
- the completion of the Change of Capital Structure;
- the completion of the Consolidation;
- the completion of the Change of Name;
- the completion of the Continuance;
- the delisting of the Shares from the TSXV and the listing of the Resulting Issuer Shares on the CSE;
- the Company's ability to obtain all required approvals in connection with the Transactions;
- future development and growth prospects;
- the amount and use of the net proceeds of the Concurrent Financing;
- expected operating costs, general and administrative costs, costs of services and other costs and expenses;
- ability to meet current and future obligations;
- the ability of the Company to identify other potential investment opportunities on satisfactory terms or at all;
- the ability to obtain financing on acceptable terms or at all; and
- the prospectus, business and viability of S&S and of the Company going forward after the S&S Acquisition.

These forward-looking statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including the Company and S&S's experiences and perceptions of historical trends, current market conditions and expected future developments, the expected completion of the Transactions, the timing and amount of capital and other expenditures, as well as other factors that are believed to be reasonable in the circumstances.

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the control of the Company, could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

The risks, uncertainties and other factors that could influence actual results include, but are not limited to:

- the TSXV or CSE, as applicable, not approving the Transactions;
- the CSE not approving the listing of the Resulting Issuer Shares following the completion of the Transactions;
- the availability of the S&S business to generate cash flow and revenue;
- the volatility of the Company's stock price;
- the inability of the Company to raise sufficient capital to carry out its intended business;
- the inability to obtain regulatory licenses needed to carry out the Company's business plans;
- changing regulatory requirements for permits and licenses;

- fierce competition in the same or similar business of the Company; and
- loss of key employees, inability to protect intellectual property, increased operating costs, consumer tastes, product acceptance, and other similar risks facing most consumer product companies.

Shareholders are cautioned that the foregoing list of factors is not exhaustive and that other factors may emerge from time-to-time. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, S&S or the Resulting Issuer, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Information Circular are based upon what management of the Company, S&S and the Resulting Issuer, as applicable, currently believe to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or, if any of them do, what benefits will be derived therefrom.

The forward-looking statements contained herein are made as of the date of this Information Circular and, other than as specifically required by law, the Company does not assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise. **THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS INFORMATION CIRCULAR AND THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN ARE EXPRESSLY QUALIFIED BY THIS CAUTIONARY STATEMENT.**

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of information related to the Company S&S and the Resulting Issuer (assuming completion of the Transaction) and should be read together with more detailed information and financial data and statements contained elsewhere in this Information Circular. The following is a summary of the contents of this Information Circular relating to the proposed change of business. Shareholders should pay special attention to the "Risk Factors" section of this Information Circular. Capitalized terms used herein, and not otherwise defined, have the meanings ascribed to them in the Glossary.

Date and Location

The Meeting will be held at Suite 900, 885 West Georgia Street, Vancouver, British Columbia, on October 2, 2019 at 10:00 a.m. (Vancouver time) and at any continuation thereof after an adjournment.

Record Date

The Record Date for determining the Shareholders eligible to receive notice of and to vote at the Meeting is 5:00 p.m. (Vancouver time) on August 26, 2019.

Matters to be Acted Upon

The business to be considered at the Meeting is:

1. to receive the audited financial statements of the Company for the financial year ended December 31, 2018 together with the report of the auditor thereon;

2. to appoint Davidson & Company, Chartered Professional Accounts, as auditor of the Company for the financial year ended December 31, 2019 and to authorize the directors to fix the remuneration to be paid to the auditors for the financial year ended December 31, 2019;

3. to consider and, if thought appropriate, pass, with or without variation, the Reverse Takeover Resolution, as more particularly described herein;

4. to set the size of the board of directors at four (4) and to elect two separate slates of directors, namely (i) a slate set at four (4) directors of the Company elected to take office immediately after the Meeting, and (ii) a slate set at five (5) of the Resulting Issuer directors elected to replace the directors immediately following the completion of the Transactions if, and only if, the Transactions are completed;

5. to consider and, if thought appropriate, pass, with or without variation, the Stock Option Plan Resolution, as more particularly described herein;

6. to consider, and if thought appropriate, pass, with or without variation, the Change of Capital Structure Resolution, as more particularly described herein;

7. to consider and, if thought appropriate, pass, with or without variation, the Consolidation Resolution, as more particularly described herein;

8. to consider and, if thought appropriate, pass, with or without variation, the Change of Name Resolution, as more particularly described herein;

9. to consider, and if thought appropriate, pass, with or without variation, the Continuance Resolution, as more particularly described herein;

10. to consider and, if thought fit, to approve, with or without variation, the CSE Listing Resolution, as more particularly described herein; and

11. transacting such further and other business as may properly come before the Meeting or any adjournment thereof.

For a detailed description of these matters refer to the section titled "*Matters to be Acted Upon*".

SUMMARY OF THE TRANSACTIONS

Parties to the Transactions

King's Bay Resources Corp.

King's Bay Resources Corp. was incorporated under the Canada *Business Corporations Act* on March 20, 1998. On August 14, 2017, it changed its name from King's Bay Gold Corporation to King's Bay Resources Corp. The address of the Company's corporate office and principal place of business is Suite 1450 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba and the Shares are currently listed on the TSXV under the symbol "KBG". The Company has 68,810,214 Shares outstanding as at the date of this Information Circular, and prior to the Consolidation.

For additional information about the Company, see "*Information Concerning the Company*".

King's Bay Holdings USA Corp.

King's Bay Holdings USA Corp. ("**Subco**") was incorporated under the Nevada Revised Statues, Chapter 78 on January 29, 2019. The address of SubCo's corporate office and registered records office is Suite 500 – 3773 Howard Hughes Parkway, Las Vegas, Nevada, 89169. SubCo is a wholly-owned subsidiary of the Company.

None of the SubCo Shares have been traded or are listed for trading on any stock exchange. For additional information about SubCo, see "*Information Concerning the Company – Intercorporate Relationships*".

S&S Company Nevada LLC

S&S Company Nevada LLC ("**S&S**") was incorporated under the Nevada Revised Statues, Chapter 86 as a domestic limited-liability company on February 1, 2019. The address of S&S's corporate office and registered records office is Suite 500 – 3773 Howard Hughes Parkway, Las Vegas, Nevada, 89169. None of S&S's Securities have been traded or are listed for trading on any stock exchange. For additional information about S&S, please see "*Information Concerning S&S*".

S&S Company, LLC ("**S&S California**") was incorporated under the California Revised Uniform Limited Liability Company Act on November 24, 2015. The address of S&S California's corporate office and registered records office is Suite 101-268 1809 South Street, Sacramento, California. S&S California is a wholly-owned subsidiary of S&S. For additional information about S&S California, see *"Information Concerning S&S – Intercorporate Relationships"*.

The Resulting Issuer

Prior to the completion of the Transactions, the Company will file articles of continuance to the province of British Columbia to effect the Continuation. At the time the Company is continued into the province of British Columbia, the Company will file articles of amendment to effect the Change of Capital Structure. At the time of the

Continuation and Change of Capital Structure is completed, and immediately prior to Closing, the Company will affect the Change of Name and continue operations under the name "Merced Holdings Corp."

Upon completion of the S&S Acquisition and subject to the approval of the TSXV or CSE, as applicable, the Resulting Issuer will be classified in the cannabis industry for purposes of the policies of the TSXV or CSE, as applicable. The Resulting Issuer will carry on the business of S&S, which is the production (also referred to as manufacturing and extraction) of cannabis oil and concentrates for sale to licensed wholesale distributors that sell to licenced dispensaries as finished consumer-packaged goods in the State of California, see "*Information Concerning S&S*".

The S&S Acquisition

On March 29, 2019 the Company, SubCo, S&S and the Members entered into the Securities Exchange Agreement, pursuant to which SubCo agreed to acquire all of the issued and outstanding Membership Units of S&S from the Members which shall be satisfied by the issuance of an aggregate of 23,000 SubCo Exchangeable Shares at a deemed price of $30.00 per SubCo Exchangeable Share.

Pursuant to the Securities Exchange Agreement, the SubCo Exchangeable Shares will be delivered to an escrow agent to be determined by the Company in its sole discretion (the "**Escrow Agent**") and held in escrow by the Escrow Agent pursuant to the terms and conditions of a voluntary escrow agreement (the "**Escrow Agreement**"), in such form as is satisfactory to the Company, to be executed by the Members prior to the Closing. The Escrow Agreement will provide, among other things, that the SubCo Exchangeable Shares will be subject to escrow and will be released from escrow and delivered to the Members over a thirty-six (36) month period as follows:

Upon receipt of Final Exchange Approval	10%	2,300
Date that is 6 months from Closing Date	15%	3,450
Date that is 12 months from Closing Date	15%	3,450
Date that is 18 months from Closing Date	15%	3,450
Date that is 24 months from Closing Date	15%	3,450
Date that is 30 months from Closing Date	15%	3,450
Date that is 36 months from Closing Date	15%	3,450
Total:	100%	23,000

In connection with the S&S Acquisition, the Company will reserve an aggregate of up to 23,000,000 Shares for issuance to the holders of SubCo Exchangeable Shares upon the exercise of the Redemption-Exchange Right. The value of the Shares for the purpose of the S&S Acquisition is $0.04 per Share. The 23,000,000 Shares when eventually issued upon exchange of the Exchangeable Shares would if issued represent approximately 46.27% of the total issued and outstanding common share capital of the Company following the completion of the Transactions, including the Concurrent Financing discussed above.

Pursuant to the terms of the Securities Exchange Agreement, the Members will, concurrent with the closing of the S&S Acquisition, subscribe and pay for and the Company will issue to the Members a total of 23,000 Preferred Shares, which shares will not participate in dividends, distributions or have any rights to assets on winding-up or on liquidation, but will have the right to vote at meetings of holders of the post-Consolidation Shares, and each Preferred Share will be entitled to 1000 votes. The Preferred Shares will be issued to the Members at a subscription price of $0.01 per Preferred Share. The Preferred Shares are not transferrable and no additional Preferred Shares may be issued with Company shareholder approval. One Preferred Share must be tendered for cancellation as a condition of the exercise of the Redemption-Exchange Right for each SubCo Exchangeable Share.

A finder's fee of 3,000,000 Shares is payable in connection with the S&S Acquisition to an arm's length party.

The Concurrent Financing

In connection with the S&S Acquisition, the Company announced on March 29, 2019, the Concurrent Financing, pursuant to which the Company plans to undertake a non-brokered private placement financing to raise aggregate gross proceeds of up to $4,000,000, with $2,000,000 minimum. The Company plans to issue post-Consolidation Shares at a price of $0.20 per Unit. Each Unit will comprise one post-Consolidation Share and one purchase warrant exercisable for 24 months, in the first 12 months at $0.35 and in the second 12 months at $0.60 for one additional post-Consolidation Share. The warrants have an acceleration clause if the Company's trading price exceeds $0.75.

Each subscriber will irrevocably subscribe for Units pursuant to a subscription agreement and pay the subscription price to the Company. In turn, the Company will establish a segregated account and will deposit the aggregate proceeds of the Concurrent Financing in the segregated account established for this purpose. Closing of the Concurrent Financing, and the subsequent acceptance by the Company of the proceeds of the Concurrent Financing, is conditional upon the Closing. If the S&S Acquisition does not close by the date as required in the Securities Exchange Agreement, as may be amended, the Company will return the subscription funds to the subscribers.

The Concurrent Financing Shares will be subject to resale hold periods under applicable United States and Canadian securities laws.

The Change of Capital Structure

In connection with the Securities Exchange Agreement, the Company proposes to create a new class of preferred, super voting, non-participating shares, which Preferred Shares will not participate in dividends, distributions or have any rights to assets on winding-up or on liquidation, but will have the right to vote at meetings of holders of the Company's common Shares, with each Preferred Share entitling the holder thereof to 1000 votes per Preferred Share.

In connection with the Transactions, the Members will enter into an exchangeable share support agreement (the "**Exchangeable Share Support Agreement**") with the Company and SubCo whereby the holders of the SubCo Exchangeable Shares will be entitled to exchange one (1) SubCo Exchangeable Share for one (1) post-Consolidation Share so long as one (1) Preferred Share is tendered for cancellation. The Preferred Shares are not transferrable.

The TSXV Delisting and CSE Listing

In connection with the Transactions, the Company seeks to transfer the listing of its Shares from the TSXV to the CSE, at the sole discretion of the Board, following completion of the Transactions. Subject to the receipt of the requisite approvals, the Company may, if deemed appropriate and in the best interest of the Company, delist its Shares from the TSXV and then apply to list the Resulting Issuer Shares on the CSE. For additional information about the delisting of the Company's Shares from the TSXV and the Subsequent listing of the Resulting Issuer Shares on the CSE, see "*Matters to be Acted Upon – Transfer of Listing from TSXV*".

The Consolidation and Change of Name

In connection with the Transactions, the Company intends to complete the Consolidation, pursuant to which it will issue one (1) post-Consolidation Share for every five (5) pre-Consolidation Shares. Currently, a total of 68,810,214 Shares are issued and outstanding. Accordingly, upon the Consolidation becoming effective, a total of 13,762,043 post-Consolidation Shares would be issued and outstanding, subject to adjustments for rounding. There is no maximum number of authorized Shares. The Transfer Agent will mail letters of transmittal to the Shareholders providing instructions on exchanging pre-Consolidation share certificates for post-Consolidation share certificates. Shareholders are encouraged to send their share certificates, together with their letter of transmittal, to the Transfer Agent in accordance with the instructions in the letter of transmittal.

Concurrent to the Closing, the Company intends to change its name from “King’s Bay Resources Corp.” to “Merced Holdings Corp.” or such other name as the directors may, in their sole discretion determine.

The Continuance

Prior to the completion of the Transactions, the Company intends to undertake the Continuance in order to affect the re-domiciling of the Company out of the jurisdiction of the CBCA and into the jurisdiction of the Province of British Columbia, after which the Company will be subject to the Business Corporations Act (British Columbia).

Upon completion of the Continuance, the CBCA and the existing Articles of Incorporation and Bylaws of the Company will cease to apply to the Company and the corporate affairs of the Company will thereafter be governed by the BCBCA and the proposed Notice of Articles and New Articles, as if it had been originally incorporated as a British Columbia company. The Continuance will result in certain changes in the corporate laws applicable to the Company and the provisions of its constating documents. For more information about the Continuance, see *“Matters to be Acted Upon – Continuance into British Columbia Business Corporations Act”*.

Interest of Insiders, Promoters or Control Persons

Prior to the completion of the Transactions, no Insider, promoter, or Control Person of the Company or its Associates and Affiliates has any interest in S&S.

Arm’s Length Transaction

The Reverse Takeover constitutes an Arm’s Length Transaction.

Available Funds and Principal Purposes

Available Funds

Upon completion of the Transactions, the Resulting Issuer is expected to have approximately $2,083,451.42 (unaudited) available to it as follows:

Source of Funds	Amount
Company working capital as at August 31, 2019	$233,451.42
Pro forma cash position of Resulting Issuer assuming completion of the Transactions	$Nil
Gross proceeds of the Concurrent Financing[(1)]	$2,000,000
Less: Costs of completing the Financing[(2)]	$150,000
Total Available Funds	**$2,083,451.42**

(1) This assumes that the Concurrent Financing is subscribed for $2,000,000 minimum out of a possible $4,000,000 maximum.

(2) This amount includes deductions for costs of the Concurrent Financing of $2,000,000, including any commissions, legal fees and filing fees that may be payable. See “*Information Concerning the Company –Concurrent Financing*” for additional information.

The amounts shown in the table above are estimates only and are based upon the information available to the Company and S&S as of the date hereof.

Principal Purposes

The following table sets out the principal purposes, using approximate amounts, for which the Resulting Issuer currently intends to use its available funds on completion of the Transactions. The amounts shown in the table are estimates only and are based on the information available to the Company and S&S as of the date hereof.

Use of Funds Estimated Amounts $CDN	Minimum Financing $2,000,000	Maximum Financing $4,000,000
Costs of the Concurrent Financing (commissions, legal, filing)	$200,000	$350,000
Balance of fees related to the Transactions	$50,000[(1)]	$50,000
General and administrative expenses for twelve-months	$655,000[(2)]	$800,000
Leasehold improvements to Merced Facility	$350,000	$450,000
Acquisition of new and additional extraction equipment	$200,000	$950,000
Procuring Biomass for production	$200,000	$400,000
Unallocated Working Capital	$345,000	$1,000,000
Total: (minimum – maximum)	$2,000,000	$4,000,000

(1) Includes accounting and admin services of $5,000; transfer agent fees of $5,000; legal fees of $20,000; audit fees of $5,000; and TSXV or CSE and regulatory fees of $15,000, as applicable.

(2) The estimate of general and administrative expenses of $655,000 includes: salaries and benefits of $420,000, rent and utilities of $150,000, office expenses and supplies of $20,000, legal, tax, audit and professional fees of $50,000, insurance expenses of $15,000.

Selected Pro Forma Financial Information

The following table summarizes selected pro forma financial information for the Resulting Issuer as at June 30, 2019, after giving effect to the proposed Reverse Takeover of the Company by S&S and the Members thereof and should be read in conjunction with the Pro Forma Financial Statements of the Resulting Issuer attached hereto. See "Schedule C - *Pro Forma Consolidated Financial Statements of the Resulting Issuer*".

The summary unaudited pro forma consolidated financial information below is derived from the Pro Forma Financial Statements and should be read in conjunction with the Pro Forma Financial Statements, related notes and other financial information appearing elsewhere in this Information Circular.

Figures Expressed in $USD	Cash	Total Assets	Total Liabilities	Shareholders' Equity
Company as at June 30, 2019	$5,563	$103,589	$9,459	$94,130
S&S as at June 30, 2019	$3,368	$652,972	$$986,081	($333,109)
Pro forma	Nil	$3,360,680	$939,758	$2,420,922

Market for Securities

The Shares are listed on the TSXV under the trading symbol "KBG". The closing market price of the Shares on the day prior to the announcement of the Securities Exchange Agreement, was $0.04. It is anticipated that, subject to TSXV or CSE approval, as applicable, the Resulting Issuer Shares issued pursuant to the S&S Acquisition will commence trading on the CSE upon completion of the Transactions under a symbol to be announced.

The S&S Shares are not traded publicly and there is no public market for the securities of S&S.

Summary of Relationship or Other Arrangement between the Company and S&S

Other than the proposed S&S Acquisition and as otherwise disclosed herein, there is no relationship or other arrangement between the Company and S&S.

Details of Any Conflicts of Interest

Some of the individuals proposed for appointment or acting as directors or officers of the Resulting Issuer upon the completion of the S&S Acquisition are also directors, officers and/or promoters of other non-reporting issuers. As of the date of this Information Circular and to the knowledge of the directors and officers of the Company and S&S, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment or acting as directors or officers following the completion of the Transaction.

Conflicts of interest, if any, will be subject to and will be resolved in accordance with, the procedures and remedies under the CBCA.

Interest of Experts and Consultants

Other than MNP LLP, Chartered Professional Accountants, who prepared the auditor's report for the King's Bay Financial Statements included in this Information Circular and Davidson and Company LLP, Chartered Professional Accountants, who prepared the auditor's report for S&S's financial statements as well as the Pro Forma Financial Statements included in this Information Circular, there are no persons or companies whose professional business gives authority to a statement made by the person or company who is named as having prepared or certified a part of this Information Circular or prepared or certified a report or valuation described in this Information Circular.

As at the date hereof, partners and associates of MNP LLP, Chartered Professional Accountants, the auditor of the Company who were directly involved in services provided to the Company and Davidson and Company LLP, Chartered Professional Accountants, the auditor of the S&S and for the Pro Forma Financial Statements who were directly involved in services provided to the Company and S&S, do not own, directly or indirectly, any securities of the Company or S&S. No partner or associate of MNP LLP, Chartered Professional Accountants, or Davidson and Company LLP, Chartered Professional Accountants, is expected to be elected, appointed or employed as a director, officer or employee of the Company or S&S or of any associate or affiliate thereof.

Risk Factors

See Forward Looking Information in this Information Circular and Risk Factors listed herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The record date for the determination of shareholders entitled to receive notice of and vote at the Meeting has been fixed as at August 26, 2019. The authorized capital of the Company consists of an unlimited number of Shares. As at the record date, there were 68,810,214 Shares outstanding. Each Company Share carries the right to one (1) vote on any matter properly corning before the Meeting.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, controls or directs, directly or indirectly, voting securities of the corporation carrying 10% or more of the voting rights attached to all outstanding Shares.

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

Other than as disclosed herein, no director or executive officer of the Company who has held such position at any time since the beginning of the Company's last financial year, and associates or affiliates of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any Matters to be Acted Upon.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's most recently completed financial year, no director, proposed management nominee for election as a director, officer or Associate or Affiliate of any such director, proposed management nominee for election as a director, officer has had any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, except as disclosed herein.

MATTERS TO BE ACTED UPON

1. Financial Statements

The audited consolidated financial statements for the financial year ended December 31, 2018 and the report of the auditor thereon will be placed before the Shareholders at the Meeting, but no vote thereon is required. These documents are available upon request or they can be found under the Company's profile on SEDAR or from the office of the Company, which is located at Suite 1450, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

2. Appointment of Auditors

Assuming that the Transactions close, the Board will terminate the engagement of MNP LLP, Chartered Professional Accountants ("**MNP**"), the current auditor of the Company. Following closing of the Transactions, it is proposed that Davidson & Company, Chartered Professional Accountants ("**Davidson**") of 1200 – 609 Granville, Vancouver, BC V7Y 1G6 be appointed as auditor of the Company for the financial year ending December 31, 2019. Davidson will have audited the financial statements of S&S, and will therefore be familiar with that company and its operations. If the Transactions close, the audited financial statements of S&S will be the key components of the audited financial statements of the Company. If the Transactions do not close, the Company wishes to transfer the audit to Davidson in any case.

To be effective, the resolution to appoint the auditor must be approved by at least 50% plus one (1) vote of the votes cast by the Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The Board recommends the appointment of the auditor for the fiscal year ended December 31, 2019 and to authorize the Board to fix the remuneration to be paid to the auditor for the fiscal year ended December 31, 2019.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the appointment of the auditor for the fiscal year ended December 31, 2019 or until a successor is appointed, and FOR authorizing the Board to fix the remuneration to be paid to the auditor for the fiscal year ended December 31, 2019.

3. Approval of Reverse Takeover Resolution

On March 29, 2019 the Company, SubCo, S&S and the Members entered into the Securities Exchange Agreement, pursuant to which SubCo agreed to acquire all of the issued and outstanding Membership Units of S&S from the Members which shall be satisfied by the issuance of an aggregate of 23,000 SubCo Exchangeable Shares at a deemed price of $30.00 per SubCo Exchangeable Share. In connection with the Securities Exchange Agreement, the Members will, concurrent to the closing of the S&S Acquisition, subscribe and pay for and the Company will issue to the Members a total of 23,000 Preferred Shares, which shares will not participate in dividends, distributions or have any rights to assets on winding-up or on liquidation, but will have the right to vote at meetings of holders of the Company's common Shares, and each Preferred Share will be entitled to 1000 votes. The Preferred Shares will be issued to the Members at a subscription price of $0.01 per Preferred Share.

As of the date of this Information Circular, S&S has 100 Membership Units outstanding with no other securities outstanding. Upon completion of the S&S Acquisition, SubCo will hold 100% of the Membership Units of S&S. It is intended that the S&S Acquisition will constitute a "Reverse Takeover" in accordance with Exchange Policy 5.2. It is expected that, immediately following the completion of the S&S Acquisition the Members will hold 23,000 Preferred Shares and 23,000 SubCo Exchangeable Shares, representing, if exchanged immediately after completion of the Transactions including the Concurrent Financing of an assumed $3,000,000, approximately 46.27% of the total issued and outstanding share capital and voting securities of the Company. However, the SubCo Exchangeable Shares may not be exchanged immediately, see "*Escrowed Securities*".

The completion of the proposed Reverse Takeover of the Company by S&S and the transactions contemplated by the Securities Exchange Agreement are subject to certain conditions, including: (a) obtaining all necessary regulatory approvals and other transactions comprising part of the proposed Reverse Takeover; (b) the receipt of approval for the listing of the Company's Shares on the CSE; (c) the approval by the Shareholders of the Transactions; and (d) other customary conditions.

For more information regarding the business of S&S, see "*Information Concerning S&S"*.

The resolution approving the Reverse Takeover of the Company by S&S to be put before the Shareholders at the Meeting is set out below, and must attain Minority Approval:

"**BE IT HEREBY RESOLVED THAT**, as an ordinary resolution:

1. the acquisition by the Company of S&S pursuant to the terms of the Securities Exchange Agreement be and is hereby authorized and approved, resulting in a reverse takeover of the Company by S&S, and all transactions and matters contemplated by the Reverse Takeover of the Company by S&S be and are hereby approved;

2. any director or officer of the Company is hereby authorized to deliver or cause to be executed and delivered, whether under corporate seal or otherwise, and deliver all such other documents and to do all such acts and things that such director or officer may, in his or her sole discretion, deem to be necessary or desirable to give effect to the Reverse Takeover; and

3. notwithstanding approval of the Shareholders as herein provided, the Board may, in its sole discretion, revoke this resolution before it is acted upon without further approval of the Shareholders if the Reverse Takeover of the Company by S&S is not completed."

To be effective, the Reverse Takeover Resolution must be approved by at least 50% plus one (1) vote of the votes cast by Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy, but not including any votes cast by Company Insiders.

The Board, having considered all factors they deemed necessary to be considered based on the information available to them, have concluded that the Reverse Takeover of the Company by S&S as described herein is in the best interests of the Company and recommends Shareholders vote FOR the Reverse Takeover Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Reverse Takeover Resolution.

This resolution must attain Minority Approval, such that votes of Insiders will not be counted in determining whether the resolution has attained a majority of Shareholder support.

4. Election of Directors and Board Reconstitution Resolution

At present, the directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with the Company's Articles or until such director's earlier death, resignation or removal. The Company's current Board consists of Kevin Bottomley, Dusan Berka, Nicholas Rodway and Jody Bellefleur (the "**Original Slate**").

Management has nominated the Original Slate for election at the Meeting. It is agreed as part of the Reverse Takeover that the Board be reconstituted to consist of the individuals comprising the Resulting Issuer Slate effective immediately after Closing, namely Joshua Stimmel, Tage Stimmel, Joshua Hartsell, Granite Stanley and David Hwang immediately after Closing. Management has therefore nominated the Resulting Issuer Slate for election at the Meeting, to take office if and only if the Transactions are completed (together with the Original Slate, the "**Nominees**" and each a "**Nominee**").

The resolution approving the election of the Original Slate, and to approve the election of the Resulting Issuer Slate in connection with the Closing, to be put before the Shareholders at the Meeting is set out below:

"**BE IT HEREBY RESOLVED THAT**, as an ordinary resolution:

1. the number of directors be set at four (4), and the election of each of Kevin Bottomley, Dusan Berka, Nicholas Rodway and Jody Bellefleur as directors of the Company to hold office until the completion of the S&S Acquisition, and if the S&S Acquisition is not completed, until the next annual meeting of the shareholders, or until their successors are duly elected or appointed, is hereby approved; and

2. the number of directors be set at five (5), and to take effect immediately after and conditional upon completion of the S&S Acquisition, the election of Joshua Stimmel, Tage Stimmel, Joshua Hartsell, Granite Stanley and David Hwang as directors of the Company in place and stead of the Original Slate, to hold office until the next annual general meeting of the shareholders, or until their successors are duly elected or appointed, is hereby approved."

Each director elected will hold office until the close of the next annual meeting of shareholders or until such person's successor is elected or appointed. Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority will be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any Nominee or Nominees unable to serve. All Nominees have established their eligibility and willingness to serve as directors.

To be effective, the Election of Directors and Board Reconstitution Resolution must be approved by at least 50% plus one (1) vote of the votes cast by the Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The Board of the Company recommends that Shareholders vote FOR the Election of Directors and Board Reconstitution Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Election of Directors and Board Reconstitution Resolution.

Information with respect to each Nominee in the Original Slate is included below. For information regarding Nominees for the Resulting Issuer Slate, please see "*Information Concerning the Resulting Issuer, Proposed Directors, Officers, Management and Promoter*". The disclosure below is based upon information furnished by the respective proposed Nominee. Except as indicated below, each of the proposed Nominees has held the principal occupation shown beside the Nominee's name in the table below or another executive office with the same or a related company, for the last five years.

Original Slate of Directors

			Number of Shares Beneficially Owned(1)	**Number of Shares Expected to be Owned(2) after Consolidation**
KEVIN BOTTOMLEY(3) British Columbia, Canada, President, CEO & Director	Director of True Leaf Medicine Corp. and Zimtu Capital Corp. Kevin has successfully raised over 75 million for public companies from his networks in North America, Europe and Asia.	February 10, 2016	3,507,833	701,566
JODY BELLEFLEUR(3) British Columbia, Canada, CFO & Director	CPA with over 25 years of experience as a corporate accountant, focusing exclusively on public companies for the last 10 years.	August 21, 2017	500,000	100,000
DUSAN BERKA British Columbia, Canada, Director	Professional Engineer; President and CEO of Megastar Development Corp.; Aquila American Gold Ltd.; Eloro Resources Ltd.; 92 Resources Corp.; Pivit Exploration Inc. and Spey Resources Corp.	January 5, 2016	650,000	130,000
NICHOLAS RODWAY(3) British Columbia, Canada, Director	Nick completed a B.Sc in geology/Earth Sciences at Memorial University of Newfoundland. He is a registered geoscientist with the Association of engineers and geologists of BC as a Geologist in training. Nick is also a Director of Saville Resources Inc.	January 5, 2016	400,200	80,040

[(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 August 26, 2019.

[(2)] These numbers reflect shareholdings following completion of the Consolidation. Accordingly, upon the Consolidation becoming effective, a total of 13,762,043 post-Consolidation Shares would be issued and outstanding, subject to adjustments for rounding.

[(3)] 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.

5. Adoption of Stock Option Plan

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, the Stock Option Plan Resolution, in the form set out below, subject to such amendments, variations, or additions as may be approved at the Meeting, approving the adoption of the Stock Option Plan. The Company's Stock Option Plan was last adopted by Board and approved by Shareholders at the Company's 2018 Annual General and Special Meeting of Shareholders held on October 17, 2018.

The Stock Option Plan is a "rolling" stock option plan, whereby the maximum number of Shares that may be reserved for issuance pursuant to the exercise of options is 10% of the issued shares of the Company and, as such, will increase with the issue of additional shares of the Company. The TSXV requires listed companies that have a "rolling" stock option plan in place to receive shareholder approval of such plan on a yearly basis at the Company's annual meeting. Accordingly, Shareholders of the Company will be asked at the Meeting to approve the Stock Option Plan. The Stock Option Plan complies with the current policies of TSXV.

The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company to acquire Shares, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of their affairs. The Company has no equity incentive plans other than the existing Stock Option Plan at this time. Under the Proposed Stock Option Plan, the size of stock option grants to is dependent on each option holder's level of responsibility, authority and importance to the Company and the degree to which such person's long-term contribution to the Company will be significant to its long-term success.

The Stock Option Plan will reserve 10% of the issued and outstanding Shares of the Company for incentive stock option grants under the plan to qualifying persons. In addition, the Stock Option Plan will limit the number of stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12 month period. The number of options granted to any one consultant, or a person employed to provide investor relations activities, in any 12 month period must not exceed 2% of the total issued shares of the Company. All existing stock options previously granted will be deemed to be incorporated into the Stock Option Plan. Any new stock options granted under the plan may be subject to such vesting provisions as determined by the Board. Shareholders are referred to the Stock Option Plan, a copy of which is available by contacting the Company. The Stock Option Plan proposed for approval by the Shareholders will be the Stock Option Plan of the Resulting Issuer upon completion of the Transactions, a copy of which is attached to as Schedule E of this Information Circular.

The Stock Option Plan Resolution to be put before the Shareholders at the Meeting is set out below:

"**BE IT HEREBY RESOLVED THAT**, as an ordinary resolution:

1. the Stock Option Plan, in substantially the form set out in Schedule E of the Information Circular dated September 3, 2019, including the reservation for issuance under the Proposed Stock Option Plan at any time of a maximum of 10% of the issued shares of the Company, be and is hereby authorized and approved;

2. the Company be and is hereby authorized to grant stock options pursuant to and subject to the terms and conditions of the Stock Option Plan;

3. the Board be authorized in their absolute discretion to establish the Stock Option Plan and administer the Stock Option Plan in accordance with its terms and conditions; and

4. any one director or officer of the Company is hereby authorized for and on behalf of the Company to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

To be effective, the Stock Option Plan Resolution must be approved by at least 50% plus one (1) vote of the votes cast by Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The Board has concluded that the adoption of the Stock Option Plan is in the best interests of the Company and its shareholders, and accordingly, the Company recommends that shareholders vote in favour of the Stock Option Plan Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Stock Option Plan Resolution.

6. Change of Capital Structure

Shareholders will be asked at the Meeting to pass the Change of Capital Structure Resolution approving articles of amendment to create the Preferred Shares, which will result in the Change of Capital Structure. The creation of the Preferred Shares described in this section are necessary to carry out the S&S Acquisition, to avoid immediate and substantial ramification for the Members on sale of their Membership Units to the Company. No Preferred Shares are intended to be sold to any parties other than the Members in conjunction with the S&S Acquisition.

The following summary of the rights and restrictions attached to the Preferred Shares is intended as a brief description of the Preferred Shares and is qualified in its entirety by the full text of the Special Rights and Restrictions attached to the Preferred Shares, which is attached as Schedule A to this Information Circular.

- The holders of the Preferred Shares shall not be entitled to dividends, nor any other distributions by the Company to its Shareholders.
- The holders of the Preferred Shares are entitled to receive notice of and to attend at and to vote in person or by proxy at any general meetings of the Shareholders and are entitled to cast one thousand (1000) votes for each Preferred Share held.
- The holders of the Preferred Shares are not entitled to participate in the assets of the Company upon dissolution or the winding-up of the Company.
- The Company may redeem any or all outstanding Preferred Shares from a holder at the discretion of the Board. The redemption price is the paid up capital amount on each Preferred Share.
- The Preferred Shares are non-transferrable.
- In the event that holders of a minimum of seventy-five percent (75%) of the issued and outstanding Shares accept an offer to purchase their Shares, each offer on substantially the same terms, all the holders of the Preferred Shares will be deemed to accept an offer for their Preferred Shares on the same terms (and in particular, the price per share) and must tender their shares to the buyer at the same time as closing takes place for the sale of the Shares.

Concurrent with completion of the Transactions, SubCo will enter into an exchangeable share support agreement (the "**Exchangeable Share Support Agreement**") with the Company whereby the holders of the Preferred Shares will be entitled to exchange one (1) Preferred Share and one (1) SubCo Exchangeable Share for one (1) post-Consolidation Share (the "**Redemption-Exchange Right**"). The Preferred Shares will not be transferrable.

The Change of Capital Structure Resolution to be put before the Shareholders at the Meeting is set out below:

> "**BE IT HEREBY RESOLVED THAT**, as a special resolution:
>
> 1. the articles of the Company be amended to create 100,000 of Preferred Shares, having the rights and restrictions as set out in Schedule A of the Information Circular;
> 2. any director or officer of the Company is hereby authorized to execute and deliver the articles of amendment of the corporation and to execute, whether under corporate seal or otherwise, and deliver all such other documents and to do all such acts and things that such director or officer may, in his or her sole discretion, deem to be necessary or desirable to give effect to the foregoing; and
> 3. notwithstanding approval of the Shareholders as herein provided, the Board may, in its sole discretion, revoke this resolution before it is acted upon without further approval of the King's Bay Shareholders if the S&S Acquisition not completed."

To be effective, the Change of Capital Structure Resolution must be passed by at least sixty-six and two thirds of a percent (66⅔%) of the votes cast by Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The Board has concluded that Change of Capital Structure is in the best interests of the Company and its shareholders, and accordingly, the Company recommends that Shareholders vote in favour of the Change of Capital Structure Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Change in Capital Structure Resolution.

7. Approval of Share Consolidation

The Board has determined that it would be in the best interests of the Company for the Company to consolidate all of its issued and outstanding Shares on the basis of one (1) post-Consolidation Share for each five (5) pre-Consolidation Shares. At the Meeting, Shareholders will be asked to consider, and if thought advisable, to the Consolidation Resolution (the full text of which is set out below) approving the Consolidation. The Board will then have the sole discretion to proceed with the Consolidation, subject to the receipt of the approval of the TSXV or CSE, as applicable.

Effects of the Consolidation

The Consolidation will result in Shareholders holding a smaller number of Shares. However, the Consolidation will not affect any shareholder's percentage ownership interest or voting rights in the Company, except to the extent that the Consolidation would otherwise result in any shareholder owning a fractional Share. Any fractional Shares resulting from the Consolidation will be rounded up to the next whole Share if such fractional Share is equal to or greater than one-half of a Share and rounded down to the next whole Share if such fractional Share is less than one-half of a Share.

As at the date hereof, there were 68,810,214 Shares issued and outstanding. Accordingly, in the event that the Board determines to proceed with the Consolidation, there is expected to be 13,762,043 Shares issued and outstanding.

In general, the Consolidation will not be considered to result in a disposition of Shares by shareholders for Canadian federal income tax purposes. The aggregate adjusted cost base to a Shareholder for such purposes of all Shares held by the Shareholder will not change as a result of the Consolidation; however, the Shareholder's adjusted cost base per Share will increase proportionately.

Each option, warrant, or other security of the Company convertible into pre-Consolidation Shares that has not been exercised or cancelled prior to the implementation of the Consolidation, will be adjusted pursuant to the terms thereof on the basis of the Consolidation ratio (i.e. the number of Shares issuable will decrease while the exercise price will increase).

Effect on Non-Registered Holders

Non-Registered Holders holding their Shares through an Intermediary should note that such Intermediary may have different procedures for processing the Consolidation than those that will be put in place by the Company for registered shareholders. If you hold your Shares with such Intermediary and if you have questions in this regard, you should contact your Intermediary.

Exchange of Share Certificates

If the Consolidation is approved by shareholders, accepted by the Exchange, and implemented by the Board, Shareholders will be required to exchange their share certificates representing pre-Consolidation Shares for new share certificates representing post-Consolidation Shares.

Following a determination by the Board to implement the Consolidation, it is expected that the Transfer Agent will send a letter of transmittal to each shareholder as soon as practicable after the implementation of the Consolidation. The letter of transmittal will contain instructions on how shareholders can surrender their share certificates representing pre-Consolidation Shares to the Transfer Agent. The Transfer Agent will forward to each shareholder who has sent in their share certificates representing pre-Consolidation Shares, along with such other documents as the Transfer Agent may require, a new share certificate representing the number of post-Consolidation Shares to which such shareholder is entitled. No share certificates for fractional Shares will be issued.

Shareholders should not destroy any share certificate and should not submit any share certificate for a new share certificate until requested to do so.

Procedures for Implementing the Consolidation

If the shareholders approve the Consolidation Resolutions set forth below, the Board will have the authority, in its sole discretion, to determine whether or not to implement the Consolidation. If the Board decides to implement the Consolidation, the Company will promptly make the required filings with the Exchange. The Consolidation will be effective on the date on which the Board determines to carry out the Consolidation after receiving the acceptance of the Exchange. Following receipt of the Exchange's final acceptance of the Consolidation, the Company will cause letters of transmittal, as described above, to be mailed to the shareholders.

Risks Associated with the Consolidation

The effect of the Consolidation upon the market price of the Shares cannot be predicted with any certainty. There can be no assurance that the total market capitalization of the Shares immediately following the Consolidation will be equal to or greater than the total market capitalization immediately before the Consolidation. In addition, there can be no assurance that the per Share market price of the Shares following the Consolidation will remain higher than the per Share market price immediately before the Consolidation or equal or exceed the direct arithmetical result of the Consolidation. In addition, a decline in the market price of the Shares after the Consolidation may result in a greater percentage decline than would occur in the absence of the Consolidation. Furthermore, the Consolidation may lead to an increase in the number of shareholders who will hold "odd lots"; that is, a number of Shares not evenly divisible into board lots (a board lot is 100, 500 or 1,000 Shares, depending on the price of the Shares). As a general rule, the cost to shareholders transferring an odd lot of Shares is somewhat higher than the cost of transferring a "board lot". Nonetheless, despite the risks and the potential increased cost to shareholders in transferring odd lots of post-Consolidation Shares, the Board believes the Consolidation is in the best interests of the Company.

The Consolidation Resolution to be put before the Shareholders at the Meeting is set out below:

"**BE IT HEREBY RESOLVED THAT**, as a special resolution:

1. the Company authorized share structure and its Notice of Articles, if applicable, be altered by consolidating all of the Company's issued and outstanding common shares at a consolidation ratio of one (1) post-consolidation common share for every five (5) pre-consolidation common shares (the "**Consolidation**");

2. Any fractional shares resulting from the Consolidation be: (a) rounded up to the next whole share if such fractional share is equal to or greater than one-half of a share; and (b) rounded down to the next whole share if such fractional share is less than one-half of a share;

3. The board of directors of the Company be and is hereby authorized, in its sole discretion, to determine whether or not, and when, to implement the Consolidation;

4. Subject to paragraph 5 below, the solicitors for the Company are authorized and directed to prepare and electronically file, if required, a Notice of Alteration with the Registrar of Companies;

5 The Notice of Alteration, if required, shall not be filed with the Registrar of Companies unless and until this resolution has been deposited at the Company's records office; and

6. Any one director or officer of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all such documents and instruments and take all such other actions as such director or officer may determine necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and instruments or the taking of such actions."

To be effective, the Consolidation Resolution must be passed by at least sixty-six and two thirds of a percent (66⅔%) of the votes cast by Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The form of the Consolidation Resolution set forth above is subject to such amendments as management may propose at the Meeting but which do not materially affect the substance of the Consolidation Resolution.

The Board has concluded that Consolidation is in the best interests of the Company and its Shareholders, and accordingly, the Company recommends that Shareholders vote in favour of the Consolidation Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Consolidation Resolution.

8. Change of Name

At the meeting, Shareholders will be asked to pass the Change of Name Resolution to approve the change of the Company's name from "**King's Bay Resources Corp.**" to "**Merced Holdings Corp.**" or such other name as the directors may, in their sole discretion determine. Management has determined that upon closing of the S&S Acquisition, the name Merced Holdings Corp. will more accurately reflect the new business of the Company as a producer and manufacturer of cannabis oil and concentrates. Merced is also the location of the S&S production facilities.

The Change of Name Resolution to be put before the Shareholders at the Meeting is set out below:

"**BE IT HEREBY RESOLVED THAT**, as a special resolution:

1. the Company change its name to "Merced Holdings Corp." or such other name as may be acceptable to the directors of the Company and all regulatory authorities having jurisdiction, and that the Company's constating documents be amended accordingly; and

2. the directors of the Company be authorized to perform all such other acts and things as may be necessary or desirable to effect the aforesaid name change; and that the directors of the Company be authorized to implement or abandon these resolutions in whole or in part, at any

time and from time to time in their sole discretion, all without further approval, ratification or confirmation by shareholders."

To be effective, the Change of Name Resolution must be passed by at least sixty-six and two thirds of a percent (66⅔%) of the votes cast by Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The form of the Change of Name Resolution set forth above is subject to such amendments as management may propose at the Meeting but which do not materially affect the substance of the Change of Name Resolution.

The Board of the Company has concluded that Change of Name is in the best interests of the Company and its shareholders, and accordingly, the Company recommends that Shareholders vote in favour of the Change of Name Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Change of Name Resolution.

9. Continuance into British Columbia Business Corporations Act

Summary

The Company presently exists under the *Canada Business Corporations Act* (the "**CBCA**"). At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution (the "**Continuance Resolution**") designed to affect the continuance (the "**Continuance**") out of the jurisdiction of the CBCA and into the jurisdiction of the Province of British Columbia, after which the Company will be subject to the *Business Corporations Act* (British Columbia).

In addition to Shareholder approval, the Continuance is subject to the approval of the British Columbia Registrar (on being satisfied that the Continuance will not adversely affect creditors or Shareholders) and the approval of the CSE.

Management of the Company has determined and believes that the Continuance is in the best interest of the Company as the Company's head office and its management are located in British Columbia. As such, the Continuance is expected to be more efficient and cost effective for the Company. In addition, the BCBCA has more flexibility as to residency of directors and certain other matters than under the CBCA, which will make it easier for the Company to operate after completion of the S&S Acquisition.

Accordingly, at the Meeting, management intends to seek Shareholder approval for the Continuance into British Columbia. If the Continuance is approved by Shareholders, the Company intends to file with the British Columbia Registrar of Companies, under the BCBCA, a continuation application. The continuation application will include the Company's proposed Notice of Articles (the "**Notice of Articles**") and proposed Articles (the "**New Articles**"), a copy of which is attached as Schedule G hereto, each of which will be available for review at the Meeting.

In accordance with the provisions of the CBCA, the special resolution approving the Continuance Resolution will require the approval of not less than two-thirds (66.67%) of the votes cast at the Meeting.

Upon completion of the Continuance, the CBCA and the existing Articles of Incorporation and Bylaws of the Company will cease to apply to the Company and the corporate affairs of the Company will thereafter be governed by the BCBCA and the proposed Notice of Articles and New Articles, as if it had been originally incorporated as a British Columbia company. The Continuance will result in certain changes in the corporate laws applicable to the Company and the provisions of its constating documents. See the discussion below titled "Comparison of the BCBCA and the CBCA and Constating Documents".

Notwithstanding the alteration of Shareholders' rights and obligations resulting from the Continuance and adoption of the New Articles, the Company will still be bound by the rules and policies of the TSXV until delisting, if that occurs, and the CSE thereafter, the British Columbia Securities Commission, Alberta Securities Commission and Ontario Securities Commission, as well as other applicable securities legislation. Nothing that follows should be construed as legal advice to any particular Shareholder, each of whom is advised to consult their own legal advisor with respect to the implications of the Continuance.

The Continuance will not result in any change in the assets, liabilities, net worth, management or share capital of the Company. The Continuance is not a reorganization, amalgamation or merger. The number and class of Shares held by Shareholders will not be altered by the Continuance (other than with respect to Shareholders who dissent to the Continuance Resolution as described below).

The proposed Continuance gives rise to a right of dissent under Section 190 of the CBCA. If the right of dissent is validly exercised by any of the Shareholders entitled to do so (the "**Dissenting Shareholders**"), and the Company completes the Continuance, the Company would be required to purchase, for cash, the Shares of such Dissenting Shareholders at the fair value of such Shares (as determined in accordance with the CBCA), as of the close of business on the last business day before the date that the Continuance Resolution is adopted, subject to the provisions of the CBCA.

Comparison of the BCBCA and the CBCA and Constating Documents

The following is a summary of certain differences between the BCBCA and Notice of Articles and the New Articles, on the one hand, and the CBCA and the existing Articles of Incorporation and Bylaws of the Company, on the other hand. The following summary is not an exhaustive list of these differences, and is qualified in its entirety by reference to the BCBCA, the CBCA, the existing Articles of Incorporation and Bylaws and the new Notice of Articles and the New Articles.

The proposed Notice of Articles and the New Articles, as well as the existing Articles of Incorporation and Bylaws of the Company, will be: (i) available for viewing up to the date of the Meeting at the registered office of the Company at Suite 900 – 885 West Georgia, Vancouver, British Columbia; (ii) mailed to any Shareholder free of charge, upon request to the President of the Company at the address for the Company set forth on the first page of this Information Circular; and (iii) available for review at the Meeting. A draft of the proposed New Articles is also attached as Schedule G to this Information Circular.

Board of Directors

Both the BCBCA and CBCA provide that a public company must have a minimum of three directors. While the BCBCA does not have any Canadian or provincial residency requirements for directors, the CBCA requires that at least 25% of directors of a company must be resident Canadians.

Constating Documents

The form of the charter documents for a BCBCA company is different from the form for a CBCA corporation. Under the CBCA, the charter documents consist of (i) articles, which set forth, among other things, the name of the corporation, the province in which the corporation's registered office is to be located, the authorized share capital including any rights, privileges, restrictions and conditions thereon, whether there are any restrictions on the transfer of shares of the corporation, the number of directors (or the minimum and maximum number of directors), any restrictions on the business that the corporation may carry on and other provisions such as the ability of the directors to appoint additional directors between annual meetings, and (ii) the by-laws, which govern the management of the corporation. The articles are filed with Corporations Canada and the by-laws are filed only at the registered office.

Under the BCBCA, the charter documents consist of (i) a "notice of articles", which sets forth the name of the company, the company's registered and records office, the names and addresses of the directors of the company and the amount and type of authorized capital, and (ii) "articles" which govern the management of a company and set out any special rights or restrictions attached to shares. The notice of articles is filed with the Registrar of Companies and the articles are filed with the company's registered and records office.

Amendments to Charter Documents

The CBCA requires shareholder approval by Special Resolution to change the name of the corporation, whereas under the BCBCA the board of directors may approve a change of name. The BCBCA permits changes to be made to the constating documents with shareholder approval by ordinary resolution, unless a higher threshold is specified in the articles. The proposed New Articles of the Corporation generally do not specify a higher threshold. Under the CBCA, changes to the articles generally require approval by shareholders by Special Resolution while changes to the by-laws require shareholder approval by ordinary resolution, unless a higher threshold is specified in the by-laws. The BCBCA is slightly less flexible with respect to the timing for adopting changes to the constating documents. Changes to the articles of a BCBCA company require approval by shareholders in order to become effective. The board of directors of a CBCA corporation, however, may amend the by-laws of the corporation with immediate effect, subject to the amendment created to have effect if it is not approved by shareholders at the next shareholder meeting.

Shareholder Proposals and Shareholder Requisitions

Both statutes provide for shareholder proposals. Under the CBCA, a record or non-record shareholder may submit a proposal, although the record or non-record shareholder must either: (i) have owned for six months not less than 1% of the total number of voting shares or voting shares with a fair market value of at least C$2,000, or (ii) have the support of persons who, in the aggregate, have owned for six months not less than 1% of the total number of voting shares or voting shares with a fair market value of at least C$2,000. Under the BCBCA, in order for one or more record or non-record shareholders to be entitled to submit a proposal, they must have held voting shares for an uninterrupted period of at least two years before the date the proposal is signed by the shareholders and must own not less than 1% of the total number of voting shares or voting shares with a fair market value in excess of C$2,000.

Both statutes provide that one or more record shareholders holding more than 5% of the outstanding voting equity may requisition a meeting of shareholders, and permit the requisitioning record shareholder to call the meeting where the board of directors of the company does not do so within the 21 days following the company's receipt of the shareholder meeting requisition. However, the BCBCA, unlike the CBCA, specifies that the requisitioned shareholder meeting must be held within not more than four months after the date the company received the requisition. The CBCA does not specify such an outside limit.

Rights of Dissent and Appraisal

The BCBCA provides that shareholders who dissent to certain actions being taken by a company may exercise a right of dissent and require the company to purchase the shares held by such shareholder at the fair value of such shares. The dissent right is applicable in respect of:

(a) a resolution to alter the Articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;
(b) a resolution to adopt an amalgamation agreement;
(c) a resolution to approve an amalgamation into a foreign jurisdiction;
(d) a resolution to approve an arrangement, the terms of which arrangement permit dissent;
(e) a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
(g) any other resolution, if dissent is authorized by the resolution; or
(h) any court order that permits dissent.

The CBCA contains a similar dissent remedy, subject to certain qualifications. Regarding (b) and (c) above, under the CBCA, there is no right of dissent in respect of an amalgamation between a company and its wholly-owned subsidiary, or between wholly-owned subsidiaries of the same company. The CBCA also contains a dissent remedy where a company resolves to amend its Articles to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of a class.

Oppression Remedies

Under the BCBCA, a shareholder of a company has the right to apply to court on the grounds that:

(i) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or
(ii) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court can grant a variety of remedies, ranging from an order restraining the conduct complained of to an order requiring the company to repurchase the shareholder's shares or an order liquidating the company.

The CBCA also includes an oppression remedy which is very similar. However, the CBCA will only allow a court to grant relief if the effect actually exists, while the BCBCA will allow a court to grant relief where a prejudicial effect to the shareholder is merely threatened. In addition, under the BCBCA non-shareholders require the leave of a court in order to bring an oppression claim.

Shareholder Derivative Actions

Under the BCBCA, a shareholder or director of a company may, with leave of the court, bring an action in the name and on behalf of the company to enforce a right, duty or obligation owed to the company that could be enforced by the company itself or to obtain damages for any breach of such a right, duty or obligation. A broader right to bring a derivative action is contained in the CBCA, and this right also extends to officers, former shareholders, former directors and former officers of a company or its affiliates, and any person, who, in the discretion of the court, is a proper person to make an application to the court to bring a derivative action. In addition, the CBCA permits derivative actions to be commenced, with leave of the court, in the name and on behalf of a company or any of its subsidiaries.

Place of Meetings

The BCBCA provides that meetings of shareholders may be held at a place outside of British Columbia provided by the Articles, or approved in writing by the British Columbia Registrar of Companies before any such meeting is held, or approved by an ordinary resolution (provided such a location outside of British Columbia is not restricted as a location for meetings under the Articles).

The CBCA provides that meetings of shareholders may be held at the place outside of Canada provided by the Articles, or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

Form of Proxy and Information Circular

The BCBCA requires a reporting company, such as the Corporation, to provide with notice of a general meeting a form of proxy for use by every shareholder entitled to vote at such meeting as well as an information circular containing prescribed information regarding the matter to be dealt with at the meeting.

The CBCA contains provisions which likewise require the mandatory solicitation of proxies and delivery of a management proxy circular.

Flexibility in Structuring Transactions

The BCBCA provides greater flexibility to implement certain transactions than the CBCA does. Unlike the CBCA, the BCBCA permits a subsidiary to hold shares of its parent. The BCBCA also permits a corporate group to implement horizontal short-form amalgamations even though all the shares of the amalgamating companies are not held by the same company within the group and permits a company to amalgamate with a foreign corporation to form a British Columbia company, if permitted by the foreign jurisdiction.

Constitutional Jurisdiction

Other significant differences in the statutes arise from the differences in the constitutional jurisdiction of the federal and provincial governments. For example, a CBCA corporation has the capacity to carry on business throughout Canada. Similarly, under the BCBCA the registered office must be situated in British Columbia, whereas under the CBCA, the registered office of the corporation must be situated in the province specified in its articles. A BCBCA company is only allowed to carry on business in another province where that other province allows it to register to do so. A CBCA corporation is subject to provincial laws of general application, but a province cannot pass laws directed specifically at restricting a CBCA corporation's ability to carry on business in that province. If another province so chooses, however, it can restrict a BCBCA company's ability to carry on business within that province. Also, a CBCA corporation will not have to change its name if it wants to do business in a province where there is already a corporation with a similar name, whereas a BCBCA company may not be allowed to use its name in that other province. The Corporation does not expect that the Continuance will affect the continuity of the Corporation or result in a change in its business.

Directors authority to set auditor's remuneration

Under the CBCA, remuneration payable to the auditors is fixed by the board, unless fixed by shareholders by ordinary resolution. Under the BCBCA, in order to fix the remuneration payable to the auditors by the board, the Articles need to specify that the directors are authorized to set the remuneration paid to the auditors of the Corporation.

Shareholder meeting matters

Various provisions of the Articles are aimed at providing additional clarity regarding the conduct of shareholder meetings, including (i) confirming that access to ballots and proxies voted at the shareholder meeting will be provided as soon as reasonably practicable after the meeting, (ii) confirming the authority of the chair of the shareholder meeting and the Board to waive the time by which proxies must be deposited with the Corporation or its agent in respect of a shareholder meeting, (iii) revising authority for determining which persons, in addition to shareholders, proxy holders, directors and the auditors, may attend shareholder meetings, (iv) revising authority for adjourning a shareholder meeting due to lack of quorum, (v) clarifying that the chair of the meeting has authority to determine certain disputes in good faith and (vi) clarifying that both the chair of the meeting and the Board have the authority to require evidence of ownership of shares and authority to vote at a shareholder meeting.

Requirements for Special Resolutions

The CBCA requires that certain matters be approved by shareholders by Special Resolution. Under the BCBCA, there is flexibility to provide for different approval requirements for some matters in the articles. The Corporation proposes to adopt the more flexible approach under the BCBCA in order to be able to react and adapt to changing business conditions.

As a result, as allowed under the BCBCA, management and the Board are proposing that the Articles provide for the following matters (which currently require a Special Resolution of the shareholders) to require a directors' resolution only, and not require a shareholders' resolution (recognizing that regulatory authorities may require shareholder approval in certain cases in any event):

(a) a subdivision of all or any of the unissued, or fully paid issued, shares;
(b) a consolidation of all or any of the unissued, or fully paid issued, shares; and
(c) a change of name of the Corporation.

Other capital and share structure changes will continue to require shareholder approval, however the Articles would provide that unless otherwise specified in the Articles or the BCBCA, alterations to the Articles or Notices of Articles will require shareholder approval only by ordinary resolution. The creation, variation or elimination of special rights or restrictions attached to issued shares will nevertheless continue to require shareholder approval by Special Resolution.

Status as a British Columbia Company

Currently, the Corporation's authorized share structure consists of an unlimited number of common shares. If the Shareholders approve the Continuance, then the Company will continue to have an unlimited number of common shares in its authorized share capital, and unlimited number of preferred shares issuable in series, and 100,000 super voting, non-participating Preferred Shares.

Shareholders' Rights of Dissent to the Continuance

The proposed Continuance gives rise to a right of dissent under Section 190 of the CBCA. If the right of dissent is validly exercised by any of the Shareholders entitled to do so, and the Company completes the Continuance, the Company would be required to purchase, for cash, the Shares of such Dissenting Shareholders at the fair value of such Shares (as determined in accordance with the CBCA), as of the close of business on the last business day before the date that the Continuance Resolution is adopted, subject to the provisions of the CBCA.

Persons who are beneficial owners of Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that **only a registered Shareholder is entitled to dissent**. A person who beneficially owns Shares, but is not the registered holder thereof, should contact the registered Shareholder for assistance.

Section 190 of the CBCA, which sets out the procedure for dissenting, is set forth in Schedule F and should be reviewed carefully. **Failure to adhere strictly to the requirements of Section 190 of the CBCA may result in the loss or unavailability of the right of dissent.**

In any event, if a notice of dissent is given by a Shareholder, it is the present intention of the Board to determine, in its sole discretion, whether or not to proceed with the completion of the Continuance.

The Continuance Resolution

Shareholders will be asked at the Meeting to approve the Continuance Resolution, the proposed text of which is set forth below. In order to be effective, the Continuance Resolution requires the favourable vote of not less than two-thirds (66.67%) of the votes cast with respect to the Continuance Resolution at the Meeting, either in person or by proxy.

Management of the Company recommends that Shareholders vote in favour of the Continuance Resolution. It is the intention of the Designated Persons named in the enclosed form of proxy, if not expressly directed otherwise in such form of proxy, to vote such proxy FOR the Continuance Resolution.

Shareholders should review and carefully consider the provisions of the BCBCA and the CBCA, the existing Articles of Incorporation and Bylaws of the Company and the proposed Notice of Articles and New Articles of the Company before deciding how to vote on the Continuance Resolution.

Notwithstanding the approval of the Continuance Resolution by the Shareholders, the Board may abandon the Continuance without further approval from the Shareholders. If the Continuance is abandoned, the Company will continue to be governed by the CBCA and the existing Articles of Incorporation and Bylaws of the Company.

The Continuance Resolution to be put before the Shareholders at the Meeting is set out below:

> "**BE IT HEREBY RESOLVED THAT**, as a special resolution:
>
> 1. The Company be and is hereby authorized to apply to the Registrar of Corporations (British Columbia) (the "**British Columbia Registrar**") for authorization, pursuant to Section 302 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), to discontinue the Company from Canada Business Corporations Act and the provisions of the CBCA, and to file a continuation application (the "**Continuation Application**") with the Registrar of Companies (British Columbia) (the "**BC Registrar**") under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") to continue the Company to the Province of British Columbia as if it had been incorporated under the BCBCA (the "**Continuance**");
>
> 2. Effective upon the issuance of a certificate of continuation by the BC Registrar, the Company adopt the notice of articles attached to the Continuation Application (the "**Notice of Articles**") and the articles attached as Schedule G to the Company's Information Circular dated September 3, 2019 (the "**New Articles**"), in substitution for the existing Articles of Incorporation and Bylaws of the Company pursuant to the CBCA;
>
> 3. Clark Wilson LLP be appointed as the Company's agent to electronically file the Continuation Application with the BC Registrar and to apply to Industry Canada for authorization permitting the continuance and to request a certificate of discontinuation under the CBCA;
>
> 4. On the date and time that the Continuation Application is filed with the BC Registrar, the existing Articles of Incorporation and Bylaws of the Company be replaced with the Notice of Articles contained in the Continuation Application and the New Articles, all as approved by the Board;
>
> 5. The Board, in its sole and complete discretion, be and is hereby authorized to abandon the application for the Continuance at any time prior to the Continuance becoming effective, without further notice to, or approval of, the shareholders of the Company if, in its discretion, the Board deems such abandonment to be advisable; and

6. Any one director or officer of the Company be and is hereby authorized, for and on behalf of the Company, to approve, execute and deliver all such documents and instruments, and to take all such other actions, as such officer or director may determine to be necessary or advisable to implement this resolution and the matters authorized hereby including, without limitation, the execution and filing of the Continuance Application and any forms prescribed by or contemplated under the BCBCA or the CBCA."

The Board of the Company has concluded that the Continuation is in the best interests of the Company and its shareholders, and accordingly, the Company recommends that Shareholders vote in favour of the Continuation Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the Continuance Resolution.

10. Transfer of Listing from TSXV to CSE

In connection with the S&S Acquisition the Company seeks to transfer the listing of its shares from the TSXV to the CSE (the "**Listing Transfer**"). The Listing Transfer is subject to approval of the TSXV, approval of the securities exchange with which the Company seeks to list its Shares and the approval of the Shareholders (the "**CSE Listing Resolution**"). As at the date of the Information Circular, the Company has made an application to list its Shares on the CSE but has not yet received conditional approval of the same. The Company seeks to obtain Shareholder approval so that the TSXV will approve the Listing Transfer. The policies of the TSXV would prevent the Company from trading on the TSXV as a result of the business of S&S and its location in the United States.

In connection with the Listing Transfer, the Company and S&S may be required to prepare and file a Listing Statement on SEDAR, as required by the policies of the CSE, which will contain information on the Company as it will be following completion of the Transactions and at the time of Listing.

The TSX Venture Exchange policy on delisting an issuer's shares from that exchange requires that majority of the minority approval of shareholders be obtained. Pursuant to TSXV policies, shares held by promoters, directors, officers and insiders must be excluded from voting on the delisting, and that accordingly the shares held by Kevin Bottomley, Jody Bellefleur, Dusan Berka and Nicolas Rodway will be excluded from this vote. In addition, if any of the members of S&S hold common shares of the Company, their shares of the Company may not be voted with respect to this matter.

The CSE Listing Resolution must be approved by a simple majority of the votes cast by Shareholders represented in person or by proxy at the Meeting who vote in respect of this CSE Listing Resolution, not including shares held by persons excluded from voting as described above.

The CSE Listing Resolution to be put before the Shareholders at the Meeting is set out below:

"**BE IT HEREBY RESOLVED THAT**, as an ordinary resolution:

1. the delisting of the Shares from the TSXV be and is hereby authorized and approved;

2. the listing of the Shares on the CSE, at the sole discretion of the Board, be and is hereby authorized and approved;

3. despite that this resolution has been duly passed by the Disinterested Shareholders, the Board of Directors of the Company may determine in their sole discretion not to implement the Listing Transfer, the delisting from the TSXV or the listing on the CSE; and

4. any one director or officer of the Company be and is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in their opinion may be necessary or desirable to give effect to the foregoing resolutions, including, without limitation, making any changes to the Listing Transfer as required by the TSXV or the securities exchange with which the Company seeks to list its Shares or applicable securities regulatory authorities."

To be effective, the CSE Listing Resolution must be approved by at least 50% plus one (1) vote of the votes cast by the Shareholders, in each case attending the Meeting and voting on the proposal in person or by proxy.

The form of the CSE Listing Resolution set forth above is subject to such amendments as management may propose at the Meeting, but which do not materially affect the substance of the CSE Listing Resolution.

The Board of the Company has concluded that the Listing Transfer is in the best interests of the Company and its shareholders, and accordingly, the Company recommends that Shareholders vote in favour of the CSE Listing Resolution.

In the absence of instructions to the contrary, the persons named in the accompanying proxy intend to vote FOR the CSE Listing Resolution.

RISK FACTORS

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company and S&S consider the risks set forth below to be the most significant, but do not consider them to be all of the risks associated with an investment in securities of the Company, S&S or the Resulting Issuer. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with the Resulting Issuer's business, actually occur, the Resulting Issuer's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Resulting Issuer Shares could decline and investors may lose all or part of their investment. There can be no assurance that the Company and S&S will be able to satisfy the requirements of the Exchange such that the Exchange will issue the Final Exchange Bulletin.

Risk Factors Relating to the Company, S&S and the Resulting Issuer

The Reverse Takeover may not be completed

The completion of the transactions contemplated by the Securities Exchange Agreement are subject to certain conditions, including: (a) obtaining all necessary regulatory approvals and other transactions comprising part of the proposed Reverse Takeover; (b) the receipt of approval for the listing of the Company's Shares on the CSE; (c) the approval by the Shareholders and the Members of the transactions contemplated by the Securities Exchange Agreement; and (d) other customary conditions. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained. If the transactions contemplated by the Securities Exchange Agreement are not completed for these reasons or for any other reasons, the Company will have incurred significant costs associated with the failed implementation of the proposed Reverse Takeover of the Company by S&S.

Tax Consequences

The transactions described herein may have tax consequences in Canada, the United States, or elsewhere, depending on each particular existing or prospective Shareholder's specific circumstances. Such tax consequences are not described herein and this Information Circular is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Existing and prospective Shareholders should consult their own tax advisors with respect to any such tax considerations.

Market price volatility risks

The market price of the Resulting Issuer Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Resulting Issuer, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Resulting Issuer, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Resulting Issuer Shares.

Acquisitions and Integration

From time to time, the Resulting Issuer may pursue opportunities to acquire additional assets and businesses. Any acquisition that the Resulting Issuer may choose to complete may be of a significant size, may change the scale of the Resulting Issuer's business and operations, and may expose the Resulting Issuer to new geographic, political, operating, financial and competitive risk. The Resulting Issuer's success in its acquisition activities will depend on its ability to identify suitable acquisition candidates that fit its business strategy, negotiate acceptable terms for any such acquisition, obtain approvals from regulatory authorities in the jurisdiction of the business or property to be acquired, and integrate the acquired operations successfully with those of the Resulting Issuer. Any acquisitions would be accompanied by risks.

Acquiring additional business or properties could place increased pressure on the Resulting Issuer's cash flow if such acquisitions involve a cash consideration. In the event that the Resulting Issuer chooses to raise debt capital to finance any such acquisition, the Resulting Issuer's leverage will be increased. If the Resulting Issuer chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Resulting Issuer may choose to finance any such acquisition with its existing resources. The integration of the Resulting Issuer's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Resulting Issuer to incur significant costs in connection with, among other things, implementing financial and planning systems. The Resulting Issuer may not be able to integrate the operations of a recently acquired business or restructure the Resulting Issuer's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from S&S's management team, which may detract attention from the Resulting Issuer's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Resulting Issuer's business.

Litigation Risk

All industries, including the cannabis industry, are subject to legal claims, with and without merit. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which the Resulting Issuer may become subject could have a material effect on the Resulting Issuer's business, prospects, financial position or results of operations.

Key Personnel

Locating, developing and retaining talented designers and personnel knowledgeable in the cannabis industry is a challenge. The success of the Resulting Issuer is largely dependent on the performance of its key personnel. The Resulting Issuer 's success is also largely dependent on its ability to hire and retain other highly qualified personnel.

As the Resulting Issuer's business activity grows, the Resulting Issuer will require additional key executive, financial, operational and administrative personnel. The Resulting Issuer will compete with numerous other companies for the recruitment and retention of qualified employees and third party providers. These individuals are in high demand and the Resulting Issuer may not be able to attract the personnel it needs. Failure to retain key personnel or to attract and retain additional key individuals with necessary skills could have a materially adverse impact upon the Resulting Issuer's business, its operating results and its overall financial condition. The Resulting Issuer has not purchased any "key-man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

If the Resulting Issuer is unable to successfully execute any material part of its growth strategy, its future growth and ability to make profitable investments in its business would be harmed

The Resulting Issuer's success depends on its ability to expand its business while maintaining profitability. The Resulting Issuer may not be able to sustain its growth or profitability on a quarterly or annual basis in future periods. The Resulting Issuer's future growth and profitability will depend upon a number of factors, including, without limitation:

- The level of competition in the cannabis industry;
- The Resulting Issuer's ability to identify, acquire and integrate strategic acquisitions;
- The Resulting Issuer's ability to win new licenses as cannabis is legalized at the state level;
- The Resulting Issuer's ability to achieve brand loyalty;
- The Resulting Issuer's ability to offer new products and to extend existing brands and products into new markets, in Canada, the United States and other international markets;
- The Resulting Issuer's ability to remain competitive in its pricing;
- The Resulting Issuer's ability to leverage its vertically integrated business model to increase profitability;
- The Resulting Issuer's ability to maintain efficient, timely and cost-effective production and delivery of its products;
- The efficiency and effectiveness of the Resulting Issuer's sales and marketing efforts in building product and brand awareness and cross-marketing its brands;
- The Resulting Issuer's ability to identify and respond successfully to emerging trends in the cannabis industry;
- The level of consumer acceptance of the Resulting Issuer's products; and
- The general economic and political conditions and consumer confidence.

The Resulting Issuer may not be successful in executing its growth strategy, and even if the Resulting Issuer achieves targeted growth, it may not be able to sustain profitability. Failure to successfully execute any material part of the Resulting Issuer's growth strategy would significantly impair the Resulting Issuer's future growth and its ability to make profitable investments in its business.

Difficulty to forecast

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Competition

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Resulting Issuer. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. To become and remain competitive, the Resulting Issuer will require research and development, marketing, sales and support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

Conflicts of interest

Certain of the directors and officers of the Resulting Issuer are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Resulting Issuer and as directors and officers of such other companies.

Reliance on management

The success of the Resulting Issuer depends on its ability to attract, develop and retain talented employees, including executives and other key managers. The loss of certain key officers and employees, or the failure to attract and develop talented new executives and managers, could have an adverse effect on the Resulting Issuer's business. The Resulting Issuer's ability to attract and retain employees with the requisite experience and skills depends on several factors, including, but not limited to the Resulting Issuer's ability to offer competitive wages, benefits and professional growth opportunities. Effective succession planning is also important to its long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder the Resulting Issuer's strategic planning and execution. The Resulting Issuer's success is also dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Any loss of the services of key management could have a material adverse effect on the Resulting Issuer's business, operating results, financial condition or prospects

Management of growth

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Reliable data on the medical and adult-use cannabis industry is not available

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by management of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Resulting Issuer's management team as of the date of this Information Circular.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for the Resulting Issuer Shares. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant company resources.

Competition from synthetic production and technological advances

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Resulting Issuer to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Constraints on marketing products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits companies' abilities to compete for market share in a manner similar to other industries. If the Resulting Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Resulting Issuer's sales and results of operations could be adversely affected.

Risks Related to Regulation

The cannabis business in the United States is subject to additional risk

The Resulting Issuer will be engaged in the medical and adult-use cannabis industry in the United States in compliance with local and state law. While the cannabis industry in all markets is highly regulated and rapidly evolving, presenting challenges to management to operate effectively and accurately predict financial results contained in any forward looking statements, the Resulting Issuer is subject to additional risks in its United States operations. Investors are cautioned that in the United States, cannabis is illegal under United States federal law. Notwithstanding the more permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. To management's knowledge, there are to date a total of 31 states, and the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam that have legalized cannabis in some form, including Nevada and California where S&S and S&S California operate.

The United States Congress has passed appropriations bills each of the last four years that have expressly not appropriated funds for prosecution of cannabis offenses of persons who are in compliance with state medical cannabis laws. Courts in the United States have construed these appropriations bills to prevent the federal government from prosecuting persons when those persons comply with applicable state medical cannabis law. However, because this conduct continues to violate federal law, U.S. courts have observed that should United States Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law. If United States Congress restores funding, the government will have the authority to prosecute individuals for violations of the law during the time it lacked funding, subject to the CSA's five-year statute of limitations.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, judgments or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, criminal convictions, disgorgement of profits, cessation of business activities, divestiture or civil asset forfeiture. This could have a material adverse effect on the Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, the listing of its securities on the CSE, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for management to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Approach to the enforcement of cannabis laws is subject to change

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum, acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys’ Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to H.R.1625 – a vehicle for the *Consolidated Appropriations Act* of 2018 which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to United States Congress restoring such funding. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer’s business, revenues, operating results and financial condition as well as the Resulting Issuer’s reputation and prospects, even if such proceedings were concluded successfully in favour of the Resulting Issuer. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Resulting Issuer or the seizure of corporate assets.

The Leahy Amendment must be renewed to protect the medical cannabis industry

The Leahy Amendment, as discussed above, prohibits the Department of Justice from spending funds appropriated by United States Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire on September 30, 2018. At such time, it may or may not be included in the next omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

Anti-money laundering laws and regulation

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("**USA PATRIOT Act**"), Sections 1956 and 1957 of U.S.C. Title 18 (the *Money Laundering Control Act*), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

In February 2014, the Department of the Treasury Financial Crimes Enforcement Network issued a memo (the "**FinCEN Memo**") providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN Memo has not been rescinded by the Department of Justice at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the Department of Justice continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the *Bank Secrecy Act*, that occur in any state, including in states that have legalized the applicable conduct and the Department of Justice's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the Department of Justice's enforcement priorities could result in the Department of Justice prosecuting banks and financial institutions for crimes that previously were not prosecuted.

In the event that any of the Resulting Issuer's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Resulting Issuer Shares in the foreseeable future, in the event that a determination was made that the Resulting Issuer's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Resulting Issuer may decide or be required to suspend declaring or paying dividends without advance notice for an indefinite period of time.

Restriction of entry into the United States

In the past, U.S. Customs and Border Protection ("**CBP**") was given the discretion to question Canadians entering the U.S. about their cannabis use and whether to use their response as a barrier to entry. Recently, the U.S. CBP has been focusing on the whole cannabis industry, including investors. Several highly publicized instances of U.S. CBP detaining and even banning Canadian investors from the United States have occurred in recent months. The restriction of travel to the United States of our executives and investors would seriously impair the ability of the Resulting Issuer to conduct business and could materially impact our results of operations.

Risks Related the Cannabis Industry

Heightened scrutiny by regulatory authorities

For the reasons set forth above, the Resulting Issuer's operations and investments in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of the TMX MOU. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Resulting Issuer Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Resulting Issuer Shares to make and settle trades. In particular, the Resulting Issuer Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Resulting Issuer Shares through the facilities of the applicable stock exchange.

Risk of legal, regulatory or political change

The success of the business strategy of the Resulting Issuer depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To management's knowledge, there are to date a total of 31 states, and the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam that have legalized cannabis in some form and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Resulting Issuer's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the ability of the Resulting Issuer to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Resulting Issuer is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted butsubsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Resulting Issuer, and thus, the effect on the return of investor capital, could be detrimental. Management is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

Public opinion and perception

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical cannabis as opposed to recreational use). A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

Service providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of cannabis or otherwise, third party service providers to the Resulting Issuer could suspend or withdraw their services, which may have a material adverse effect on the Resulting Issuer's business, revenues, operating results, financial condition or prospects.

Forward Looking Statements

Statements contained in this Information Circular that are not historical facts, but rather are forward looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements.

Requisite Shareholder Approvals

Each Shareholder of record at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting. As of the Record Date, the Company had 68,810,214 Shares issued and outstanding. Shareholders are entitled to one vote for each Company Share held in respect of the resolutions as further described in Matters to be Acted Upon. A quorum at the Meeting will consist of any two shareholders, or one or more proxyholder representing two shareholders, or one shareholder and a proxyholder representing another shareholder entitled to vote at the Meeting.

AUDIT COMMITTEE

Pursuant to Section 224(1) of the BCBCA, the policies of the Exchange and National Instrument 52-110 *Audit Committees* (“**NI 52-110**”), 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 trading on the TSXV, 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 Nl 52-110.

The Audit Committee’s Charter

Mandate

The primary function of the audit committee (the “**Committee**”) is to assist the Board 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 its 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 of Audit Committee

The following are the members of the Audit Committee:

	Independent[(1)]	**Financially Literate**[(1)]
Kevin Bottomley	N	Y
Dusan Berka	Y	Y
Jody Bellefleur	N	Y

(1) As defined by NI 52-110.

The Company's Audit Committee is comprised of three directors consisting of Kevin Bottomley, Dusan Berka and Jody Bellefleur. As defined in NI 52-110, Mr. Bottomley is not independent as he is the President and CEO of the Company and Ms. Bellefleur is not independent as she is the CFO of the Company. Mr. Berka is independent as defined in NI 52-110. All of the Audit Committee members are "financially literate", as defined in NI 52-110, as all have the industry experience necessary to understand and analyze financial statements of the Company, as well as the understanding of internal controls and procedures necessary for financial reporting.

The Audit Committee is responsible for review of both interim and annual financial statements for the Company. For the purposes of performing their duties, the members of the Audit Committee have the right, at all times, to inspect all the books and financial records of the Company and any subsidiaries and to discuss with management and the external auditors of the Company any accounts, records and matters relating to the financial statements of the Company. The Audit Committee members meet periodically with management and annually with the external auditors.

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 CFO and the external auditors in separate sessions.

Audit Committee Charter

The Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. The text of the Audit Committee's charter is set forth at Schedule D attached hereto.

Relevant Education and Experience

Mr. Kevin Bottomley is a Director of True Leaf Medicine Corp. and Zimtu Capital Corp., Mr. Bottomley is financially literate and is able to evaluate and understand the Company's financial statements at the current level of complexity.

Mr. Dusan Berka is a Professional Engineer; President and CEO of Megastar Development Corp.; Director of Voltaic Minerals Corp.; Aquila American Gold Ltd.; Eloro Resources Ltd.; 92 Resources Corp. and Belmont Resources Inc. Mr. Berka is financially literate and is able to evaluate and understand the Company's financial statements at the current level of complexity.

Ms. Jody Bellefleur is a CPA with over 25 years of experience as a corporate accountant, focusing exclusively on public companies for the last 10 years. Ms. Bellefleur is responsible for all aspects of regulatory financial reporting including the preparation of quarterly financial statements, management discussion and analysis reports, the coordination of annual audits, and government tax and regulatory reporting. Ms. Bellefleur is financially literate and is able to evaluate and understand the Company's financial statements at the current level of complexity.

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 Amador'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 Amador'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:

Financial Year Ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2018	$17,800	N/A	$1,500	N/A
December 31, 2017	$14,000	N/A	$1,500	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*).

ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on SEDAR at www.sedar.com. Additional financial information is provided in the Company comparative financial statements for the year ended December 31, 2018, and related and management's discussion and analysis which can be found under the Company's profile on SEDAR at www.sedar.com. Shareholders may also obtain these documents, without charge, upon request to the President of the King's Bay Resources Corp. at Suite 1450, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

INFORMATION CONCERNING THE COMPANY

Information in this section is given as of the date of this Information Circular, prior to the completion of the Transaction.

CORPORATE STRUCTURE

Name and Incorporation

King's Bay Gold Corporation was incorporated under the Canada *Business Corporations Act* on March 20, 1998. On August 14, 2017, it changed its name from King's Bay Gold Corporation to King's Bay Resources Corp. The address of the Company's corporate office and principal place of business is Suite 1450 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba. The Shares are currently listed on the TSXV under the symbol "KBG".

Intercorporate Relationships

King's Bay Holdings USA Corp. was incorporated under the Nevada Revised Statues, Chapter 78 on January 29, 2019. The address of SubCo's corporate office and registered records office is Suite 500 – 3773 Howard Hughes Parkway, Las Vegas, Nevada, 89169. SubCo is a wholly-owned subsidiary of the Company. After Closing, SubCo's voting shares will continue to be owned as to 100% by the Company, and the SubCo Exchangeable Shares will be owned by former members of S&S.

None of the SubCo Shares have been traded or are listed for trading on any stock exchange.

GENERAL DEVELOPMENT OF THE BUSINESS OF THE COMPANY

History

King's Bay Resources Corp. (formerly King's Bay Gold Corporation) was incorporated in Canada pursuant to the Canada Business Corporations Act on March 20, 1998, and is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company is a public company listed on Tier 2 of the TSXV under the symbol "KBG". The Company's name change from King's Bay Gold Corporation to King's Bay Resources Corp. was approved by the TSXV on August 14, 2017.

On March 29, 2019, the Company entered into an arm's length agreement to acquire all of the issued and outstanding equity of S&S, which owns and operates S&S California, a licensed cannabis oil and concentrate producer. The S&S Acquisition is subject to the approvals from shareholders and the Listing Transfer and if it is successfully completed, the Company will change its business focus from exploration and evaluation of mineral resources to production of cannabis concentrate and cannabis concentrate products.

The S&S Acquisition

On March 29, 2019 the Company, SubCo, S&S and the Members entered into the Securities Exchange Agreement, pursuant to which SubCo agreed to acquire all of the issued and outstanding Membership Units of S&S from the Members which shall be satisfied by the issuance of an aggregate of 23,000 SubCo Exchangeable Shares at a deemed price of $30.00 per SubCo Exchangeable Share. Each SubCo Exchangeable Share is exchangeable for 1000 common shares of the Company, provided the holder of SubCo Exchangeable Shares delivers for cancellation one Preferred Share for each SubCo Exchangeable Share being exchanged. This structure was created so as to defer the expected tax liability of the former S&S Members from the Closing date to the date when the exchange of SubCo Exchangeable Shares for Company Shares takes place.

In addition, pursuant to the terms of the Securities Exchange Agreement, the Members will, concurrent with the closing of the S&S Acquisition, subscribe and pay for and the Company will issue to the Members a total of 23,000 Preferred Shares, which shares will not participate in dividends, distributions or have any rights to assets on winding-up or on liquidation, but will have the right to vote at meetings of holders of the post-Consolidation Shares, and each Preferred Share will be entitled to 1000 votes. The Preferred Shares will be issued to the Members at a subscription price of $0.01 per Preferred Share.

The combination of the SubCo Exchangeable Shares and the Preferred Shares gives the former S&S members the equivalent of the voting power and control of 23,000,000 Company common shares, but the SubCo Exchangeable Shares and the Preferred Shares may not be sold. If and when former S&S members wish to sell any of their interest in the Company, they will have to exchange the SubCo Exchangeable Shares and the Preferred Shares for Company common shares.

Pursuant to the Securities Exchange Agreement, if required by the CSE, the SubCo Exchangeable Shares will be delivered to an escrow agent to be determined by the Company in its sole discretion (the "**Escrow Agent**") and held in escrow by the Escrow Agent pursuant to the terms and conditions of an escrow agreement (the "**Escrow Agreement**"), in such form as is satisfactory to the Company, to be executed by the Members prior to the Closing. The Escrow Agreement will provide, among other things, that the SubCo Exchangeable Shares will be subject to escrow and will be released from escrow and delivered to the Members over a thirty-six (36) month period as may be required by the CSE.

The Special Rights and Restrictions of the SubCo Exchangeable Shares include the restriction that they may not be exchanged for Company common shares until the dates listed as follows:

Upon receipt of Final Exchange Approval	10%	release from escrow of 2,300 shares
Date that is 6 months from Closing Date	15%	release from escrow of 3,450 shares
Date that is 12 months from Closing Date	15%	release from escrow of 3,450 shares
Date that is 18 months from Closing Date	15%	release from escrow of 3,450 shares
Date that is 24 months from Closing Date	15%	release from escrow of 3,450 shares
Date that is 30 months from Closing Date	15%	release from escrow of 3,450 shares
Date that is 36 months from Closing Date	15%	release from escrow of 3,450 shares
Total:	100%	Total released 23,000 shares

A finder's fee of 3,000,000 Shares is payable in connection with the S&S Acquisition to an arm's length party.

The Change of Capital Structure

In connection with the Securities Exchange Agreement, the Company proposes to create a new class of preferred, super voting, non-participating shares, which Preferred Shares which shares will not participate in dividends, distributions or have any rights to assets on winding-up or on liquidation, but will have the right to vote at meetings of holders of the post-Consolidated Shares, with each Preferred Share entitling the holder thereof to 1000 votes per Preferred Share.

In connection with the Change of Capital Structure, the Company will reserve an aggregate of up to 23,000,000 Shares for issuance to the Members upon the exercise of the Redemption-Exchange Right and in exchange for all the issued and outstanding securities of S&S. The value at Closing of the Company's common shares for the purpose of the S&S Acquisition is $0.04 per Share. The 23,000,000 Shares when eventually issued upon exchange of the Exchangeable Shares would if issued represent approximately 46.27% of the total issued and outstanding common share capital of the Company following the completion of the Transactions, including the Concurrent Financing discussed above.

In connection with the Transactions, SubCo will enter into an exchangeable share support agreement (the "**Exchangeable Share Support Agreement**") with the Company whereby the holders of the Preferred Shares will be entitled to exchange one (1) Preferred Share and one (1) SubCo Exchangeable Share for one thousand (1000) post-Consolidation Shares. The SubCo Exchangeable Shares and the Preferred Shares will not be transferrable.

The Concurrent Financing

In connection with the S&S Acquisition, the Company announced on March 29, 2019 the Concurrent Financing, pursuant to which the Company plans to undertake a non-brokered private placement financing to raise aggregate gross proceeds of a minimum of $2,000,000 and up to $4,000,000. The Company plans to issue Units comprising one post-Consolidation Share and one share purchase Warrants at a price of $0.20 per Unit pursuant to the Concurrent Financing.

Each subscriber will irrevocably subscribe for Units pursuant to a subscription agreement and pay the subscription price to the Company. In turn, the Company will establish a segregated account and will deposit the aggregate proceeds of the Concurrent Financing in a segregated account established for this purpose. Closing of the Concurrent Financing, and the subsequent acceptance by the Company of the proceeds of the Concurrent Financing is conditional upon the Closing. If the S&S Acquisition does not close by the date as required in the Securities Exchange Agreement, the Company will return the subscription funds to the subscribers.

Proceeds of the Concurrent Financing will be used for working and expansion capital for the business of S&S, including rental and outfitting of a new, expanded cannabis extraction facility.

The Shares and Warrants will be subject to resale hold periods under applicable United States and Canadian securities laws.

Interest of Insiders, Promoters or Control Persons

Prior to the completion of the Transactions, no Insider, promoter, or Control Person of the Company or its Associates and Affiliates has any interest in S&S. Following the Closing, it is expected that Joshua Stimmel and Tage Stimmel will have sufficient voting power to materially affect the Resulting Issuer.

Arm's Length Transaction

The Reverse Takeover constitutes an Arm's Length Transaction.

SELECTED PRO-FORMA FINANCIAL INFORMATION

Selected Information

The following table presents selected pro-forma financial data of the Company for the periods indicated as at the dates indicated.

Financial Results	**6 Month ended June 30, 2019**	**Year ended December 31, 2018**
Total Revenue	$Nil	Nil
Total Expenses	$300,081	$1,281,541
Net Income (Loss) per common share	($0.00)	$(0.02)
Net Income (Loss) and Comprehensive Income (Loss) for the Year	($300,081)	$1,281,541

Financial Results	6 Month ended June 30, 2019	Year ended December 31, 2018
Amounts deferred in connection with the Transaction	Nil	Nil
Total Assets	$135,666	$459,108
Total Long-term liabilities	Nil	Nil
Cash Dividends declared	Nil	Nil

DESCRIPTION OF THE COMPANY'S SECURITIES

The table below presents the Company's common share data as of the date of this Information Circular.

Type of Security	Share Capital (pre-Consolidation)
Shares	68,810,214
Securities convertible into Shares	34,458,491(1)
Company Options	1,325,000(2)
TOTAL:	104,593,705

(1) Made up of 12,516,700 warrants exercisable at $0.12 until December 30, 2019, 2,175,000 warrants exercisable at $0.15 until September 18, 2019, 18,341,791 warrants exercisable at $0.10 until June 8, 2020, and up to 712,500 shares and 712,500 warrants upon conversion of $142,500 in convertible notes, which are convertible into units comprising shares and warrants at $0.20 per unit until August 7, 2020; each warrant may be exercised at $0.35 in the first year after August 7, 2020 and $0.60 in the second year.

(2) Options are exercisable until September 21, 2022 at an exercise price of $0.10.

The following is a summary of the material attributes and characteristics of the Shares and does not purport to be complete and reference is made to the articles of incorporation of the Company as well as the CBCA.

Holders of Shares are entitled to one vote per share on all matters subject to shareholders vote. The Shares have no pre-emptive, redemption, retraction, conversion or other subscription rights. All of the presently outstanding Shares are fully paid and non-assessable. If the Company is liquidated or dissolved, holders of Shares will be entitled to share ratably in the assets of the Company remaining after satisfaction of liabilities. The holders of Shares are entitled to receive dividends when and as declared by the board of directors. No Company Share which is fully paid is liable to calls or assessment by the Company.

STOCK OPTION PLAN

There are currently 1,325,000 options outstanding issued pursuant to the Stock Option Plan. At the Meeting, Shareholders will be asked to approve the Stock Option Plan, which is attached as Schedule E to this Information Circular. For the material terms of the Stock Option Plan of the Company to be approved by the Shareholders, please see "*Information Concerning the Resulting Issuer - Options to Purchase Securities*."

PRIOR SALES

The Company has issued the following Shares in the 12 months preceding the date of this Information Circular:

Date Issued	Number of Shares	Purchase Price Per Company Share ($)	Aggregate Issue Price ($)	Nature of Consideration
August 7, 2019	712,500*	$0.20*	$142,500	Cash

*The Company issued $142,500 in value of convertible notes on August 7, 2019. The notes accrue interest at 12% per annum and are due 1 year after issuance. The notes are convertible into units at a conversion price of $0.20 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. The warrants are non-transferable. Each whole warrant entitles the holder to purchase one additional Company common share for a period of 24 months commencing from the Closing at an exercise price of $0.35 per share until twelve (12) months following the unit issue date and thereafter at $0.60 per share.

STOCK EXCHANGE PRICE

The Shares have not traded since March 29, 2019. Trading history of the preceding periods is as follows:

Period Ended	High	Low	Volume
Quarter ended December 31, 2017	$0.14	$0.09	17,439,680
Quarter ended March 31, 2018	$0.11	$0.07	13,511,725
Quarter ended August 30, 2018	$0.08	$0.05	7,929,122
Quarter ended September 30, 2018	$0.07	$0.04	8,973,497
Quarter ended December 31, 2018	$0.05	$0.03	9,417,628
Quarter ended March 31, 2019	$0.05	$0.035	4,124,754
Quarter ended June 30, 2019	No Trades(1)		
July 1 – September 2, 2019	No Trades(1)		

(1) Trading of the Shares on the TSXV has been halted since March 29, 2019 in connection with the announcement of the proposed Transactions.

EXECUTIVE COMPENSATION

STATEMENT OF EXECUTIVE COMPENSATION

For the purpose of this Information Circular:

"**CEO**" of the Company means each individual who acted as chief executive officer of the Company or acted in a similar capacity for any part of the most recently completed financial year;

"**CFO**" of the Company means each individual who acted as chief financial officer of the Company or acted in a similar capacity for any part of the most recently completed financial year; and

"**Named Executive Officers**" or "**NEO**" means:

(a) the Company's CEO;

(b) the Company's CFO;

(c) each of the Company's 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 year and whose total compensation was, individually, more than $150,000 as determined in accordance with applicable securities laws; and

(d) any individual who would be a NEO under paragraph (c) 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 the most recently completed financial year.

As at December 31, 2018, the end of the most recently completed fiscal year of the Company, the Company had two NEOs: Kevin Bottomley, CEO and President and Jody Bellefleur, CFO. The total compensation awarded, paid to or earned by the NEOs from the Company is set out below in the Summary Compensation Table.

Summary Compensation Table

The following table provides a summary of all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company to each NEO and director, excluding compensation securities, for the two most recently completed financial years.

Name and Principal Position	Year Ended December 31	Salary, Consulting fee, retainer or commission ($)	Bonus	Committee or meeting fees	Value of perquisites ($)	Value of all other compensation	Total Compensation ($)
Kevin Bottomley(1) President, CEO and Director	2018 2017	$96,500 $70,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	$96,500 $70,000
Jody Bellefleur(2) CFO and Director	2018 2017	Nil Nil	$3,500 Nil	Nil Nil	Nil Nil	Nil Nil	$3,500 Nil
Bradley Hoeppner(3) Former Director	2018 2017	Nil $42,500	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil $42,500
Nicholas Rodway(4) Director	2018 2017	Nil Nil	$7,500 Nil	Nil Nil	Nil Nil	Nil Nil	$7,500 Nil
Dusan Berka(5) Former President, CEO and Director	2018 2017	Nil Nil	$1,500 Nil	Nil Nil	Nil Nil	Nil Nil	$1,500 Nil

(1) Kevin Bottomley was appointed a director on February 10, 2016. Mr. Bottomley was appointed as President & CEO on September 23, 2016.

(2) Jody Bellefleur was appointed as CFO on February 10, 2016. Ms. Bellefleur was appointed as a director on August 21, 2017. She is paid by Zimtu Capital Corp., which charges a monthly fee to the Company for rent, administration, accounting and other services.

(3) Bradley Hoeppner was appointed a director on February 10, 2016. Mr. Hoeppner resigned as a director on August 21, 2017.

(4) Nicholas Rodway was appointed as a director on January 5, 2016.

(5) Dusan Berka was appointed as CEO on February 10, 2016. Mr. Berka was appointed as a director on January 5, 2016. Mr. Berka resigned as President and CEO on September 23, 2016.

Stock options and other compensation securities

The following table discloses all compensation securities granted or issued to each director and NEO by the Company in the most recently completed financial year, December 31, 2018, for services provided or to be provided, directly or indirectly, to the Company.

Compensation Securities							
Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion price ($)	Closing price of security or underlying security on date of grant($)	Closing price of security or underlying security at year end($)	Expiry Date
Kevin Bottomley President, CEO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jody Bellefleur CFO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Bradley Hoeppner Former Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nicholas Rodway Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dusan Berka Former President, CEO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The following table discloses each exercise by a director or NEO of compensation securities during the most recent completed financial year of the Company, December 31, 2018.

Exercise of Compensation Securities by Directors and NEOs							
Name and Position	Type of compensation security	Number of underlying securities exercised	Exercise price per security ($)	Date of Exercise	Closing price of security on date of exercise ($)	Difference between exercise price and closing price on date of exercise($)	Total value on exercise date ($)
Kevin Bottomley President, CEO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jody Bellefleur CFO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Bradley Hoeppner Former Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nicholas Rodway Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dusan Berka Former President, CEO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Stock option plans or other incentive plans

The Company’s current stock option plan (the “**Plan**”) is a “rolling” stock option plan, whereby the aggregate number of Shares reserved for issuance, together with any other Shares reserved for issuance under any other plan or agreement of the Company, shall not exceed ten (10%) percent of the total number of issued Shares (calculated on a non-diluted basis) at the time an option is granted. The Plan provides that the Board may, from time to time, in its discretion, grant to directors, officers, employees, consultants and other personnel of the Company and its subsidiaries or affiliates, options to purchase shares of the Company. As at the date hereof, there are 1,325,000 options outstanding under the Plan. The Plan was last approved by the shareholders of the Company on October 17, 2018.

A copy of the Plan is available for review on the Company's profile at www.sedar.com and at the office of the Company at Suite 1450 – 789 West Pender Street, Vancouver, British Columbia V6C 1H2 during normal business hours up to and including the date of the Meeting. Please see "*Information Concerning the Resulting Issuer - Options to Purchase Securities*."

Employment, consulting and management agreements

The Company does not have any employment, consulting or management agreements.

Oversight and description of director and named executive officer compensation

Directors and Officers

The Company's compensation program is intended to attract, motivate, reward and retain the management talent needed to achieve the Company's business objectives of improving overall corporate performance and creating long-term value for Shareholders. The compensation program is intended to reward executive officers on the basis of individual performance and achievement of corporate objectives, including the advancement of the exploration and development goals of the Company. The Company's current compensation program is comprised of base salary or fees, short term incentives such as discretionary bonuses and long term incentives such as stock options.

The Board has not created or appointed a compensation committee given the Company's current size and stage of development. All tasks related to developing and monitoring the Company's approach to the compensation of the Company's NEOs and directors are performed by the members of the Board. The compensation of the NEOs, directors and the Company's employees or consultants, if any, is reviewed, recommended and approved by the Board without reference to any specific formula or criteria. NEOs that are also directors of the Company are involved in discussion relating to compensation, and disclose their interest in and abstain from voting on compensation decisions relating to them, as applicable, in accordance with the applicable corporate legislation.

Pension Plans

The Company does not maintain any defined benefit, contribution, or pension plans and no officer or director of the Company was eligible for any payments or other benefits in connection with retirement under any defined benefit, contribution, or pension plan during the fiscal period ended December 31, 2018, or at any time from December 31, 2018 to the date of this Information Circular.

Termination of Employment, Changes in Responsibility and Employment Contracts

There are no employment contracts between the Company and the NEOs. 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.

MANAGEMENT CONTRACTS

The Company does not have agreements or arrangements for the performance of management functions by any person.

NON-ARM'S LENGTH PARTY TRANSACTIONS

In the 24 months before the date of this Information Circular, the Company has not entered into any Non-Arm's Length Party transactions. The proposed Transactions are not Related Party Transactions.

LEGAL PROCEEDINGS

There are no actual or, to the knowledge of the Company, contemplated legal proceedings to which the Company is a party or of to which any of its assets are the subject matter thereof.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is MNP LLP, Chartered Professional Accountants, Suite 2200 – 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3.

The transfer agent and registrar of the Company is Computershare Investor Services Inc., with an address at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

MATERIAL CONTRACTS

The following summarizes the material contracts, other than contracts entered into in the ordinary course of business that were entered into within the two years before the date of this Information Circular:

- the Securities Exchange Agreement; and
- the engagement agreement dated June 10, 2019 between the Company and Leede Jones Gable Inc.

All of the contracts specified above may be inspected at the main offices of the Company at 1450 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2, during normal business hours up to the date of the Meeting.

INFORMATION CONCERNING S&S

Information in this section is given as of the date of this Information Circular, prior to the completion of the Transactions.

CORPORATE STRUCTURE

Name and Incorporation

S&S was incorporated under the Nevada Revised Statues, Chapter 86 as a domestic limited-liability company on February 1, 2019. The address of S&S's corporate office and registered records office is Suite 500 – 3773 Howard Hughes Parkway, Las Vegas, Nevada, 89169.

None of S&S's Securities have been traded or are listed for trading on any stock exchange.

Intercorporate Relationships

S&S has one wholly-owned subsidiary, that being S&S California.

S&S California was incorporate under the California Revised Uniform Limited Liability Company Act on November 24, 2015. The address of S&S California's corporate office and registered records office is Suite 101-268 1809 South Street, Sacramento, California. All of the rights of the members of S&S California are owned by S&S.

Effective March 1, 2019, Golden Hills Collective, Inc., a non-profit Mutual Benefit Corporation under the Nonprofit Mutual Benefit Corporation Law of the State of California which had acquired assets and operated a portion of the business of S&S California, transferred all its assets and business and know-how to S&S California such that as of that date, S&S California owns all assets associated with the Elicit Labs business.

NARRATIVE DESCRIPTION OF THE BUSINESS OF S&S

S&S through S&S California produces cannabis oil and cannabis concentrates for distribution and sale in the State of California under the brand "Elicit Labs". S&S owns trade secrets and proprietary production processes that provide a purer, cleaner concentrate product than most competitors which allows them to compete on the upper end of the price scale in certain concentrate product categories. S&S created a proprietary form of "winterized crumble" under the product name Absolute Crumble earning the company awards and recognition from peers and consumers across California. Cannabis concentrate is the fastest growing sector of the California cannabis market and is a high value product priced at generally 300% of the average per gram price of the cannabis flower. In addition to cannabis oils and concentrates, S&S also produces a wide variety of products for delivery methods such as cartridges for vaporizing and syringes for dabbing or taking concentrate orally.

History

The founding shareholders of S&S have been active in the cannabis industry since 2013. Since 2015, S&S, through its wholly-owned subsidiary S&S California, has operated out of its 2,800 square foot production facility located in Merced, California and distributed its "Elicit Labs" branded products through River Collective, a collective of about 400 cannabis dispensaries. River Collective has now merged with Alta Supply to become Continuum, a cannabis distribution company, to provide even more venues of delivery and therefore potential sales.

Corporate Strategy

S&S's strategy in the near term is to roll out its business model of manufacturing oil and concentrates as finished goods for sale to dispensaries and large wholesalers as either private label or branded product. S&S will restart production of all products from their new Merced production facility with first sales possibly as early as fourth quarter 2019. S&S's geographic focus is in California; however, S&S has had initial exploratory discussions with U.S. and international operators to license its processing methods for cannabis oil and concentrates. S&S intends to establish an office in Vancouver in part to manage this international effort and manage public company compliance, separately from its U.S. operations, so as not to deter from its core geographic focus of California.

S&S plans to leverage its core expertise and its recognized, award winning Elicit Labs brand in the production of cannabis oils and concentrates. The founding shareholders and board of directors of S&S have been investors, advisors, officers and directors of cannabis cultivation, production and marketing businesses since 2013. S&S maintains proprietary trade secrets in its production processes developed by two of its founding shareholders Mr. Joshua Stimmel and Mr. Granite Stanley, and have had input and contribution from Dr. Joshua Hartsel, an internationally recognized expert in cannabis extracts and concentrate. S&S is actively working on new brands in order to target underrepresented markets and is collaborating with third parties to develop and launch proprietary products. It is also working to integrate new technologies in product production, tracking and marketing, all of which are designed to build brand awareness, loyalty and sales revenues.

Production (manufacturing and extraction)

The core competency of S&S is the extraction and production of cannabis oil and cannabis concentrates. S&S's founders and core management team have been producing cannabis oils and concentrates since 2013 and have extensive experience in all production platforms or methods including hydro-carbon, carbon dioxide, butane, propane, hexane and ethanol. Though S&S is platform-agnostic, its preferred method is hydro-carbon. Under the Elicit Labs brand name S&S currently produces and sells a focused line of 8 products in the following categories:

Concentrates – crumble, shatter, live resin, terpene sauce, and diamonds; and Oils – both raw and distilled form in a variety of strains and flavors in THC and THC / CBD blends primarily for vape cartridges.

S&S packages and sells all of these products under the Elicit Labs brand name to licensed distributors which in turn sells and distributes the products to licensed dispensaries. S&S is considering additional brands for targeted and underrepresented markets. S&S also wholesales distillates and made-to-order distillates to other licensed producers including the edibles market. S&S is considering entering the edibles market with a branded "micro-dose" edible line.

The extraction process consists of grinding the biomass pf cannabis and placing it into a tube. Liquid Petroleum Gas ("**LPG**") is then pulled into the tube to separate the oils from the plant material. Once the oil and LPG are pulled into the collection chamber, the LPG is heated up, turned into a gas and recollected into a LPG container. The Butane Honey Oil ("**BHO**") is then either sent for further processing or used as a single solvent product such as shatter or live resin.

Biomass (also known as cannabis trim, flower, or processing material) is the chief manufacturing component. S&S sources biomass through established partnerships with large farms, distributors, or strategic partners. Most suppliers enter into material supply agreements ("**MSAs**"). These MSAs define incoming biomass specifications for weekly/monthly quantity, quality, contracted output yield, and price per pound. Meticulous logs are maintained to track key metrics. These logs are made available to MSA partners to maintain transparency and allow for product and process improvement.

Description of Types of Products That Will Be Manufactured, Packaged, or Labeled

- **Winterized Crumble:** Created by S&S, this is a "whipped" product that has a light yellow to white color. A high THCA concentrate that is easy to smoke. This product is clean and tests at an average of 80% THC levels. The crumble is sold packaged in half grams and grams.
- **Shatter:** A product made from BHO (butane honey oil) that is light enough to see through and stable enough to hold for short periods of times.
- **Live Resin:** The final product from an extraction method that uses fresh frozen plants. The plants are frozen immediately after being harvested. Using fresh frozen plants helps preserve the plants unique aroma and taste. The result is a very potent and fresh product.
- **Terpene Sauce:** A cannabis extract with a sticky, liquid consistency. Sauce extractions contain high level of terpenes and are typically very flavorful extracts.
- **Diamonds:** Crystalline structures primarily made of THCA, that are developed in sauce extracts or isolated on their own.
- **Vaporizer Cartridges:** A distilled form of THC oil that has terpenes reintroduced. This product is sold in prefilled 5 ml cartridges.
- **Distillate**: A product made by distilling the active cannabinoids out of cannabis oil. It is more potent that other concentrates. It can be used in edibles and most commonly seen in a vaporizer pen. It has the color and consistency of a light honey. This product will be sold in bulk to other processors and manufacturers to create their own products

Facilities

S&S has received a county permit to build out and outfit a 10,000 square foot facility in Merced, California. S&S has started construction and renovation on the new production facility and will receive a Provisionary Type 7 – Volatile Manufacturing License from the State of California upon final facility inspection. The facility sits on approximately 2 acres of land and consists of a main building of approximately 10,000 square feet of indoor manufacturing space, testing, packaging, marketing and administration. Within the 10,000 square foot indoor facility, approximately 2,500 square feet is a segregated Class 1, Division 1 explosive-proof room for volatile extraction. S&S intends to manufacture using both volatile extraction methods (e.g., butane and propane) in a Class 1, Division 1, explosive-proof room, and non-volatile methods (e.g., CO2; and ethanol) in properly ventilated areas. S&S intends to produce its entire suite of cannabis oils and concentrates in this Merced, California facility.

Adjacent to the east of the main production building, S&S has an option on a second building of approximately 5,000 square feet available for an expanded R&D facility. S&S has an option to expand current facilities or construct additional buildings on the remainder of the 2 acre property, which option, if exercised, shall provide sufficient space and flexibility for S&S's future growth and expansion.

Marketing Plans and Strategies

The new facility is expected to greatly increase the processing capacity from historical levels of approximately 15,000 grams per month to approximately 150,000 grams per month of cannabis oil and concentrate. S&S's strategy in the near term is to roll out its business model of manufacturing oil and concentrates as finished goods through licensed distributors to licensed dispensaries in California as either private label or branded product. S&S will also sell a wholesale form of concentrate known as "distialte" to other cannabis companies. S&S produces and markets a focused line of over 8 different products and has historically used premium and high value price point strategies across its product range. In the near term, S&S's geographic focus is in California, however, it has had exploratory discussions with companies outside California to license its technology, brand and provide cannabis concentrate production expertise.

Competitive Conditions

The competitive landscape in California is highly fragmented. The California market is characterized by a significant number of suppliers for raw materials (flower and trim) and a significant number of dispensaries. S&S believes this market dynamic is to their advantage with abundant supply of raw material decreasing in price and providing S&S lower input costs, while a growing number of dispensaries provide increased points of sale and potential revenues. S&S intends to leverage its expertise and focus on oil and concentrate production where it has established a reputation and brand as a producer of purer, cleaner, quality oil concentrates. It intends to continue to build its market share with targeted demographic and geographic strategies, rather than trying to be all things to all consumers.

For a detailed list of risk factors of S&S please see, "*Information Circular - Risk Factors*."

Proprietary Protection and Licenses

S&S has entered into non-disclosure agreements with contractors, partners and other parties in order to protect its proprietary information related to its principal products. It has common law trademarks for the names "Elicit Labs" and "Absolute Crumble".

S&S has a Temporary Manufacturing License Type 7 from the State of California for the manufacture of adult and medicinal cannabis products. In April 2019, to meet new state regulations, all Type 7 License holders were required to file an application for a Provisionary Type 7 License which S&S has completed. Upon completion and inspection of the new facility in Merced, California, this Provisionary Type 7 License will be granted. S&S also has a Commercial Cannabis Business Permit from the City of Merced.

Lending Operations

As of the date of this Information Circular, S&S has no lending arrangements and no material investments in assets or otherwise, except in the ordinary course of business.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual Information

The following table sets forth selected historical financial information for S&S for the period from January 1, 2017 to December 31, 2018, and the interim financial period ended June 30, 2019. **All figures expressed in $USD**.

Condensed Financial Statements	**Period ended December 31, 2017**	**Period ended December 31, 2018**	**Period ended June 30, 2019 (unaudited)**
Net sales or total revenues	1,579,946	130,769	0
Cost of continuing operations	(741,624)	(310,357)	(80,771)
Net income or loss, in total	222,990	(317,729)	(80,771)
Total assets	252,081	123,193	652,972
Total liabilities	59,987	248,828	986,081*

*Includes $409,967 in non-current portion of lease liability.

Quarterly Information

For S&S's financial information since incorporation, please see the above table. Management's Discussion and Analysis of Financial Condition and Results of Operations

S&S's MD&A should be read in conjunction with the financial statements and related notes thereto for the financial period ended December 31, 2018 and 2017 and the 6 month interim period ended June 30, 2019. S&S's MD&A, together with the applicable financial statements, are attached hereto as "Schedule B - *Financial Statements of S&S Group of Companies*".

Trends

According to *California: Lessons from the World's Largest Cannabis Market, a new report* (the "Report") from Arcview March Research ("**Arcview**") and BDS Analytics, by 2022, U.S. concentrate product sales are estimated to hit $8.4 billion and nearly match the $8.5 billion in flower sales forecasted for that year.[1]

In 2014, concentrates made up about 10 percent of legal cannabis sold, according to the Report. Now that number is up to 27 percent. Troy Dayton, CEO of the Arcview predicts other cannabis categories will soon grow rapidly as well.[2] The jump in concentrate sales are "just the beginning of a revolution in how cannabis is consumed, now that it's becoming legal around the world," Mr. Dayton said.[3]

Vaping is the main driver of concentrate sales and 58% of concentrate spending in 2018 will come from prefilled vaporizers. Linda Gilbert, BDS Analytics' Managing Director of Consumer Insights says the two main reasons vaping is popular is that it is discreet and portable. Vaping emits less odor than bongs or marijuana cigarettes.[4]

California is the largest legal cannabis market in the world. Legal sales in 2018, were $2.5 billion and 2019 sales are on track to close at $3.1 billion in legal cannabis sales.[5]

[1] "*NEW REPORT: California's Legal Cannabis Market on Track to Reach $3.1 Billion in 2019 Sales, $7.2 Billion in 2024*", BDS Analytics (August 15, 2019), online: < https://bdsanalytics.com/new-report-californias-legal-cannabis-market-on-track-to-reach-3-1-billion-in-2019-sales-7-2-billion-in-2024/ >.
[2] *Ibid*.
[3] *Ibid*.
[4] *Ibid*.

In California, Concentrates remain the largest and fastest growing category by sales revenue accounting for 37 percent share of overall revenue for the month of June 2019. June sales in Concentrates was $90.9 million and remained constant from the trailing month and were 13 percent higher than June, 2018.[6] In the first six months of 2019, Concentrate dollar sales increased by 45 percent and total units sold increased by 41 percent compared to the same time period in 2018.[7] Vape sales dominate the Concentrates category making up 80 percent of the total units sold and 83 percent dollar sales within the Concentrates category.[8]

DESCRIPTION OF SECURITIES OF S&S

Description of S&S Securities

The authorized capital of S&S consists of 100 Membership Units. There currently is an aggregate of 100 Membership Units issued and outstanding. The Membership Units are not posted for trading on any stock exchange.

Voting

Each Member is entitled to cast votes on any matter based upon the proportion of that Member's Capital Contributions in the Company.

The Membership Units represent a party's ownership stake in S&S. The holder of Membership Units, also known as a Member, is entitled to a share of the S&S profits and has the right to vote on major decisions.

Restrictions on Transfer

A Member's financial interest in S&S can only be assigned to another Member(s) and cannot be assigned to a third party except with the unanimous consent of the remaining Members. In the event that a Member's interest in S&S is or will be sold, for any reason, the remaining Members have a right of first purchase of that Member's interest in their Membership Units. In the event of such a sale, the value of that interest in S&S is the lower of the value set out in the Operating Agreement and any third party offer that the Member wishes to accept.

Principal Securityholders

To the knowledge of S&S, no Person owns, of record or beneficially, directly or indirectly, or exercises control or direction over, more than 10% of any class of voting securities of S&S, other than the following:

Name of Securityholder	Number of Membership Units	Percentage of the Issued and Outstanding Membership Units
Joshua Stimmel*	74	74%
Tage Stimmel	13	13%

** Joshua Stimmel owns 20 membership units or 20% through EAP Holdings LLC, a company he beneficially owns.*

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[5] "*NEW REPORT: California's Legal Cannabis Market on Track to Reach $3.1 Billion in 2019 Sales, $7.2 Billion in 2024*", BDS Analytics (August 15, 2019), online: < https://bdsanalytics.com/new-report-californias-legal-cannabis-market-on-track-to-reach-3-1-billion-in-2019-sales-7-2-billion-in-2024/ >.

[6] "*BDS Analytics Details Cannabis Market Trends in 4 Key Western States During June*", New Cannabis Ventures (August 4, 2019), online: <https://www.newcannabisventures.com/bds-analytics-details-cannabis-market-trends-in-4-key-western-states-during-june/ >.

[7] *Ibid*.

[8] *Ibid*.

PRIOR SALES

S&S issued all 100 of the outstanding Membership Units on February 1, 2019.

Stock Exchange Price

The Membership Units of S&S are not listed or traded on any exchange or quotation service.

EXECUTIVE COMPENSATION

As at December 31, 2017, the end of the most recently completed fiscal year of S&S, S&S had two NEOs as further described below.

Summary of Compensation

The following table provides a summary of compensation and all outstanding fees earned by S&S's NEOs in fiscal years 2017 and 2018:

Name and Principal Position	Period	Salary ($)	Share-based awards ($)	Option-based awards ($)	All other compensation ($)	Total compensation ($)
Joshua Stimmel, CEO and director	2017 2018	$74,739 $18, 310	Nil	Nil	Nil	$74,739 $18, 310
Tage Stimmel, CFO and director	2017 2018	$56,154 $35,187	Nil	Nil	Nil	$56,154 $35,187
Granite Stanley, Director of Sales	2017 2018	$75,542 $18,927	Nil	Nil	Nil	$75,542 $18,927
Josh Hartsell, consultant	2017 2018	$ 24,474(1) Nil	Nil	Nil	Nil	$ 24,474(1) Nil

(1) Josh Hartsell was a consultant only during 2017.

Compensation Discussion and Analysis

No share-based awards were given to NEOs of S&S during the fiscal periods ended December 31, 2017 and 2018.

S&S does not maintain any defined benefit, contribution, or pension plans and no officer or director of S&S was eligible for any payments or other benefits in connection with retirement under any defined benefit, contribution, or pension plan during the fiscal period ended December 31, 2018, or 2017 at any time from January 1, 2019 to the date of this Information Circular.

MANAGEMENT CONTRACTS

S&S is not a party to any contract, and does not maintain any plan, in accordance with which any of its directors or officers is eligible for any compensation or other benefit in the event of change of control of S&S or in the event of change of responsibility of such director or officer.

LEGAL PROCEEDINGS

There are no actual or, to the knowledge of S&S, contemplated legal proceedings to which S&S is a party or of which any of its assets are the subject matter thereof.

MATERIAL CONTRACTS

The following summarizes the material contracts, other than contracts entered into in the ordinary course of business that were entered into within the two years before the date of this Information Circular:

- the Securities Exchange Agreement;
- the Operating Agreement; and
- the Lease Agreement for the Merced, California production facility dated February 22, 2018 between the Company and Greg and Rose Opinski.

All of the contracts specified above may be inspected at the main offices of the Company at Suite 500 – 3773 Howard Hughes Parkway, Las Vegas, Nevada, 89169, during normal business hours up to the date of the Meeting.

INFORMATION CONCERNING THE RESULTING ISSUER

Information contained in this Section assumes completion of the Transaction and acceptance by the Exchange of the Reverse Takeover.

CORPORATE STRUCTURE

Name and Incorporation

The following information is presented on a post-Closing basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer. Following the Closing, the Resulting Issuer will continue on with the business of S&S. Immediately following Closing, the Company will file Articles of Incorporation and any amendment made thereto to continue to the province of British Columbia and, concurrent to Closing, change its name from "King's Bay Resources Corp." to "Merced Holdings Corp.".

The head office of the Resulting Issuer will be located at 1450 - 789 West Pender Street, Vancouver, British Columbia, Canada V6C 1H2. The registered and records office will be maintained at 885 West Georgia Street, Suite 800, Vancouver, British Columbia, Canada V6C 3H1.

Intercorporate Relationships

Following Closing, King's Bay Holdings USA Corp. will continue to be a direct subsidiary of the Company and each of S&S and S&S California will be indirect subsidiaries of the Company.

NARRATIVE DESCRIPTION OF THE RESULTING ISSUER

Assuming completion of the S&S Acquisition the Resulting Issuer's business will be the business of S&S which is the business of producing cannabis concentrates resulting in better, purer quality outputs as described in above under the heading "*Information Concerning S&S*".

Milestones

The main business objectives and milestones for the Resulting Issuer for the twelve months following completion of the Transactions are as follows:

Timeframe Post-Closing	Business Objectives and Milestones
0 to 12 months	Build out the Merced, California production facilities;
3 to12 months	Procurement of sufficient biomass for production;
6 to 12 months	Achieve phase one production of ~15,000 grams per month
9 to 12 months	Expand sales and marketing in California

Once the Transactions are completed, the Resulting Issuer may, for sound business reasons and at the discretion of the Board, change its objectives from what is stated in this Information Circular.

DESCRIPTION OF THE SECURITIES OF THE RESULTING ISSUER

Description of the Securities

Upon completion of Closing, the authorized capital of the Resulting Issuer will continue to be the same as the current authorized capital of the Company See "*Information Concerning the Company – Description of Securities*".

Upon completion of the Continuance, the CBCA and the existing Articles of Incorporation and Bylaws of the Company will cease to apply to the Resulting Issuer and the corporate affairs of the Resulting Issuer will thereafter be governed by the BCBCA and the proposed Notice of Articles and New Articles, as if it had been originally incorporated as a British Columbia company.

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares without nominal or par value. The Resulting Issuer Shares will entitle the holders thereof to receive notice of, attend and vote at all meetings of the shareholders of the Resulting Issuer, subject to the conditions set forth in the New Articles. For a description of the dividend rights, voting rights, rights upon dissolution or winding-up, pre-emptive rights, conversion rights, redemption and cancellation provisions and other material terms of the Resulting Issuer Shares, see "*Information Concerning the Company – Description of Securities*".

As compared to the Company's share capital, the Resulting Issuer Shares will consolidated on a 1 for 5 basis, will have available for creation an unlimited number of preferred shares issuable in series, and will have created and issued 23,000 super-voting, non-participating Preferred Shares all as contemplated by the Transactions. Upon completion of the Transactions, and subject to the approval of the CSE, the Resulting Issuer will be classified as an issuer in the Cannabis Industry for purposes of the policies of the CSE.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following tables set out the pro forma capitalization of the Resulting Issuer after giving effect to the Transaction. These tables should be read in conjunction with the Pro Forma Financial Statements, attached hereto as "Schedule C - *Pro Forma Consolidated Financial Statements of the Resulting Issuer*."

Designation of security[(1)]	Amount authorized or to be authorized	Amount outstanding after giving effect to the Transaction
Common Shares	Unlimited	36,762,043
Preferred Shares	100,000	23,000

(1) Including Shares outstanding as of the Record Date of August 26, 2019 plus Shares issued in the Concurrent Financing, assuming the minimum subscription of $2,000,000.

Resulting Issuer Warrants

Issued To	Amount outstanding after giving effect to the Transactions	Percentage of total Resulting Issuer Shares after giving effect to the Transactions
Resulting Issuer consultants	6,606,698	17.97%
Subscribers in the Concurrent Financing	10,000,000	27.20%

(1) This assumes that the Concurrent Financing is subscribed for $2,000,000 of a maximum $4,000,000.

Resulting Issuer Options

Issued To	Amount outstanding after giving effect to the Transaction	Percentage of total Resulting Issuer Shares after giving effect to the Transaction
Resulting Issuer directors and officers	Nil	Nil
Resulting Issuer consultants and employees	100,000[(1)]	0.27%
All other optionholders	165,000[(2)]	0.45%

(1) Consisting of (i) 30,000 stock options held by Jared Rushton; (ii) 40,000 stock options held by Oropass Ltd. and (iii) 30,000 stock options held by Greg Worobec, all of which are stock options are exercisable until September 21, 2022 at an exercise price of $0.10.

(2) Consisting of: (i) 20,000 stock options held by Mr. Bottomley; (ii) 65,000 stock options held by Ms. Bellefleur; (iii) 50,000 stock options held by Nick Rodway; and (iv) 30,000 stock options held by Mr. Berka, all of which are stock options are exercisable until September 21, 2022 at an exercise price of $0.10.

Resulting Issuer Convertible Notes convertible to shares and warrants

Issued To	Amount outstanding after giving effect to the Transactions	Percentage of total Resulting Issuer Shares after giving effect to the Transactions
Resulting Issuer Noteholders	285,000	0.78%

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

Upon completion of the Transactions, the Resulting Issuer is expected to have approximately $2,000,000 (unaudited) available to it as follows if it achieves only the minimum Concurrent Financing:

Source of Funds	Amount
Company working capital as at August 31, 2019	$233,451.42
Pro forma cash position of Resulting Issuer assuming completion of the Transactions	$nil
Gross proceeds of the Concurrent Financing(1)	$2,000,000
Less: Costs of completing the Financing(2)	$150,000
Total Available Funds	**$2,083,451.42**

(1) This assumes that the Concurrent Financing is subscribed for $2,000,000 of a maximum $4,000,000. This amount does not include deductions for any costs of the Concurrent Financing, including any finder's fees that may be payable. See "*Information Concerning the Company –Concurrent Financing*" for additional information.

(2) This amount includes deductions for costs of the Concurrent Financing of $2,000,000, including any commissions, legal fees and filing fees that may be payable. See "*Information Concerning the Company –Concurrent Financing*" for additional information.

The amounts shown in the table above are estimates only and are based upon the information available to the Company and S&S as of the date hereof.

Principal Use of Available Funds

The following table sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon completion of the Transaction will be used and the current estimated amounts to be used for each such principal purpose:

Use of Funds Estimated Amounts $CDN	Minimum Financing $2,000,000	Maximum Financing $4,000,000
Costs of the Concurrent Financing (commissions, legal, filing)	$200,000	$350,000
Balance of fees related to the Transactions	$50,000(1)	$50,000
General and administrative expenses for twelve-months	$655,000(2)	$800,000
Leasehold improvements to Merced Facility	$350,000	$450,000
Acquisition of new and additional extraction equipment	$200,000	$950,000
Procuring Biomass for production	$200,000	$400,000
Unallocated Working Capital	$345,000	$1,000,000
Total: (minimum – maximum)	$2,000,000	$4,000,000

(1) Includes accounting and admin services of $5,000; transfer agent fees of $5,000; legal fees of $20,000; audit fees of $5,000; and TSXV or CSE and regulatory fees of $15,000, as applicable.

(2) The estimate of general and administrative expenses of $655,000 includes: salaries and benefits of $420,000, rent and utilities of $150,000, office expenses and supplies of $20,000, legal, tax, audit and professional fees of $50,000, insurance expenses of $15,000.

Dividend Policy

It is not expected that the Resulting Issuer will declare any dividends for the foreseeable future. The Resulting Issuer will have no restrictions on paying dividends, but if the Resulting Issuer generates earnings in the foreseeable future, it is expected that they will be retained to finance growth, if any. The Board will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time. Holders of Resulting Issuer Shares and Preferred Shares are entitled to an equal share in any dividends declared and paid on the Resulting Issuer Shares.

PRINCIPAL SECURITYHOLDERS

To the knowledge of management of the Resulting Issuer other than as set out below, no Person or Company is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer upon completion of the Transactions.

Name	Class of Resulting Issuer Security	Number of Resulting Issuer Voting Securities Equivalents held after giving effect to the Transaction(1)	Percentage of Resulting Issuer Common Share Votes Eligible held after giving effect to the Transaction
Joshua Stimmel (including through EAP Holdings LLC)	Preferred Shares SubCo Exchangeable Shares	17,020,000	28.47%
TOTAL		**17,020,000**	**28.47%**

(1) Each of the listed shareholders will be getting a number of Preferred Shares which each has 1000 votes compared to the Common Shares which each have 1 vote. The number of Preferred Share and the number of Subco Exchangeable Shares held by each of the Principal Shareholders is the number of Voting Securities Equivalents listed above divided by 1000.

PROPOSED DIRECTORS, OFFICERS, MANAGEMENT AND PROMOTER

Upon Closing Joshua Stimmel, Tage Stimmel, Joshua Hartsell and David Hwang will form the Board of the Resulting Issuer. Joshua Stimmel will act as President, CEO and Chairman. Tage Stimmel will act as CFO and Corporate Secretary. All of the directors and officers of the Resulting Issuer either have signed, or will sign promptly following Closing, standard non-competition and non-disclosure agreements with the Resulting Issuer.

The following table shows certain information concerning the individuals who are proposed to become directors and/or officers of the Resulting Issuer upon the completion of the Reverse Takeover.

Name and Municipality of Residence	Principal Occupations for Last Five Years	Proposed Position with Resulting Issuer(3)	Number and percentage of Resulting Issuer votes of each class of voting securities of the Resulting Issuer proposed to be beneficially owned, at Closing (Fully Diluted)(2)	
Joshua Stimmel(1) San Andreas, CA	CEO & Founder of S&S Company LLC, Co-Founder of Elicit Labs	Director and CEO	17,020,000 (in part through EAP Holdings, LLC)	28.49% of Resulting Issuer Shares
Tage Stimmel San Andreas, CA	CFO of S&S Company LLC, CEO of Golden Harvest Collective	Director and CFO	2,990,000	5.00% of Resulting Issuer Shares
Joshua Hartsell Lake Forest, CA	CEO / Founder of Delta 9 Technologies LLC.	Director	920,000 (through Delta 9 Technologies)	1.53% of Resulting Issuer Shares
David Hwang Greensboro, NC	Fund Manager, Angel Investor, Advisor	Director	1,150,000 (through Bumosu Heavy Industries LLC)	1.92% of Resulting Issuer Shares

Name and Municipality of Residence	Principal Occupations for Last Five Years	Proposed Position with Resulting Issuer[(3)]	Number and percentage of Resulting Issuer votes of each class of voting securities of the Resulting Issuer proposed to be beneficially owned, at Closing (Fully Diluted)[(2)]	
Granite Stanley Sacramento, CA	President & Founder of Granite Reserves LLC; Co-Founder, Director of Sales Elicit Labs	Director	920,000	1.54% of Resulting Issuer Shares

(1) Served as the President, CEO and Chairman of S&S since incorporation. Includes the shares of EAP Holdings LLC, of which Joshua Stimmel is the beneficial owner.

(2) On a fully diluted basis, as a group of the directors and officers of the Resulting Issuer will own 23,000,000 Resulting Issuer Shares for 38.47% of the Resulting Issuer Share vote equivalents.

(3) Directors of the Resulting Issuer will serve until such time as they resign or are removed by the Board by shareholders pursuant to the provisions of the BCBCA.

Joshua Stimmel – *Incoming Director, Age: 42*

Joshua Stimmel is the Chief Executive Officer of S&S Company, LLC and Co-Founder of Elicit Labs. Joshua Stimmel has been in the cannabis industry for over 20 years. He started as a cannabis cultivator designing and constructing several indoor facilities and then expanding into larger scale outdoor and mixed lighting cultivation. During this time he recognized the strong demand for cannabis concentrates and started to refine techniques for extraction and production. Mr. Stimmel founded S&S Company and subsequently co-founded the the Elicit Labs brand focused on producing a cleaner, purer cannabis concentrate for the California market, including a proprietary product called “Winterized Crumble”. Under the Elicit Labs brand Mr. Stimmel built the S&S production facility to a capacity of approximately 15,000 grams per month with 15 employees. Mr. Stimmel continues to lead the research and development within S&S creating new and improved processes for purer, cleaner cannabis concentrates that have earned him, and the Elicit Labs brand, recognition and awards from consumers and peers around California.

Previous to his 7 years in the cannabis extraction and concentrate sector, Mr. Stimmel was owner- operator and producer of a sound production company which mastered both live sound and studio recordings.

Upon completion of the proposed transaction, Mr. Stimmel will be appointed Chief Executive Officer and Director of the Resulting Issuer.

Tage Stimmel - *Incoming Director, Age: 40*

Ms. Stimmel is the Chief Operating Officer for S&S Company, LLC. Ms. Stimmel is a seasoned operations manager with 20 years in food and beverage management. She has a BS in Business Administration from California State University. Ms. Stimmel also has extensive cannabis experience working as an operations manager cultivating indoor cannabis, outdoor harvests, product processing and packaging for five years before taking on the role of Chief Executive Officer for Golden Hills Collective, the medical cannabis business which legally sold concentrate products under the ‘Elicit Labs’ brand. During this time she set up the legal framework that was required to operate under California medical cannabis regulations and helped build up the “Elicit Labs” brand through marketing, packaging and industry events.

Upon completion of the proposed transaction, Ms. Stimmel will be appointed as Chief Operating Officer and Director of the Resulting Issuer.

Dr. Joshua Hartsell - ***Incoming Director, Age: 37***

Since receiving his Ph.D in Medical Organic Chemistry from Virginia Tech University specializing in cannabis sciences, for the past decade Dr. Joshua Hartsel has pioneered large scale extraction techniques for many leading companies in the space (Privateer Holdings, CV Sciences, Ananda Hemp, and Speakeasy) and was advisor to the engineering of Elicit Labs extraction and production facility. He is a recognized international authority in extraction and production of cannabis concentrates. Dr. Hartsel is the CEO and Co-founder of Delta-9 Technologies, an automated large-scale hydrocarbon extraction equipment manufacturing and Blue Sky Processing hemp CBD extraction company. As a scientist, first and foremost Dr. Hartsel is a leading authority on cannabis chemistry. As the Director of R&D at CV Sciences, his large-scale extraction expertise earned six High-Times Cannabis Cup awards for concentrates, pioneering the crystallization of CBD. Over his career he has co-authored several peer-reviewed journals, two book chapters on cannabinoids and terpenes, and served as an inventor on key patent applications; one on the isolation of cannabinoids and the other on developing species-selective insecticides for malaria control with funding from the Bill and Melinda Gates foundation. Dr. Hartsel has extensive experience building large-scale production facilities/analytical chemistry laboratories focused on cannabinoid-based nutritional supplements.

Upon completion of the proposed transaction, Mr. Hartsel will be appointed as an Independent Director of the Resulting Issuer.

David Hwang - ***Incoming Director, Age: 48***

Mr. David Hwang brings 20 years of experience to the board working in various managerial and executive positions within finance and technologies sector. As an investor and fund manager, Mr. Hwang has a wide range of experience in risk management, fund management, and equity investment and has participated in a number of successful exits. Mr. Hwang has a degree in Physics from the University of North Carolina.

Before entering the finance sector, Mr. Hwang worked for Bell Labs and Lucent Technologies on encryption protocols as an ISO Certification Manager for over five years, before entering the finance sector as a Quantitative Analyst at a hedge fund where he was responsible for risk assessment. Subsequently, Mr. Hwang became a fund manager and angel investor, investing in high tech startups and serving as advisor and board member on several investments with a number of successful exits including Fohboh, SubtleData and Ghostdrive. Mr. Hwang started working and investing in the cannabis sector approximately 7 years ago, focusing on the technology opportunities around data analysis and marketing. Mr. Hwang is the founder of startup integrating big data with the cannabis industry to improve product distribution, marketing program efficiencies and tracking return on investment from marketing programs.

Upon completion of the proposed transaction, Mr. Hwang will be appointed as an Independent Director of the Resulting Issuer.

Granite Stanley - ***Incoming Director, Age: 40***

Mr. Stanley brings 20 years of sales and business management experience from the health, travel and cannabis industries. Mr. Stanley is a co-founder of S&S Company and the Elicit Labs brand along with Joshua Stimmel. Together they pioneered “winterized crumble”, an award winning product known for its clean, pure performance which built out S&S’s sales and marketing program. Last year, Mr. Stanley founded Granite Reserve LLC to pursue his passion and enthusiasm for the science surrounding cannabis strains, their health and lifestyle characteristics. Granite Reserves specializes in identifying and rating the best cannabis strains for specific applications and intended impact for the discerning consumer market. In addition, Mr. Granite recently co-founded Twenty49 a tech-based marketing and customer loyalty program for the cannabis sector.

Previous to entering the cannabis industry, Mr. Stanley managed an adventure travel business catering to celebrities and adventure enthusiasts for unique activities and travel experiences in back country of continental

US, Chile, Costa Rica, New Zealand, Australia and Thailand. His global celebrity clientele provided him a unique entry into the California cannabis sector.

Upon completion of the proposed transaction, Mr. Granite will be appointed as an Independent Director of the Resulting Issuer.

Committees of the Board

Audit Committee

It is anticipated that the audit committee of the Resulting Issuer will be comprised of Tage Stimmel, David Hwang (Independent) and Joshua Hartsel (Independent). David Hwang will chair the audit committee. The majority of the Audit Committee will not be officers, employees or Control Persons of the Resulting Issuer or any of its Associates or Affiliates. Based on their business and educational experiences, each Audit Committee member will have a reasonable understanding of the accounting principles used by the Resulting Issuer; an ability to assess the general application of such principles in connection of the accounting for estimates, accruals and reserves; experience analyzing and evaluating financial statements that present a breadth and level of complexity of issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Resulting Issuer as at the date of this Information Circular and within the ten years before the date of this Information Circular, no director or officer or proposed director of the Resulting Issuer is or has been a director or officer of any company (including the Resulting Issuer), that while that person was acting in that capacity, other than as listed below,:

(a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days; or

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted and proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the Resulting Issuer, no proposed director or officer of the Resulting Issuer has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

Personal Bankruptcies

To the knowledge of the Resulting Issuer, no director or officer of the Resulting Issuer, or a personal holding company of any of them, has, within the ten years prior to the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

To the knowledge of the Resulting Issuer, no proposed director, officer or promoter of the Resulting Issuer has any existing or potential material conflicts of interests as a result of their outside business interests.

Conflicts of interest, if any, will be subject to and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Other Reporting Issuer Experience

None of the proposed directors and officers of Resulting Issuer are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction.

PROPOSED EXECUTIVE COMPENSATION

Compensation of NEOs

The compensation for each for each of the Resulting Issuer's three most highly compensated executive officers, in addition to the proposed CEO and CFO (each a "Resulting Issuer NEO" and collectively, the "Resulting Issuer NEOs") for the 12 month period following completion of the Transaction shall be finalized subsequent to the completion of the S&S Acquisition and employment or consulting contracts between the Resulting Issuer and the Resulting Issuer NEOs will be entered into at such time. The Resulting Issuer will disclose the terms of any agreements entered into with any Resulting Issuer NEOs at the applicable time. The below are the proposed Resulting Issuer NEOs known at this time.

Proposed Executive Officers of the Resulting Issuer

Name	Expected Principal Position
Joshua Stimmel	CEO
Tage Stimmel	CFO and Corporate Secretary

Compensation of Directors

It is anticipated that directors who are not Resulting Issuer NEOs will receive compensation for their time that is commensurate with issuers of similar size and complexity. The Resulting Issuer will reimburse directors for out-of-pocket expenses related to their attendance at meetings.

Oversight and description of Director and NEO Compensation

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Resulting Issuer's compensation philosophy will be to foster entrepreneurship at all levels of the organization through, among other things, the granting of stock options, which will be a significant component of executive compensation. This approach is based on the assumption that the performance of the Resulting Issuer Common Share price over the long term is an important indicator of long-term performance.

The Resulting Issuer's compensation philosophy will be based on the following fundamental principles:

- *Compensation programs align with shareholder interests* - the Resulting Issuer aligns the goals of executives with maximizing long-term shareholder value;

- *Performance sensitive* - compensation for executive officers should be linked to operating and market performance of the Resulting Issuer and fluctuate with the performance; and

- *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 objectives of the compensation program in compensating all NEOs will be developed based on the above-mentioned compensation philosophy and will be as follows:

- to attract and retain highly qualified executive officers;

- to align the interests of executive officers with shareholders' interests and with the execution of the Resulting Issuer's business strategy;

- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and

- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

Directors of the Resulting Issuer believe that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. The Resulting Issuer's objective is to establish benchmarks and targets for its NEOs that will enhance shareholder value if achieved.

Aggregate compensation for each NEO will be designed to be competitive. The compensation committee of the Board (the "**Compensation Committee**") will review from time to time the compensation practices of similarly situated companies when considering the Resulting Issuer's executive compensation practices. The Compensation Committee will review each element of compensation for market competitiveness, and although it may weigh a particular element more heavily based on the NEO's role within the Resulting Issuer, it is primarily focused on remaining competitive in the market with respect to total compensation.

From time to time, on an ad hoc basis, the Compensation Committee will review data related to compensation levels and programs of various companies that are similar in size to the Resulting Issuer and operate within the cannabis industry. The Compensation Committee will also rely on the experience of its members as officers and/or directors at other companies in similar lines of business as the Resulting Issuer in assessing compensation levels.

Compensation Governance

The Compensation Committee will be responsible for ensuring that the Resulting Issuer has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Resulting Issuer's executive officers. The Compensation Committee will ensure that total compensation paid to all NEOs is fair, reasonable and consistent with the Resulting Issuer's compensation philosophy.

From time to time the Compensation Committee will make, and the Board will review and may approve, recommendations regarding compensation to executive officers and directors. The Resulting Issuer anticipates using a combination of fixed and variable compensation to motivate executive officers to achieve overall corporate goals. The three basic components of the Resulting Issuer's executive officer compensation program are:

- base salary;
- annual incentive (bonus) payments; and
- option based compensation to purchase Resulting Issuer Class B Shares.

Base salaries are paid in cash and constitute the fixed portion of the total compensation paid to executive officers. Annual incentives and option based compensation comprise the remainder, and re-present 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 targets; and (ii) market performance of the Resulting Issuer Class B Shares. To date, no specific formula has been developed to assign a specific weighting to each of these components. Instead, the Board will consider each performance target and the Resulting Issuer's performance and assign compensation based on this assessment and the recommendations of the Compensation Committee.

Base Salary

The Compensation Committee and the Board will approve the salary ranges for the NEOs. The base salary review for each. NEO will be based on assessment of factors such as current competitive market conditions, compensation levels and practices of similarly situated companies and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The Resulting Issuer may consider comparative data for the Resulting Issuer's peer group, which are accumulated from a number of external sources including independent consultants. The Resulting Issuer's policy for determining salary for executive officers will be consistent with the administration of salaries for all other employees.

Annual Incentive (Cash Bonus) Payments

Cash annual incentive awards will be based on various personal and company-wide achievements. Performance goals for annual incentive payments are subjective and include achieving individual and corporate targets and objectives, as well as general performance in day-to-day corporate activities.

The Board will approve target annual incentive amounts for each NEO at the beginning of each financial year. The Compensation Committee will determine target amounts based on a number of factors, including comparable compensation of similar companies. Funding of the annual incentive awards is capped at the company level and the distribution of funds to the executive officers will be at the discretion of the Compensation Committee. Each NEO may receive partial or full payment of the target annual incentive amount set by the Compensation Committee at the beginning of each financial year, depending on the number of the predetermined targets met, and the assessment of such NEO's overall performance by the Compensation Committee and the Board.

In order to develop a recommendation to the Board regarding annual incentive payments, the Compensation Committee plans to assess NEO performance subjectively, considering each NEO's respective success in achieving his or her individual objectives, contributions to the achievement of the Resulting Issuer's goals, and contributions to meeting the needs of the Resulting Issuer that arise on a day-to-day basis. If the Compensation Committee cannot unanimously agree on a recommendation in respect of an NEO's annual incentive payment, the matter will be referred to the full Board tor decision.

The Board of the Resulting Issuer will rely heavily on the recommendations of the Compensation Committee in granting annual incentives. However, the Board reserves ultimate discretion in determining whether each NEO has met his or her targets, and has the right make positive or negative adjustments to any annual incentive payment recommended by the Compensation Committee that it deems appropriate.

Option-Based Compensation

Options may be granted to directors, management, employees, and certain service providers as long-term incentives align the individual's interests with those of the Resulting Issuer. Options are to be awarded to directors and employees, including NEOs, at the Board's discretion, on the recommendation of the Compensation Committee. Decisions with respect to options granted will be based upon the individual's level of responsibility and their contribution towards the Resulting Issuer's goals and objectives, and additionally may be awarded in recognition of the achievement of a particular goal or extraordinary service. The Compensation Committee will consider outstanding options granted under the stock option plan and held by management in determining whether to make any new grants of options, and the quantum or terms of any options grant.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Since the beginning of the most recently completed financial year, no current or former director, executive officer or senior officer of S&S or the Company and no proposed management nominee for election as a director, or any Associate thereof is or has been indebted to S&S or the Company or the Resulting Issuer or any of its subsidiaries.

INVESTOR RELATIONS ARRANGEMENTS

Neither S&S or the Company has entered into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer or its securities or to engage in activities for the purpose of stabilizing the market. Any such agreement or understanding that may be entered into following the Closing will be at the determination of the Board.

OPTIONS TO PURCHASE SECURITIES

The following table provides information as to Resulting Issuer Options to purchase Resulting Issuer Shares that, as at the date of August 26, 2019 are expected to be outstanding immediately following the Closing:

Category of Option Holder	Number of Options to Acquire Resulting Issuer Shares Held as a Group
All proposed officers of the Resulting Issuer	Nil.
All proposed directors of the Resulting Issuers who are not also proposed officers	Nil.
All other employees as a group	Nil.
All consultants as a group	100,000[(1)]
All others	165,000[(2)]

(1) Consisting of (i) 30,000 stock options held by Jared Rushton; (ii) 40,000 stock options held by Oropass Ltd. and (iii) 30,000 stock options held by Greg Worobec, all of which are stock options are exercisable until September 21, 2022 at an exercise price of $0.10.

(2) Consisting of: (i) 20,000 stock options held by Mr. Bottomley; (ii) 65,000 stock options held by Ms. Bellefleur; (iii) 50,000 stock options held by Nick Rodway; and (iv) 30,000 stock options held by Mr. Berka, all of which are stock options are exercisable until September 21, 2022 at an exercise price of $0.10.

Resulting Issuer Option Plan

Following the completion of the Transactions, the stock option plan of the Resulting Issuer will be the Stock Option Plan. For more information regarding the Stock Option Plan, see "*Matters to be Acted Upon – Adoption of Stock Option Plan*" are the full text of the Stock Option Plan at "Schedule E – *Stock Option Plan*".

ESCROWED SECURITIES

In connection with the Securities Exchange Agreement, the SubCo Exchangeable Shares may be required to be escrowed as follows; in any case, the SubCo Exchangeable Shares by their terms may not be exchanged to Resulting Issuer Shares prior to the following dates:

Upon receipt of Final Exchange Approval	10%	2,300
Date that is 6 months from Closing Date	15%	3,450
Date that is 12 months from Closing Date	15%	3,450
Date that is 18 months from Closing Date	15%	3,450
Date that is 24 months from Closing Date	15%	3,450
Date that is 30 months from Closing Date	15%	3,450
Date that is 36 months from Closing Date	15%	3,450
Total:	100%	23,000

The Escrowed Securities may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except provided by the Resulting Issuer Escrow Agreements. Escrowed Securities may be transferred within escrow to an individual who is a director or senior officer of the Resulting Issuer or a material operating subsidiary of the Resulting Issuer, provided that certain requirements of the Exchange are met, including that the new proposed transferee agrees to be bound by the terms of the agreement. In the event of bankruptcy of, the holder of Escrowed Securities held by the Escrowed Shareholder may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such Escrowed Securities provided that certain prescribed Exchange requirements are met. Escrowed Securities may also be transferred within escrow by an Escrowed Shareholder to a registered retirement savings plan ("**RRSP**") or a registered retirement income fund ("**RRIF**") provided that the Exchange receives proper notice of the same, the Escrowed Shareholder is the sole beneficiary of the RRSP or RRIF and the trustee of the RRSP or RRIF agrees to be bound by the terms of the Resulting Issuer Escrow Agreements. In the event of the death of an Escrowed Shareholder, the Escrowed Securities shall be released to the legal representatives of the deceased holder thereof.

Escrowed Shareholders who are not individuals will provide undertakings to the Exchange that they will not issue securities of their own issue or effect or permit a transfer of ownership of securities of their own issue that would have the effect of changing the beneficial ownership of, or control or direction over, the Escrowed Securities.

The Escrow Agent will be Computershare Trust Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Resulting Issuer is expected to be Davidson & Company, Chartered Professional Accountants, of 1200 – 609 Granville, Vancouver, British Columbia, V7Y 1G6.

The transfer agent and registrar of the Resulting Issuer is expected to be Computershare Investor Services Inc. of Canada, 100 University Ave, Toronto, Ontario, M5J 2Yl.

GENERAL MATTERS

EXPERTS

No person or company who is named as having prepared or certified a part of this Information Circular or prepared or certified a report or valuation described or included in this Information Circular has, or will have immediately following completion of the Transactions, any direct or indirect interest in the Resulting Issuer, S&S, or the Company.

OTHER MATERIAL FACTS

There are no other material facts about S&S, the Company, or the Resulting Issuer or the proposed Reverse Takeover that are not elsewhere disclosed herein and which are necessary in order for this Information Circular to contain full, true and plain disclosure of all material facts relating to the Company, S&S and the Resulting Issuer, assuming Completion of the Reverse Takeover.

BOARD APPROVAL

The board of directors of the Company has approved the delivery of this Information Circular to securityholders.

FINANCIAL STATEMENTS AND OTHER ATTACHMENTS

Attached to and forming a part of this Information Circular are:

Schedule A Rights and Restrictions of Resulting Issuer Preferred, Super Voting, Non-Participating Shares;

Schedule B The audited financial statements of S&S for the period ending December 31, 2017 and 2018, respectively, and the unaudited interim financial statements for the six months period ended June 30, 2019.

Schedule C The pro forma consolidated financial statements of the Resulting Issuer as at June 30, 2019.

Schedule D Audit Committee Charter.

Schedule E Stock Option Plan.

Schedule F Rights of Dissent.

Schedule G Proposed New Articles of Resulting Issuer.

The annual financial statements of the Company for the years ended December 31, 2018 and 2017, together with the auditors' report thereon and associated management's discussion and analysis and the interim financial statements of the Company for the six-month period ended June 30, 2019 together with the associated management discussion and analysis filed by the Company with the securities commissions or similar authorities in Canada, are incorporated by reference herein and are also available on SEDAR at www.sedar.com under the

Company's profile. The foregoing documents may also be obtained upon request without charge from the Company's registered and records office located at 885 West Georgia Street, suite 800, Vancouver, British Columbia, Canada V6C 3H1.

CERTIFICATE OF THE COMPANY

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of King's Bay Resources Corp. assuming completion of the Transaction.

DATED: September 3, 2019

"Kevin Bottomley"	*"Jody Bellefleur"*
Kevin Bottomley Chief Executive Officer and President	Jody Bellefleur Chief Financial Officer

On Behalf of the Board of directors

"Dusan Berka"	*"Nicholas Rodway"*
Dusan Berka Director	Nicholas Rodway Director

CERTIFICATE OF S&S

The foregoing document as it relates to S&S Company Nevada LLC. constitutes full, true and plain disclosure of all material facts relating to the securities of S&S Company Nevada LLC.

DATED: September 3, 2019

"Joshua Stimmel"

Joshua Stimmel
Managing Member

SCHEDULE A

RIGHTS AND RESTRICTIONS OF RESULTING ISSUER PREFERRED, SUPER VOTING, NON-PARTICIPATING SHARES

[See attached]

MERCED HOLDINGS CORP.

**SPECIAL RIGHTS AND RESTRICTIONS
ATTACHED TO THE
PREFERRED, SUPER VOTING,
NON-PARTICIPATING SHARES**

1. Number and Designation

The Preferred, Super Voting, Non-Participating Shares of Merced Holdings Corp. (the "**Company**") shall consist of a maximum of 100,000 shares which shall be designated as "Preferred, Super Voting, Non-Participating" shares (the "**Preferred, Super Voting, Non-Participating Shares**") and which shall have the special rights and restrictions hereinafter set forth (the "**Rights and Restrictions**").

2. No Issuance Unless Approved by Majority of Common Shares

No Preferred, Super Voting, Non-Participating Shares may be issued unless such issuance to each specific proposed shareholder of such shares (a "**Proposed SV Shareholder**") is approved by a majority of the votes cast in a meeting of holders of common shares of the Company. Any common shares of the Company held by a Proposed SV Shareholder will not be counted in such vote.

3. Voting Rights

The holders of the Preferred, Super Voting, Non-Participating Shares are entitled to receive notice of and to attend at and to vote in person or by proxy at any general meetings of the shareholders of the Company and are entitled to cast one thousand (1000) votes for each Preferred, Super Voting, Non-Participating Share held.

4. Dividends or other Company Distributions

The holders of the Preferred, Super Voting, Non-Participating Shares are not entitled to dividends, nor any other distributions by the Company to its shareholders.

5. Participation on Windup or Dissolution

The holders of the Preferred, Super Voting, Non-Participating Shares are not entitled to participate in the assets of the Company upon dissolution or the winding-up of the Company.

6. Redemption

The Company may redeem any or all outstanding Preferred, Super Voting, Non-Participating Shares from a holder in the discretion of the board of the Company. The redemption price is the paid up capital amount on each Preferred, Super Voting, Non-Participating Share.

7. No Transfer

Preferred, Super Voting, Non-Participating Shares are non-transferrable.

8. Sale of A Majority of the Common Shares of the Company

In the event that holders of a minimum of 75% of the Common Shares of the Company accept an offer to purchase their Common Shares, each offer on substantially the same terms, the holders of the Preferred, Super Voting, Non-Participating Shares will be deemed to accept an offer for their Preferred, Super Voting, Non-Participating Shares on the same terms (and in particular, the price per share) and must tender their shares to the buyer at the same time as closing takes place for the sale of the Common Shares.

SCHEDULE B

FINANCIAL STATEMENTS OF S&S GROUP OF COMPANIES

[See attached]

S&S Group of Companies

Combined Financial Statements

December 31, 2018

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
S & S Group of Companies

Opinion

We have audited the accompanying combined financial statements of S & S Group of Companies (the "Company"), which comprise the combined statements of financial position as at December 31, 2018 and 2017 and the combined statements of changes in members' equity (deficiency), income (loss) and comprehensive income (loss), and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the combined financial statements, which indicates that the Company had a working capital deficiency of $213,580 and a members' deficiency of $125,635. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

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

In preparing the combined financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the combined financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

August 8, 2019

S&S Group of Companies

Combined Statements of Financial Position

(Expressed in United States Dollars)

As at December 31, 2018 and December 31, 2017

	Note	**December 31, 2018 $**	December 31, 2017 $
Assets			
Current assets			
Cash		10,248	25,145
Prepaid expenses and deposits		25,000	-
Inventory	3	-	108,509
		35,248	133,654
Non-current assets			
Equipment	4	87,945	118,427
Total assets		**123,193**	252,081
Liabilities and members' equity (deficiency)			
Current liabilities			
Accounts payable to members	5	244,477	49,176
Sales taxes payable		4,351	5,151
Income taxes payable		-	5,660
Total liabilities		**248,828**	59,987
Members' equity (deficiency)	6	(125,635)	192,094
Total liabilities and members' equity (deficiency)		**123,193**	252,081
Nature of operations and going concern	**1**		
Commitment	**10**		
Subsequent events	**12**		

Approved on behalf of the Board of Directors on August 8, 2019:

"Joshua Stimmel" **Director** *"Tage Stimmel"* **Director**

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

S&S Group of Companies

Combined Statements of Changes in Members' Equity (Deficiency)

(Expressed in United States Dollars)

For the years ended December 31, 2018 and December 31, 2017

	Members' Equity (Deficiency) $	Total $
January 1, 2017	52,104	52,104
Distributions to members	(83,000)	(83,000)
Income and comprehensive income for the year	222,990	222,990
December 31, 2017	**192,094**	**192,094**
January 1, 2018	192,094	192,094
Loss and comprehensive loss for the year	(317,729)	(317,729)
December 31, 2018	**(125,635)**	**(125,635)**

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

S&S Group of Companies

Combined Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in United States Dollars)

For the years ended December 31, 2018 and December 31, 2017

	Note	**2018** **$**	2017 $
Revenue		130,769	1,579,946
Cost of Sales	3,4	138,141	609,672
		(7,372)	970,274
Operating expenses			
Advertising and promotion		2,197	76,040
Consulting		11,872	-
Depreciation	4	850	1,701
General and administrative		13,292	88,469
Insurance		-	400
License application costs		7,533	-
Professional fees		11,180	8,795
Rent	5	165,770	33,879
Salaries and wages	5	93,605	478,927
Utilities		4,058	53,413
Loss from operating expenses		**(310,357)**	(741,624)
Income (loss) before income taxes		(317,729)	228,650
Income taxes	11	-	(5,660)
Income (loss) and comprehensive income (loss) for the year		**(317,729)**	222,990

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

S&S Group of Companies

Combined Statements of Cash Flows

Expressed in United States Dollars

For the years ended December 31, 2018 and December 31, 2017

	Note	**2018** $	2017 $
Operating activities			
Income (loss) and comprehensive income (loss)		(317,729)	222,990
Adjustment for non-cash items:			
Depreciation		30,482	24,400
Working capital adjustments:			
Prepaid expenses and deposits		(25,000)	12,350
Inventory		108,509	(108,509)
Accounts payable to members		195,301	(25,983)
Sales taxes payable		(800)	5,151
Income taxes payable		(5,660)	4,060
		(14,897)	134,459
Financing activities			
Distributions to members		-	(83,000)
		-	(83,000)
Investing activities			
Purchase of equipment		-	(69,325)
		-	(69,325)
Net decrease in cash		**(14,897)**	(17,866)
Cash, beginning of year		**25,145**	43,011
Cash, end of year		**10,248**	25,145

There were no non-cash financing or investing activities during the years ended December 31, 2018 and 2017.

During the year ended December 31, 2018, the Company paid $5,660 (2017 - $1,600) for income taxes and $nil (2017 - $nil) for interest.

The accompanying notes are an integral part of these combined financial statements

1. Nature of operations and going concern

References in this document to the "Company" are intended to mean the S&S Group of Companies, individually, or as the context requires, collectively with S&S Company, LLC. and its affiliates on a combined basis. The Company's registered address is 1809 S Street Suite 100-268 Sacramento, California 95811. The Company is in the process of completing a proposed transaction as discussed in Note 12.

The Company operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private manufacturer and distributor of cannabis extract products and is seeking applicable licensing under new licensing requirements in California which became effective January 1, 2018, for the distribution of cannabis concentrates in the state. On January 16, 2019, the Office of Administrative Law in California officially approved state regulations for cannabis businesses across the state.

Prior to the new requirements, the Company sold cannabis concentrates through a consignment arrangement with a cannabis distributor to the licensed cannabis industry in California. The Company ceased operations during the year ended December 31, 2018, due to being in the application stage for new licensing. The revenues earned during the year ended December 31, 2018, represent sales of goods produced during the year ended December 31, 2017, which were on consignment at December 31, 2017 with its cannabis distributor. Recommencement and continuance of operations is dependent upon obtaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

These combined financial statements ("financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at December 31, 2018, the Company had a working capital deficiency of $213,580 (December 31, 2017 – working capital of $73,667) and a members' deficiency of $125,635 (December 31, 2017 – members' equity of $192,094). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional capital or obtain the appropriate licensing on a timely basis. If the Company is unable to raise additional funds and obtain licensing in the immediate future, management expects that the Company may need to liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or remain with ceased operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Several states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently by the Company.

All amounts on the financial statements are presented in United States ("U.S.") dollars, which is the functional currency of the Company.

Basis of combination

Affiliates are entities controlled by the Company and are included in these financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

These financial statements include the accounts of the following entities:

- Golden Hills Collective, Inc. organized on December 7, 2015 as a non-profit Mutual Benefit Corporation under the Nonprofit Mutual Benefit Corporation Law;
- Family Farms, a division of Golden Hills Collective, Inc. until the division was wound-up internally effective December 31, 2017; and
- S&S Company, LLC ("S&S"), a California limited liability company incorporated on November 24, 2015.

Since inception, these businesses were managed by the Company's key management personnel but had differing shareholder bases. The Company does not have any direct subsidiaries.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

Estimates and critical judgments by management

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities.

The areas which require management to make critical judgments include:

- *Impairment of equipment*

  The impairment of equipment is influenced by judgment in defining a cash-generating unit and determining the indicators of impairment and estimates used to measure impairment losses. The Company is required to measure the recoverable amount of equipment when there are indicators that its carrying value may be impaired. The assessment of any impairment of equipment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of the assets.

2. Significant accounting policies (continued)

Estimates and critical judgments by management (continued)

- *Useful lives and depreciation of equipment*

  The depreciation methods and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company. Judgments are required in determining these expected useful lives.

The areas which require management to make significant estimates and assumptions include:

- *Inventory*

  The Company reviews the net realizable value of, and demand for, its inventory quarterly to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

Financial instruments

All financial instruments are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

Classification and measurement of financial assets and liabilities

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI") – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed, and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

The implementation of the new standard did not have a material impact on the measurement of the Company's reported financial results; however additional disclosures have been provided.

Financial assets

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

2. Significant accounting policies (continued)

Financial instruments (continued)

The Company's financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Measurement Category	Subsequent measurement
Cash	FVTPL	Fair value
Accounts payable to members	Other financial liabilities	Amortized cost
Sales taxes payable	Other financial liabilities	Amortized cost
Income taxes payable	Other financial liabilities	Amortized cost

Impairment

Financial assets

An 'expected credit loss' ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company does not have financial assets measured at amortized cost and subject to the ECL model.

The financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset (a "loss event"), and that loss event has an impact on the estimated future cash flows of that asset. Objective evidence may include significant financial difficulty of obligor and/or delinquency in payment. When impairment has occurred, the cumulative loss is recognized in profit or loss.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses may be reversed in subsequent periods.

Non-financial assets

Non-financial assets comprise of equipment and are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is based on the estimated cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Cash

Cash is comprised of deposits in financial institutions and cash on hand.

Inventory

Inventory includes finished goods, packaging and supplies. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average costing method. Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory identified is written-down to the net realizable value. At December 31, 2018 and 2017, there were no reserves for inventory write-downs required.

2. Significant accounting policies (continued)

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, with one-half year rule applied to any additions in the year, using the following terms and methods.:

- Computer equipment 2 Years
- Extraction equipment 5 Years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgement; therefore, the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

Revenue recognition

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods on transitional or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identify the contact with a customer;
- Identifying the performance obligations within the contact;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sales of goods by the Company is recognized when the Company transfers control of the good to the customer which is generally met once the products are delivered to customers.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking in account any variation that may result from rights of return.

Cost of sales

Cost of sales includes cost of inventory expensed, packaging costs, shipping costs and related labour.

2. Significant accounting policies (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within the non-financial assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Income taxes

Income tax expense is recognized in profit or loss based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end. For the year ended December 31, 2018, Federal and State income tax expense totaled $nil (2017 –$5,660). Additionally, the Golden Hills Collective (GHC) Group of Companies were treated as limited liability companies and, accordingly, taxable income and losses flowed through to the respective members.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment occurs. At December 31, 2018, and 2017, no deferred income tax assets or liabilities were recorded by the Company.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

Effective for annual periods beginning on or after January 1, 2019

New standard IFRS 16 - Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company has completed the scoping and review of contracts and is in the process of measuring the impact of IFRS 16 on the leases identified upon transition and for modified retrospective restatement.

2. Significant accounting policies (continued)

Standards issued but not yet effective (continued)

New standard IFRS 16 – Leases (continued)

The Company anticipates the adoption of IFRS 16 will have a material impact on the statements of financial position primarily due to the capitalization and recognition and measurement of the right-of-use assets and lease liabilities. The impacts on profit or loss will be an elimination of rent expense, for those contracts which are recognized as leases, and instead will be replaced by an amortization of the right-of-use asset and interest (finance) costs on the lease liability. All lease contracts are denominated in U.S. dollars, therefore there will be no additional volatility in foreign exchange amounts recognized in profit or loss.

The Company leases a manufacturing facility which is expected to be recorded as a right-of-use asset and lease liability under IFRS 16. The Company estimates at January 1, 2019, it will record a right-of use asset of approximately $628,000 and a corresponding lease liability of approximately $664,000, with the difference between the right-of-use asset and lease liability to be recorded to deficit.

New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The Company has determined that there will be no material reporting changes as a result of adopting the new Interpretation.

3. Inventory

As at December 31, 2018, the Company did not hold any inventory. As at December 31, 2017, the Company's inventory consisted of the following:

Finished goods	$99,574
Packaging	$8,935
Total inventory	$108,509

During the year ended December 31, 2018, inventory expensed to cost of goods sold amounted to $108,509 (2017 - $539,412).

(Expressed in United States Dollars)

4. Equipment

	Computer equipment $	Extraction equipment $	Total $
Cost			
January 1, 2017	3,401	78,834	82,235
Additions	-	69,325	69,325
December 31, 2017	3,401	148,159	151,560
Accumulated depreciation			
January 1, 2017	850	7,883	8,733
Depreciation	1,701	22,699	24,400
December 31, 2017	2,551	30,582	33,133
Cost			
December 31, 2017 and 2018	**3,401**	**148,159**	**151,560**
Accumulated depreciation			
January 1, 2018	2,551	30,582	33,133
Depreciation	850	29,632	30,482
December 31, 2018	**3,401**	**60,214**	**63,615**
Net book value			
December 31, 2017	850	117,577	118,427
December 31, 2018	**-**	**87,945**	**87,945**

During the year ended December 31, 2018, depreciation of $29,632 (2017 - $22,699) on extraction equipment was allocated to cost of sales, and depreciation of $850 (2017 - $1,701) on computer equipment was allocated to operating expenses.

(Expressed in United States Dollars)

5. Related party transactions and balances

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
	$	$
Salaries and wages	72,424	206,435
Rent	-	18,000
	72,424	224,435

During the year ended December 31, 2017, the Company purchased equipment from a company controlled by a Director of the Company in the amount of $65,000. There were no other transactions with respect to this company from incorporation to December 31, 2018.

As at December 31, 2018, accounts payable to members which included key management personnel, totaled $244,477 (December 31, 2017 - $49,176).

6. Members' equity (deficiency)

The authorized members' equity of the Company consists of 10,000 Members' Units ("Units").

There were no transactions for the issuance of members' equity during the years ended December 31, 2018, or 2017.

During the year ended December 31, 2018, there were $nil (2017 - $83,000) cash distributions to members.

7. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity (deficiency).

The Company has historically relied on historical operating activities and the contributions of its members to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

8. Financial risk management and financial instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of accounts payable to members, sales taxes payable, and income taxes payable approximate their respective fair values due to either the short-term nature of these instruments.

Economic dependence

The Company derives 100% (2017 – 100%) of its revenues from its cannabis distributor. This distributor sells to several licensed cannabis dispensaries in the State of California.

Financial instruments - risk

The Company is exposed to varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure to the Company is the carrying amount of cash. Most of the Company's cash is held with a major U.S. financial institution, and management believes the exposure to credit risk with respect to the financial institution is not significant. The Company does not have exposure to trade receivables as it does not provide credit to its customers. Additionally, all of the Company's sales have historically been transacted with cash.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash balances held on deposit in the financial institution. Management does not feel as though the Company's exposure to interest rate risk is significant. The Company does not have any interest-bearing debt instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at December 31, 2018, the Company has $10,248 of cash to settle current liabilities in the amount of $248,828. The Company will require additional funding to meet its ongoing obligations, as discussed in Note 1.

(d) Price risk

The Company is exposed to price risk with respect to movements in market prices for goods which may impact revenues and the results of operations. The Company closely monitors demand and market prices of its finished goods to determine the appropriate course of action to be taken by the Company.

(Expressed in United States Dollars)

9. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The Company operates in a single reportable segment, being the manufacture and distribution of cannabis extracts in the United States. All of the Company's revenues were generated through sales in the State of California, and all of the Company's equipment is located in California.

10. Commitment

Facility Lease:

On January 24, 2018, the Company entered into a lease agreement for its office and warehouse space with a third party. The lease has a term of five years commencing on February 1, 2019, until January 31, 2024.

The Company's minimum annual commitments are as follows:

Year	Total commitment
2019	$ 171,875
2020	191,625
2021	196,235
2022	201,020
2023	205,930
Thereafter	17,195
	$ 983,880

11. Income taxes

Income tax (expense) recovery varies from the amount that would be computed from applying the combined federal and state corporate income tax rate to income (loss) before income taxes as follows:

	December 31, 2018 $	December 31, 2017 $
Income (loss) before income taxes	(317,729)	228,650
Effective rate	39.83%	39.83%
Anticipated income tax (expense) recovery	126,551	(91,071)
Change in tax resulting from:		
Unrecognized items for tax purposes	(126,551)	85,411
Income taxes	-	(5,660)

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

12. Subsequent events

On March 29, 2019, the Company (through a newly incorporated subsidiary company, S&S Company Nevada, LLC – incorporated in February 2019) (“S&S Nevada”) entered into a Security Exchange Agreement (the “Agreement”) with King’s Bay Resources Corp. (“KBR”), a public company listed on the TSX Venture Exchange (the “Exchange”). The Company had subsequently reorganized itself such that all Company know-how and assets are now held by S&S Nevada. Under the Agreement, KBR will acquire all of the issued and outstanding members’ units (“Units”) of S&S Nevada (the “Proposed Transaction”) and therefore the entire business, assets, and operations of the Company, including S&S Nevada.

The agreement between the S&S Nevada and KBR includes the following terms:

- KBR will issue 23,000,000 common shares (the "Consideration Shares") to the members of S&S Nevada in exchange for all the issued and outstanding Units of S&S Nevada.

- Members of S&S Nevada shall purchase special voting shares in KBR for a nominal price, each of which shall entitle the holder to exercise 1,000 voting rights as compared to the single voting right assigned to existing common shares of KBR.

The Consideration Shares may be required to be escrowed pursuant to applicable Exchange requirements. The common shares of KBR issued pursuant to the KBR Financing will be subject to resale hold periods under applicable Canadian and United States securities laws.

A finder’s fee of 3,000,000 common shares is payable in connection with the acquisition of the Company to an unrelated party. It is also the intention of the parties that KBR delist its common shares from trading on the Exchange and list on the Canadian Securities Exchange (the “CSE”).

Subsequent to December 31, 2018, KBR advanced $39,300 to the Company in order to help fund administrative costs, and paid an additional $16,482 directly to a professional services firm on behalf of the Company. All of the advances were unsecured, do not bear interest and are due on demand.

S&S Group of Companies

Condensed Interim Combined Financial Statements

For the six months ended

June 30, 2019

Unaudited – Prepared by Management

(Expressed in United States Dollars)

S&S Group of Companies

Condensed Interim Combined Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in United States Dollars)

As at June 30, 2019 and December 31, 2018

	Note	**June 30 2019 $**	December 31, 2018 $
Assets			
Current assets			
Cash		3,368	10,248
Prepaid expenses and deposits		25,000	25,000
		28,368	35,248
Non-current assets			
Property and equipment	4	624,604	87,945
Total assets		**652,972**	123,193
Liabilities and members' equity (deficiency)			
Current liabilities			
Accounts payable and accrued liabilities		6,700	-
Accounts payable to members	5	316,481	244,477
Advances - King's Bay Resources Corp.	12	55,782	-
Sales taxes payable		5,151	4,351
Lease liability - current portion	4	192,000	-
		576,114	248,828
Non-current liabilities			
Lease liability - non-current portion	4	409,967	-
Total liabilities		**986,081**	248,828
Members' equity (deficiency)	6	(333,109)	(125,635)
Total liabilities and members' equity (deficiency)		**652,972**	123,193
Nature of operations and going concern	**1**		
Commitment	**10**		
Proposed transaction	**12**		

Approved on behalf of the Board of Directors on August 8, 2019:

"Joshua Stimmel" **Director** *"Tage Stimmel"* **Director**

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

S&S Group of Companies

Condensed Interim Combined Statements of Changes in Members' Equity (Deficiency)

Unaudited – Prepared by Management

(Expressed in United States Dollars)

For the six months ended June 30, 2019 and June 30, 2018

	Members' Equity (Deficiency) $	Total $
January 1, 2018	192,094	192,094
Loss and comprehensive loss for the period	(168,605)	(168,605)
June 30, 2018	**23,489**	**23,489**
January 1, 2019 (as previously reported)	(125,635)	(125,635)
Impact of adoption of IFRS 16 (see Note 2)	(35,408)	(35,408)
Loss and comprehensive loss for the period	(172,066)	(172,066)
June 30, 2019	**(333,109)**	**(333,109)**

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

S&S Group of Companies

Condensed Interim Combined Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in United States Dollars)

For the three and six months ended June 30,

		Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
	Note	**$**	$	**$**	$
Revenue		-	63,820	-	130,769
Cost of Sales	3,4	-	60,364	-	123,325
		-	3,456	-	7,444
Operating expenses					
Advertising and promotion		-	171	1,800	803
Consulting		8,000	3,767	5,383	6,275
Depreciation	4	47,233	213	91,766	425
Finance charges	4	15,545	-	31,884	-
General and administrative		2,421	9,144	1,153	9,394
License application costs		4,869	2,484	5,543	7,533
Professional fees		2,518	3,948	31,732	4,990
Rent		-	46,875	-	72,020
Salaries and wages	5	-	25,550	2,154	71,452
Utilities		185	360	651	3,157
Loss from operating expenses		**(80,771)**	(92,512)	**(172,066)**	(176,049)
Loss and comprehensive loss for the period		**(80,771)**	(89,056)	**(172,066)**	(168,605)

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

Expressed in United States Dollars

For the six months ended June 30,

	Note	**June 30, 2019 $**	June 30, 2018 $
Operating activities			
Loss and comprehensive loss		(172,066)	(168,605)
Adjustment for non-cash items:			
Depreciation	4	91,766	15,241
Finance charges	4	31,884	-
Working capital adjustments:			
Prepaid expenses and deposits		-	(25,000)
Inventory		-	108,509
Accounts payable and accrued liabilities		6,700	-
Advances - King's Bay Resources Corp.		16,482	-
Accounts payable to members		72,004	65,705
Sales taxes payable		800	-
Income taxes payable		-	(6,460)
		47,570	(10,610)
Financing activities			
Advances - King's Bay Resources Corp.	12	39,300	-
Lease payments	4	(93,750)	-
		(54,450)	-
Net decrease in cash		**(6,880)**	(10,610)
Cash, beginning of period		**10,248**	25,145
Cash, end of period		**3,368**	14,535

There were no non-cash financing or investing activities during the six months ended June 30, 2019 and June 30, 2018.

During the six months ended June 30, 2019, the Company paid $nil (2018 - $nil) for income taxes and $nil (2018 - $nil) for interest.

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

1. Nature of operations and going concern

References in this document to the "Company" are intended to mean the S&S Group of Companies, individually, or as the context requires, collectively with S&S Company, LLC. and its affiliates on a combined basis. The Company's registered address is 1809 S Street Suite 100-268 Sacramento, California 95811. The Company is in the process of completing a proposed transaction as discussed in Note 12.

The Company operates exclusively in the State of California where the legal commercial production and vending of marijuana is permitted by California state law under *Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)*. The Company is a private manufacturer and distributor of cannabis extract products and is seeking applicable licensing under new licensing requirements in California which became effective January 1, 2018, for the distribution of cannabis concentrates in the state. On January 16, 2019, the Office of Administrative Law in California officially approved state regulations for cannabis businesses across the state.

Prior to the new requirements, the Company sold cannabis concentrates through a consignment arrangement with a cannabis distributor to the licensed cannabis industry in California. The Company ceased operations during the year ended December 31, 2018, due to being in the application stage for new licensing. Recommencement and continuance of operations is dependent upon obtaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

These condensed interim combined financial statements ("financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at June 30, 2019, the Company had a working capital deficiency of $547,746 (December 31, 2018 –$213,580) and a members' deficiency of $333,109 (December 31, 2018 – $125,635). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional capital or obtain the appropriate licensing on a timely basis. If the Company is unable to raise additional funds and obtain licensing in the immediate future, management expects that the Company may need to liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or remain with ceased operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Several states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended December 31, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently by the Company.

All amounts on the financial statements are presented in United States ("U.S.") dollars, which is the functional currency of the Company.

Basis of combination

Affiliates are entities controlled by the Company and are included in these financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

These financial statements include the accounts of the following entities:

- Golden Hills Collective, Inc. organized on December 7, 2015 as a non-profit Mutual Benefit Corporation under the Nonprofit Mutual Benefit Corporation Law;
- S&S Company, LLC ("S&S"), a California limited liability company incorporated on November 24, 2015; and
- S&S Company Nevada, LLC ("S&S Nevada"), a Nevada limited liability company incorporated on February 1, 2019.

Since inception, these businesses were managed by the Company's key management personnel but had differing shareholder bases. The Company does not have any direct subsidiaries.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these financial statements.

2. Significant accounting policies (continued)

New standards adopted during the period

Certain pronouncements were issued by the IASB or IFRIC that were effective for accounting periods beginning on or after January 1, 2019. Many of these updates were not applicable or consequential to the Company and have been excluded from the discussion below.

Effective for annual periods beginning on or after January 1, 2019

New standard IFRS 16 - Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminated the former dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The most significant effect of the new standard was the Company's recognition of the initial present value of unavoidable future lease payments as a right-of-use ("ROU") asset and lease liability on the statement of financial position, including those for most leases that would currently be accounted for as operating leases.

The Company has a facility lease in Merced, California. In the context of IFRS 16, a ROU asset of $628,425 and lease liability of $663,833 were recognized as at January 1, 2019, in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on January 1, 2019. The ROU asset (recognized within property and equipment) was measured at amounts equal to the corresponding initial lease liability.

On adoption, the following practical expedients were permitted by IFRS 16, but were not applicable to the Company:

- Accounted for leases with a remaining term of less than twelve months as at January 1, 2019, as short-term leases; and
- Accounted for lease payments as an expense for leases of low-value assets.

The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liability and the valuation of the ROU asset. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

The impact on profit or loss was an elimination of rent expense, which was replaced by the amortization of the ROU asset and interest (finance) costs on the lease liability. The Company's only lease contract is denominated in U.S. dollars, therefore there was no additional volatility in foreign exchange amounts recognized in profit or loss.

See Note 4 for additional details.

New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation was applicable for annual periods beginning on or after January 1, 2019. There was no material reporting changes as a result of adopting the new Interpretation.

(Expressed in United States Dollars)

3. Inventory

As at June 30, 2019 and December 31, 2018, the Company did not hold any inventory.

During the six months ended June 30, 2019, inventory expensed to cost of goods sold amounted to $nil (2018 - $108,509).

4. Property and equipment

	Computer equipment $	Extraction equipment $	ROU asset - facility lease $	Total $
Cost				
January 1, 2018	3,401	148,159	-	151,560
December 31, 2018	3,401	148,159	-	151,560
Accumulated depreciation				
January 1, 2018	2,551	30,582	-	33,133
Depreciation	850	29,632	-	30,482
December 31, 2018	3,401	60,214	-	63,615
Cost				
January 1, 2019	3,401	148,159	-	151,560
Adoption of IFRS 16 on January 1, 2019	-	-	628,425	628,425
June 30, 2019	**3,401**	**148,159**	**628,425**	**779,985**
Accumulated depreciation				
January 1, 2019	3,401	60,214	-	63,615
Depreciation	-	14,816	76,950	91,766
June 30, 2019	**3,401**	**75,030**	**76,950**	**155,381**
Net book value				
December 31, 2018	-	87,945	-	87,945
June 30, 2019	**-**	**73,129**	**551,475**	**624,604**

During the six months ended June 30, 2019, no depreciation on extraction equipment was allocated to cost of sales (2018 - $14,816), as the Company did not recognize any sales or cost of sales during the period. However, the Company's extraction equipment continued to be depreciated, with $14,816 (2018 - $nil) being allocated to operating expenses, while depreciation of $nil (2018 - $425) on the Company's computer equipment and $76,950 (2018 - $nil) in respect of the Company's ROU asset was allocated to operating expenses.

(Expressed in United States Dollars)

4. Property and equipment (continued)

Right-of-use ("ROU") asset

The Company has a ROU asset in respect of its facility in Merced, California. Effective January 1, 2019, on adoption of IFRS 16 (see Note 2), the Company capitalized the facility as a ROU asset with an offsetting lease liability.

A reconciliation of the carrying amount of the lease liability recognized on initial adoption of IFRS 16 and for the six months ended June 30, 2019 is as follows:

	June 30, 2019 **$**
January 1, 2019 (Note 2)	663,833
Lease payments	(93,750)
Lease interest (finance charges)	31,884
June 30, 2019	**601,967**
Current portion of lease liability	**192,000**
Non-current portion of lease liability	**409,967**

As at June 30, 2019, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liability over the remaining lease terms is $716,380.

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2019, and December 31, 2018, the Company did not have any short-term leases. As at June 30, 2019, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liability, and there were no leases with residual value guarantees.

5. Related party transactions and balances

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the six months ended June 30, 2019 and June 30, 2018 are as follows:

	June 30 2019 **$**	June 30 2018 $
Salaries and wages	-	36,212
	-	36,212

As at June 30, 2019, accounts payable to members which included key management personnel, totalled $316,481 (December 31, 2018 - $244,477).

6. Members' equity (deficiency)

The authorized members' equity of the Company consists of 10,000 Members' Units ("Units").

During the six months ended June 30, 2019, the Company reorganized its members' equity from S&S to S&S Nevada, with the existing members receiving new Units of S&S Nevada in return of the previously issued Units of S&S. Original members then transferred a certain number of Units to new members in S&S Nevada for no consideration. The reorganization of equity was completed to facilitate the proposed transaction summarized in Note 12.

During the six months ended June 30, 2019, there were $nil (2018 - $nil) cash distributions to members.

7. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as members' equity (deficiency).

The Company has historically relied on historical operating activities and the contributions of its members to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2019.

8. Financial risk management and financial instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of accounts payable and accrued liabilities, accounts payable to members, advances and sales taxes payable approximate their respective fair values due to the short-term nature of these instruments. The Company's lease liability also approximates fair value as it bears a market rate of interest.

Economic dependence

The Company previously derived 100% of its revenues from its cannabis distributor. This distributor sells to several licensed cannabis dispensaries in the State of California.

8. Financial risk management and financial instruments (continued)

Financial instruments - risk

The Company is exposed to varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure to the Company is the carrying amount of cash. Most of the Company's cash is held with a major U.S. financial institution, and management believes the exposure to credit risk with respect to the financial institution is not significant. The Company does not have exposure to trade receivables as it does not provide credit to its customers. Additionally, all of the Company's historical sales had been transacted with cash.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates on its cash balances held on deposit in the financial institution. Management does not feel as though the Company's exposure to interest rate risk is significant. The Company does not have any interest-bearing debt instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at June 30, 2019, the Company has $3,368 of cash to settle current liabilities in the amount of $576,114. The Company will require additional funding to meet its ongoing obligations, as discussed in Note 1.

(d) Price risk

The Company is exposed to price risk with respect to movements in market prices for goods which may impact revenues and the results of operations. The Company closely monitors demand and market prices of its finished goods to determine the appropriate course of action to be taken by the Company.

9. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The Company operates in a single reportable segment, being the manufacture and distribution of cannabis extracts in the United States. All of the Company's historical revenues were generated through sales in the State of California, and all of the Company's equipment is located in California.

(Expressed in United States Dollars)

10. Commitment

Facility Lease:

On January 24, 2018, the Company entered into a lease agreement for its office and warehouse space with a third party. The lease has a term of five years commencing on February 1, 2019, until January 31, 2024.

The Company's minimum annual commitments are as follows:

Year	Total commitment
2019	$ 171,875
2020	191,625
2021	196,235
2022	201,020
2023	205,930
Thereafter	17,195
	$ 983,880

11. Income taxes

Income tax (expense) recovery varies from the amount that would be computed from applying the combined federal and state corporate income tax rate to income (loss) before income taxes as follows:

	June 30, 2019 $	June 30, 2018 $
Loss before income taxes	(172,066)	(168,605)
Effective rate	39.83%	39.83%
Anticipated income tax (expense) recovery	68,534	67,155
Change in tax resulting from:		
Unrecognized items for tax purposes	(68,534)	(67,155)
Income taxes	**-**	**-**

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

12. Proposed transaction

On March 29, 2019, the Company (through a newly incorporated subsidiary company, S&S Company Nevada, LLC – incorporated in February 2019) ("S&S Nevada") entered into a Security Exchange Agreement (the "Agreement") with King's Bay Resources Corp. ("KBR"), a public company listed on the TSX Venture Exchange (the "Exchange"). The Company had subsequently reorganized itself such that all Company know-how and assets are now held by S&S Nevada. Under the Agreement, KBR will acquire all of the issued and outstanding members' units ("Units") of S&S Nevada (the "Proposed Transaction") and therefore the entire business, assets, and operations of the Company, including S&S Nevada.

The agreement between the S&S Nevada and KBR includes the following terms:

- KBR will issue 23,000,000 common shares (the "Consideration Shares") to the members of S&S Nevada in exchange for all the issued and outstanding Units of S&S Nevada.

- Members of S&S Nevada shall purchase special voting shares in KBR for a nominal price, each of which shall entitle the holder to exercise 1,000 voting rights as compared to the single voting right assigned to existing common shares of KBR.

The Consideration Shares may be required to be escrowed pursuant to applicable exchange requirements. The common shares of KBR issued pursuant to the KBR Financing will be subject to resale hold periods under applicable Canadian and United States securities laws.

A finder's fee of 3,000,000 common shares is payable in connection with the acquisition of the Company to an unrelated party. It is also the intention of the parties that KBR delist its common shares from trading on the Exchange and list on the Canadian Securities Exchange (the "CSE").

During the six months ended June 30, 2019, KBR advanced $39,300 to the Company in order to help fund administrative costs, and paid an additional $16,482 directly to a professional services firm on behalf of the Company. All of the advances were unsecured, do not bear interest and are due on demand.

SCHEDULE C

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE RESULTING ISSUER

For the Period ended June 30, 2019

[See attached]

KING'S BAY RESOURCES CORP.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in United States Dollars)

June 30, 2019

KING'S BAY RESOURCES CORP.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in United States Dollars)

	King's Bay Resources Corp. as at June 30, 2019	S&S Group of Companies as at June 30, 2019	Note	Pro-forma Adjustments	Pro-forma Consolidated
ASSETS	$	$		$	$
Current assets					
Cash	5,563	3,368	4(b)	3,054,240	
			4(b)	(244,339)	
			4(c)	(150,000)	
					2,668,832
GST and other receivables	4,066	-		-	4,066
Short-term loans receivable	55,782	-	4(d)	(55,782)	-
Prepaid expenses	38,178	25,000		-	63,178
	103,589	28,368		2,604,119	2,736,076
Equipment	-	624,604		-	624,604
Total assets	103,589	652,972		2,604,119	3,360,680
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities					
Accounts payable and accrued liabilities	9,459	6,700		-	16,159
Accounts payable to Members	-	316,481		-	316,481
Short-term loans payable	-	55,782	4(d)	(55,782)	-
Sales tax payable	-	5,151		-	5,151
Lease liability – current portion	-	192,000		-	192,000
	9,459	576,114		(55,782)	529,791
Lease liability – non-current portion	-	409,967		-	409,967
Total liabilities	9,459	986,081		(55,782)	939,758
Shareholders' equity (deficit)					
Share capital	15,210,027	-	4(a)	(15,210,027)	
			4(a)	2,559,765	
			4(b)	3,054,240	
			4(b)	(244,339)	
			4(b)	(151,000)	
					5,218,666
Reserves – stock options and warrants	324,810	-	4(a)	(324,810)	
			4(b)	151,000	151,000
Reserves – translation adjustments	1,776,733	-		-	1,776,733
Deficit	(17,217,440)	(333,109)	4(a)	17,217,440	
			4(a)	(4,242,368)	
			4(c)	(150,000)	(4,725,477)
Total shareholders' equity (deficit)	94,130	(333,109)		2,659,901	2,420,922
Total liabilities and shareholders' equity	103,589	652,972		2,604,119	3,360,680

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

KING’S BAY RESOURCES CORP.
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in United States Dollars)

	King’s Bay Resources Corp. 6 months ended June 30, 2019	S&S Group of Companies 6 months ended June 30, 2019	Note	Pro-forma Adjustments	Pro-forma Consolidated
	$	$		$	$
REVENUES					
Product sales	-	-		-	-
	-	-		-	-
COST OF SALES					
Cost of product sales	-	-		-	-
	-	-		-	-
GROSS PROFIT	-	-		-	-
EXPENSES					
Advertising and promotion	10,342	1,800		-	12,142
Depreciation	-	91,766		-	91,766
Filing fees	11,397	-		-	11,397
Finance charges	-	31,884		-	31,884
General and administrative	35,310	1,153		-	36,463
License application costs	-	5,543		-	5,543
Listing expense	-	-	4(a)	4,242,368	4,242,368
Professional fees	39,227	31,732	4(c)	150,000	220,959
Salaries and consulting	97,917	7,537		-	105,454
Travel and meals	30,821	-		-	30,821
Utilities	-	651		-	651
Net loss for the period before income taxes	(225,014)	(172,066)		(4,392,368)	(4,789,448)
Income tax expense	-	-		-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(225,014)	(172,066)		(4,392,368)	(4,789,448)
Basic and diluted loss per common share					(0.08)

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

KING'S BAY RESOURCES CORP.
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in United States Dollars)

	King's Bay Resources Corp. Year ended December 31, 2018	S&S Group of Companies Year ended December 31, 2018	Note	Pro-forma Adjustments	Pro-forma Consolidated
	$	$		$	$
REVENUES					
Product sales	-	130,769		-	130,769
	-	130,769		-	130,769
COST OF SALES					
Cost of product sales	-	138,141		-	138,141
	-	138,141		-	138,141
GROSS PROFIT (LOSS)	-	(7,372)		-	(7,372)
EXPENSES					
Advertising and promotion	114,616	2,197		-	116,813
Depreciation	-	850		-	850
Filing fees	21,128	-		-	21,128
General and administrative	122,526	179,062		-	301,588
License application costs	-	7,533		-	7,533
Listing expense	-	-	4(a)	4,242,368	4,242,368
Professional fees	44,542	11,180	4(c)	150,000	205,722
Salaries and consulting	203,151	105,477		-	308,628
Travel and meals	85,541	-		-	85,541
Utilities	-	4,058		-	4,058
	(591,504)	(310,357)		(4,392,368)	(5,294,229)
Interest income	2	-		-	2
Loss on sale of marketable securities	(495)	-		-	(495)
Unrealized loss on marketable securities	(12)	-		-	(12)
Impairment of exploration assets	(396,955)	-		-	(396,955)
Net loss for the year before income taxes	(988,964)	(317,729)		(4,392,368)	(5,699,061)
Income tax expense	-	-		-	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(988,964)	(317,729)		(4,392,368)	(5,699,061)
Basic and diluted loss per common share					(0.10)

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

1. BASIS OF PRESENTATION

The accompanying unaudited pro-forma consolidated financial statements of King's Bay Resources Corp. ("KBR" or "the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") from information derived from the financial statements of KBR and the financial statements of the S&S Group of Companies ("S&S Group") to give effect to the proposed transaction (the "Transaction") as discussed in Note 3.

The unaudited pro-forma consolidated financial statements of the Company are compiled from and include:

a) The Company's audited financial statements as at December 31, 2018 and for the year then ended.
b) S&S Group's audited combined financial statements as at December 31, 2018 and for the year then ended.
c) The Company's unaudited condensed interim financial statements as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018.
d) S&S Group's unaudited condensed interim combined financial statements as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018.
e) The additional information set out in Note 3.

The financial statements of KBR have previously been presented in Canadian Dollars (C$), which is its functional currency. For the purpose of these pro-forma consolidated financial statements, which are expressed in United States Dollars (US$), assets and liabilities on the statement of financial position of KBR has been converted at a rate of C$1.00 = US$0.7636 with equity being translated at estimated historical exchange rates. Further, the statement of loss and comprehensive loss for the six months ended June 30, 2019 has been converted at an average exchange rate of C$1.00 = US$0.7498, while the statement of loss and comprehensive loss for the year ended December 31, 2018 has been converted at an average exchange rate of C$1.00 = US$0.7717.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2018, the audited combined financial statements of S&S Group for the year ended December 31, 2018, the unaudited condensed interim financial statements of the Company as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018, and the unaudited condensed interim combined financial statements of S&S Group as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018.

The unaudited pro-forma consolidated statement of financial position as at June 30, 2019 has been prepared as if the Transaction had occurred on June 30, 2019. The unaudited pro-forma consolidated statement of loss and comprehensive loss for the six months ended June 30, 2019 has been prepared as if the Transaction had occurred on January 1, 2019, while the unaudited pro-forma consolidated statement of loss and comprehensive loss for the year ended December 31, 2018 has been prepared as if the transactions had occurred on January 1, 2018.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position that would have been achieved if the Transaction had been completed on the dates indicated, nor do they purport to project the financial position or results of operations of the consolidated entities for any future period. In the opinion of the management of KBR and S&S Group, the unaudited pro-forma consolidated statements include all adjustments necessary for a fair presentation of the Transaction in Note 3. These unaudited pro-forma consolidated financial statements do not reflect any cost savings that could result from the combination of the operations of KBR and S&S Group, as management does not anticipate any material cost savings as a result of the Transaction.

The pro-forma adjustments are based in part on estimates, including the fair values of the assets acquired and liabilities assumed, as applicable. For purposes of the pro-forma consolidated statement of financial position, it is assumed that there are no tax consequences and no income tax effect is being recorded. Both entities continue to incur losses from operations and when combined are also not expected to generate profits in the immediate future, and therefore neither entity carries any deferred tax assets in its most recent financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited pro-forma consolidated financial statements are consistent with those set out in the audited financial statements of KBR for the year ended December 31, 2018, the audited combined financial statements of S&S Group for the year ended December 31, 2018, the unaudited condensed interim financial statements of KBR as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018, and the unaudited condensed interim combined financial statements of S&S Group as at June 30, 2019 and for the three and six months ended June 30, 2019 and 2018, which are applied in the preparation of the unaudited pro-forma consolidated financial statements as at and for the six months ended June 30, 2019.

3. DESCRIPTION OF THE TRANSACTION

Execution of the Securities Exchange Agreement

On March 29, 2019, the Company entered into a Securities Exchange Agreement (the "Agreement") with S&S Company Nevada, LLC (the "S&S Group") to affect a reverse takeover transaction (the "Transaction") and conduct a concurrent private placement of Units (the "Units").

Under the terms of the Agreement, it was proposed that the Company would acquire all the issued and outstanding securities of S&S Group (the "S&S Group Units"), the result of which will constitute a reverse takeover of the Company by the members of S&S Group. The resulting issuer of the Transaction (the "Resulting Issuer") will be positioned to operate within the state-legal market of California and will both retain and look to identify new distribution agreements with licensed parties.

The Company will seek to delist from the TSX Venture Exchange (the "TSXV") and intends to apply for listing of the Resulting Issuer's common shares on the Canadian Securities Exchange (the "CSE"), with such listing to be effective concurrent with the completion of the Transaction.

Under the terms of the Agreement, the Company will acquire, indirectly through its wholly-owned subsidiary incorporated in the state of Nevada (the "AcquireCo"), all issued and outstanding S&S Group Units in exchange for:

- An aggregate of 23,000 newly-created, non-trading, voting Class B preferred shares (the "Class B Preferred Shares") of AcquireCo; and
- An aggregate of 23,000 newly-created, non-trading, super voting common shares (the "Super Voting Common Shares") of AcquireCo.

Each Class B Preferred Share shall participate on a 1,000 to one basis with holders of KBR common shares, such that any dividends or other distributions payable on the KBR common shares will be payable to the holders of the Class B Preferred Shares on the basis of each Class B Preferred Share holder receiving 1,000 times the amount that each KBR common shareholder would be entitled to receive.

The Class B Preferred Shares will be held in escrow, and will be released from escrow and delivered to the S&S Group members over a thirty-six (36) month period as follows:

- Ten percent (10%) shall be released upon KBR receiving a notice of acceptance of the Transaction from the CSE (the "CSE Notice");
- Fifteen percent (15%) shall be released 6 months from the date of receipt of the CSE Notice; and
- Fifteen percent (15%) released every 6 months thereafter with the final escrowed shares being released 36 months from the receipt of the CSE Notice.

Once released from escrow, the Class B Preferred Shares may be converted at any time to common shares of the Resulting Issuer on the basis of 1,000 common shares for each Class B Preferred Share converted.

3. DESCRIPTION OF THE TRANSACTION (continued)

Execution of the Securities Exchange Agreement (continued)

On closing of the Transaction, the S&S Group members will subscribe for (and pay a nominal amount for) a total of 23,000 Super Voting Common Shares, which will not participate in dividends, distributions or have any rights to assets on winding-up or liquidation, but will have the right to vote at shareholder meetings, with each Super Voting Common Share being entitled to 1,000 votes.

One Super Voting Common Share must be cancelled for each Class B Preferred Share converted to common shares, as discussed above. The Super Voting Common Shares are not transferable.

In conjunction with the Agreement, the Company requested a voluntary halt of its common shares on the TSXV following the dissemination of a April 1, 2019 press release. The Company announced that it did not anticipate its common shares would resume trading until such time as the Transaction has completed and had been accepted by the CSE, unless the Transaction with S&S Group fails to be completed, in which case the Company would cease its efforts to delist from the TSXV and request lifting of its voluntary halt to resume trading on the TSXV.

In connection with the Transaction, the Company is required to change its name to Merced Holdings Corp. The Company will also be required to, among other things: (i) consolidate its issued and outstanding share capital on the basis of one (1) for five (5) (rollback); (ii) replace officers of KBR on closing of the Transaction with nominees of S&S Group; (iii) replace the board of directors of KBR with a new board, four of which shall include Joshua Stimmel, Joshua Hartsel, Tage Stimmel and David Hwang (all of which are current S&S Group members); (iv) create new classes for the non-trading Class B Preferred Shares and Super Voting Common Shares; and (v) receive shareholder and regulatory approvals where required.

Non-Brokered Private Placement of Units

Concurrently with the execution of the Agreement, the Company and S&S Group determined that a non-brokered private placement (the "KBR Private Placement") of up to C$4,000,000 be structured as an offering of Units in the capital of KBR. The KBR Private Placement will consist of up to 20,000,000 Units (each, a "Unit") at a price of C$0.20 per Unit, with each Unit consisting of one (1) underlying common share of KBR (the "KBR Shares") and one (1) underlying KBR share purchase warrant (the "KBR Warrants").

In connection with the KBR Private Placement, the Company anticipates share issue costs consisting of an 8.0% cash finder's fee, as well as 1,600,000 finder's warrant (8.0%). The finder's warrants will be exercisable into a common share of the Resulting Issuer, at an exercise price of C$0.20 per KBR Share for a term of 2 years.

Share Consolidation

In conjunction with the execution of the Agreement, and to be approved by shareholders at the Company, KBR will consolidate its share capital on a one (1) new for five (5) old basis, such that the share capital of KBR shall consist of 13,762,043 common shares (exclusive of the KBR Shares), 7,229,698 share purchase warrants (exclusive of the KBR Warrants), and 265,000 stock options, immediately prior to the Transaction.

Transaction Accounting

On completion of the Transaction, the shareholders of S&S Group will obtain control of the Resulting Issuer by obtaining approximately 38.5% of the common shares of the Resulting Issuer and the resulting power to govern the financial and operating policies of the combined entities, as further supported by the S&S Group holding all 4 board positions and all of the executive officer positions of the Resulting Issuer.

(Unaudited - Expressed in United States Dollars)

3. DESCRIPTION OF THE TRANSACTION (continued)

Transaction Accounting (continued)

Although the Transaction resulted in a single entity, control passed to the former members of S&S Group and the Transaction constitutes a reverse takeover of KBR by S&S Group and has been accounted for as a reverse takeover transaction in accordance with the guidance provided in IFRS 2 *Share-based Payments* ("IFRS 2") and IFRS 3 *Business Combinations*. As KBR did not qualify as a business according to the definitions within IFRS 3, the reverse takeover does not constitute a business combination; rather the Transaction was accounted for as an asset acquisition and including KBR's public listing. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, S&S Group will be treated as the accounting parent company (legal subsidiary) and KBR as the accounting subsidiary (legal parent).

The Transaction is measured at the fair value of the shares that S&S Group would have had to issue to shareholders of KBR to give shareholders of KBR the same percentage equity interest in the combined entity that results from the reverse takeover had it taken the legal form of S&S Group acquiring KBR. The fair value of the common shares was determined to be $0.15 (C$0.20) based on the concurrent KBR Private Placement, and is considered as a significant estimate and judgement.

A listing expense of $4,242,368 has been charged to profit or loss to reflect the difference between the fair value of the consideration paid, and the fair value of the net liabilities acquired from KBR in accordance with IFRS 2.

Listing Application on the Canadian Securities Exchange

On September X, 2019, the Company, in concert with S&S Group, submitted its application (the "Listing Application") to the CSE for the listing of its common shares on the CSE under the name "Merced Holdings Corp.", and under the reserved trading symbol "XXX".

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS

The fair value of the net assets (liabilities) of KBR as at June 30, 2019, prior to the Transaction were:

Current assets	$ 103,589
Current liabilities	(9,459)
	$ 94,130

The consideration consists of the fair value of 13,762,043 KBR common shares outstanding valued at $2,101,629 ($0.15 per share (C$0.20)) and the fair value of 3,000,000 finder's common shares issued in connection with the Transaction, with a value of $458,136 ($0.15 per share (C$0.20)):

Consideration	$ 2,559,765
Net monetary assets acquired	(94,130)
Translation adjustment	1,776,733
Listing expense	$ 4,242,368

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)

The unaudited pro-forma consolidated statements reflect the following adjustments:

a) To record the consideration of 13,762,043 KBR common shares at a fair value of $0.15 per share (C$0.20 per share), to record the fair value of 3,000,000 finder's common shares issued ($458,136), and to eliminate historical equity accounts of KBR.
b) To record completion of the KBR Private Placement, consisting of 20,000,000 Units at a price of $0.15 per Unit (C$0.20 per Unit) for gross proceeds of $3,054,240 (C$4,000,000). The gross proceeds from the KBR Private Placement are offset by approximate share issue costs as follows: 8.0% cash finder's fee totaling $244,339 (C$320,000) and the fair value of 1,600,000 finder's warrants ($151,000). The finder's warrants were valued by using the Black-Scholes option pricing model with the following assumptions: share price of $0.15 (C$0.20), exercise price of $0.15 (C$0.20), expected volatility of 125%, risk-free interest rate of 1.50% and a term of 2.0 years.
c) To record expected costs of $150,000 associated with the completion of the Transaction and the associated Listing Application.
d) To eliminate the intercompany short-term loans between the Company and S&S Group.

(Unaudited - Expressed in United States Dollars)

5. PRO-FORMA SHARE CAPITAL

Share capital as at June 30, 2019 in the unaudited pro-forma consolidated statement of financial position is comprised of the following:

	Number of Common Shares	Number of Class B Preferred Shares	Number of Super Voting Common Shares	Amount ($)
Authorized				
Unlimited number of common shares, no par value Unlimited number of Class B Preferred Shares, no par value Unlimited number of Super Voting Common Shares, no par value				
Issued				
S&S Group Units outstanding as at June 30, 2019	10,000	-	-	-
KBR common shares outstanding as at June 30, 2019	13,762,043	-	-	15,210,027
KBR Private Placement completed	20,000,000	-	-	3,054,240
KBR Private Placement – cash share issue costs	-	-	-	(244,339)
KBR Private Placement – finder's warrants	-	-	-	(151,000)
Issuance of finder's shares	3,000,000	-	-	458,136
RTO adjustment – eliminate S&S Group Units	(10,000)	-	-	-
RTO adjustment – eliminate KBR share capital	-	-	-	(15,210,027)
RTO adjustment – issuance of AcquireCo shares to acquire S&S Group Units	-	23,000	23,000	2,101,629
Common shares outstanding after the Transaction	36,762,043	23,000	23,000	5,218,666
Conversion of Preferred Shares and Super Voting Common Shares (if converted)	23,000,000	(23,000)	(23,000)	-
Common shares outstanding after the Transaction (if converted)	59,762,043	-	-	5,218,666

Basic and Diluted Loss per Share

The loss per share stated on the pro-forma consolidated statement of loss and comprehensive loss for the six months ended June 30, 2019 and the pro-forma consolidated statement of loss and comprehensive loss for the year ended December 31, 2018 has been computed on a post-conversion basis of the Resulting Issuer.

For purposes of these pro-forma consolidated financial statements, all stock options and warrants have been excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

SCHEDULE D

AUDIT COMMITTEE CHARTER

[See attached]

KING’S BAY RESOURCES CORP.
(the “Company”)

AUDIT COMMITTEE CHARTER

Mandate: The primary function of the audit committee (the "**Committee**") is to assist the board of directors (the “Board of Directors”) in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting and the Company’s 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 auditor; and provide an open avenue of communication among the Company’s auditor, financial and senior management and the Board.

Composition: The Committee shall be comprised of a minimum three directors as determined by the Board. If the Company ceases to be a "venture issuer" (as that term is defined in NI 52-110), then all of the members of the Committee shall be free from any material relationship with the Company that, in the opinion of the Board, would interfere with the exercise of their independent judgment as a member of the Committee.

If the Company ceases to be a "venture issuer” then all members of the Committee shall also have accounting or related financial management expertise. For the purposes of the Company's 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 reasonably be expected to be raised by the Company's financial statements. The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings: The Committee shall meet a least once annually, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor.

Responsibilities and Duties: To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports Review: review and update the Audit Committee Charter annually and review the Company's financial statements, management discussion and analysis and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditor.

2. External Auditor:

(a) review annually, the performance of the external auditor who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;

(b) obtain annually, a formal written statement of external auditor setting forth all relationships between the external auditor and the Company and review and discuss with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor;

(d) take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(e) recommend to the Board the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval and to recommend to the Board the compensation to be paid to the external auditor;

(g) at each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;

(h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;

(i) review with management and the external auditor the audit plan for the year-end financial statements and 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 auditor. The pre-approval requirement is waived with respect to the provision of non-audit services if:

  (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditor during the fiscal year in which the non-audit services are provided,

  (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services, and

  (iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Provided the 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.

3. Financial Reporting Processes:

   (a) in consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;

   (b) consider the external auditor' 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 auditor and management;

   (d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;

   (e) following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

   (f) review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements;

   (g) review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;

   (h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;

   (i) review certification process;

   (j) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

   (k) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4. Other - review any related-party transactions, engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay compensation for any independent counsel and other advisors employed by the Committee.

SCHEDULE E

STOCK OPTION PLAN

[See attached]

KING'S BAY GOLD
CORPORATION

2016 STOCK OPTION PLAN

TABLE OF CONTENTS Page

STOCK OPTION PLAN

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

(a) "Administrator" means, initially, the secretary of the Company and thereafter shall mean such director or other senior officer or employee of the Company as may be designated as Administrator by the Board from time to time;

(b) "Associate" has the meaning given to it in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual;

(c) "Award Date" means the date on which the board awards a particular Option;

(d) "Board" means the board of directors of the Company, or any committee thereof which the board of directors of the Company has delegated the power to administer and grant options under this Plan;

(e) "Cause" means:

(i) "Cause" as such term is defined in the written employment agreement, if any, between the Company and Employee; or

(ii) in the event there is no written employment agreement between the Company and the Employee or "Cause" in not defined in the written employment agreement between the Company and the Employee, the usual meaning of just cause under the common law or the laws of British Columbia;

(f) "Company" means **King's Bay Gold Corporation.**;

(g) **"**Consultant**"** means an individual or Consultant Company, other than an Employee or a Director of the Issuer, that:

(i) is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Issuer or to an Affiliate of the Issuer, other than services provided in relation to a Distribution;

(ii) provides the services under a written contract between the Issuer or the Affiliate and the individual or the Consultant Company;

(iii) in the reasonable opinion of the Issuer, spends or will spend a significant amount of time and attention on the affairs and business of the Issuer or an Affiliate of the Issuer; and

(iv) has a relationship with the Issuer or an Affiliate of the Issuer that enables the individual to be knowledgeable about the business and affairs of the Issuer.

(h) "Consultant Company" means, for an individual consultant, a company of which the individual consultant is an employee or shareholder;

(i) "consultant partnership" means, for an individual consultant, a partnership of which the individual consultant is an employee or partner;

(j) "Director" means any individual holding the office of director or senior officer of the Company or a subsidiary of the Company to whom stock options can be granted in reliance on a prospectus exemption under applicable Securities Laws;

(k) "Discounted Market Price" has the meaning given to it in Policy 1.1 of the TSX Corporate Finance Manual;

(l) "Employee" means an individual who:

(i) is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) works full-time for the Company or a subsidiary of the Company providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or

(iii) works for the Company or a subsidiary of the Company on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source;

(m) "Exercise Notice" means the notice respecting the exercise of an Option, in the form set out as Schedule "B" hereto, duly executed by the Option Holder;

(n) "Exercise Period" means the period during which a particular Option may be exercised and is the period from and including the Award Date through to and including the Expiry Date;

(o) "Exercise Price" means the price at which an Option may be exercised as determined in accordance with paragraph 3.5;

(p) "Expiry Date" means the date determined in accordance with paragraph 3.3 and after which a particular Option cannot be exercised;

(q) “Insider” has the meaning given to it in the *Securities Act* (British Columbia);

(r) “Investor Relations Activities” has the meaning given to it in Policy 1.1 of the TSX Corporate Finance Manual;

(s) “Market Price” means the last closing price of the Company’s Shares on the TSX before the issuance of the required news release disclosing the grant of an Option, subject to the exceptions provided for in Policy 1.1 of the TSX Corporate Finance Manual;

(t) “Option” means an option to acquire Shares, awarded to a Director, Employee or Consultant pursuant to the Plan;

(u) “Option Certificate” means the certificate, in the form set out as Schedule “A” hereto, evidencing an Option;

(v) “Option Holder” means a Director, Employee or Consultant or former Director, Employee or Consultant, who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person;

(w) “Plan” means this stock option plan;

(x) “Personal Representative” means:

(i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and

(ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder;

(y) “Regulatory Authorities” means all stock exchanges and other organized trading facilities on which the Company’s Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company;

(z) “Securities Laws” means securities legislation, securities regulations and securities rules, as amended, and the policies, notices, instruments and orders in force from time to time that are applicable to the Company;

(aa) “Share” or “Shares” means, as the case may be, one or more common shares without par value in the capital stock of the Company;

(bb) “Termination Date” means:

(i) in the case of the resignation of the Option Holder as an Employee of the Company, the date that the Option Holder provides notice of his or her resignation as an Employee of the Company to the Company; or

(ii) in the case of the termination of the Option Holder's employment with the Company by the Company for any reason other than death, the date that the Company provides notice of termination of the Option Holder's employment to the Option Holder; or

(iii) in the case of the termination of the written contract of the Option Holder to provide consulting services to the Company, the date that one of the parties to the written contract provides notice of termination of the written contract to the other party; and

(cc) "TSX" means the TSX Venture Exchange Inc.

1.2 Choice of Law

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed in accordance with, the laws of the Province of British Columbia.

1.3 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

ARTICLE 2
PURPOSE AND PARTICIPATION

2.1 Purpose

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants, to reward such of those Directors, Employees and Consultants as may be awarded Options under the Plan by the Board from time to time for their contributions toward the long term goals of the Company and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments.

2.2 Participation

The Board shall, from time to time and in its sole discretion, determine those Directors, Employees and Consultants, if any, to whom Options are to be awarded. The Board may only grant options to an Employee or Consultant if such Employee or Consultant is a bona fide Employee of Consultant of the Company or a subsidiary of the Company. The Board may, in its sole discretion, grant the majority of the Options to insiders of the Company.

In no case will an Option Holder be granted an Option where the number of Shares that may be purchased pursuant to that Option exceed, when added to the number of Shares available for purchase pursuant to Options previously granted to the Option Holder which remain exercisable, 5% of the Company's issued and outstanding share capital as of the Award Date of the Option being granted. In addition, in no case (a) will a Consultant be granted an Option where the number of Shares that may be purchased pursuant to that Option exceed, when added to the number of Shares available for purchase pursuant to Options previously granted to Consultants which remain exercisable, 2% of the Company's issued and outstanding share capital as of the Award Date of the Option being granted; or (b) will a person employed in Investor Relations Activities be granted an Option where the number of Shares that may be purchased pursuant to that Option exceed, when added to the number of Shares available for purchase pursuant to Options previously granted to persons employed in Investor Relations Activities which remain exercisable, 2% of the Company's issued and outstanding share capital as of the Award Date of the Option being granted.

2.3 Notification of Award

Following the approval by the Board of the awarding of an Option, the Administrator shall notify the Option Holder in writing of the award and shall enclose with such notice the Option Certificate representing the Option so awarded.

2.4 Copy of Plan

Each Option Holder, concurrently with the notice of the award of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

2.5 Limitation

The Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Company, does not give any Option Holder that is an Employee the right to be or to continue to be employed by the Company and does not give any Option Holder that is a Consultant the right to be or to continue to be retained as a Consultant by the Company.

ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS

3.1 Board to Issue Shares

The Shares to be issued to Option Holders upon the exercise of Options shall be authorized and unissued Shares the issuance of which shall have been authorized by the Board.

3.2 Number of Shares

Subject to adjustment as provided for in paragraph 3.8 of this Plan, the number of Shares which will be available for purchase pursuant to Options granted under this Plan will not exceed 10% of the issued and outstanding common shares of the Company at the Award Date. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of which the Option expired or terminated shall again be available for the purposes of the Plan.

3.3 Term of Option

Subject to paragraph 3.4, the Expiry Date of an Option shall be the date so fixed by the Board at the time the particular Option is awarded, provided that such date shall be no later than the fifth anniversary of the Award Date of such Option or such later date as allowed by the policies of the TSX.

3.4 Termination of Option

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of 4:30 p.m. local time in Vancouver, British Columbia on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Board at the time the Option is awarded and the date established, if applicable, in subparagraphs (a) to (c) below:

(a) Death of Option Holder

In the event that the Option Holder should die while he or she is still a Director (if he or she holds his or her Option as Director), an Employee (if he or she holds his or her Option as an Employee), or a Consultant (if he or she holds his or her Option as a Consultant), the Expiry Date shall be the first anniversary of the Option Holder's date of death.

(b) Ceasing to hold Office

In the event that the Option Holder holds his or her Option as a Director of the Company and such Option Holder ceases to be a Director of the Company other than by reason of death, the Expiry Date of the Option shall be, unless otherwise provided for in the Option Certificate, the 90th day following the date the Option Holder ceases to be a Director of the Company unless the Option Holder ceases to be a Director of the Company as a result of:

(i) ceasing to meet the qualifications set forth in the *Business Corporations Act* (British Columbia); or

(ii) his or her removal as a director of the Company pursuant to the *Business Corporations Act* (British Columbia); or

(iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to be a Director of the Company.

(c) Ceasing to be an Employee or Consultant

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Company and such Option Holder ceases to be an Employee or Consultant of the Company other than by reason of death, unless otherwise provided in the Option Certificate, the Expiry Date of the Option shall be the 30th day following the Termination Date unless the Option Holder ceases to be:

(i) an Employee of the Company as a result of termination for Cause; or

(ii) an Employee or Consultant of the Company as a result of an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the Termination Date.

(d) Ceasing to perform Investor Relations activities

In the event that the Option Holder holds his or her Option in an Investor Relations capacity for the Company, the Expiry Date of the Option shall be the 30th day following the Termination Date unless the Option Holder ceases to:

(iii) Perform those Investor Relations activities for the Company as a result of termination for Cause; or

(iv) Perform those Investor Relations activities for the Company as a result of an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the Termination Date.

Notwithstanding anything contained herein, in no case will an Option be exercisable later than the Expiry Date of such Option fixed by the Board at the time the Option is awarded to the Option Holder.

3.5 Exercise Price

The price at which an Option Holder may purchase a Share upon the exercise of an Option shall be as set forth in the Option Certificate issued in respect of such Option and in any event shall not be less than the Discounted Market Price of the Company's Shares as of the Award Date.

Notwithstanding anything else contained herein, in no case will the Discounted Market Price be less than the minimum prescribed by each of the organized trading facilities as would apply to the Award Date in question.

3.6 Additional Terms

Subject to all applicable Securities Laws of all applicable Regulatory Authorities, the Board may attach other terms and conditions to the grant of a particular Option, such terms and conditions to be referred to in a schedule attached to the Option Certificate. These terms and conditions may include, but are not necessarily limited to, the following:

(a) providing that an Option expires on a date other than as provided for herein;

(b) providing that a portion or portions of an Option vest after certain periods of time or upon the occurrence of certain events, or expire after certain periods of time or upon the occurrence of certain events;

(c) providing that an Option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile takeover bid for the Company; and

(d) providing that an Option issued to, held by or exercised by an Option Holder who is a citizen or resident of the United States of America, and otherwise meets the statutory requirements, be treated as an "Incentive Stock Option" as that term is defined for purposes of the United States of America Internal Revenue Code of 1986, as amended.

3.7 Assignment of Options

Options may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by paragraph 4.1, exercise the Option within the Exercise Period.

3.8 Adjustments

If prior to the complete exercise of an Option the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively the "Event"), an Option, to the extent that it has not been exercised, shall be adjusted by the Board in accordance with such Event in the manner the Board deems appropriate. No fractional shares shall be issued upon the exercise of the Options and accordingly, if as a result of the Event, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.9 Vesting

Options granted to Directors, Employees and Consultants, other than Consultants engaged in Investor Relations Activities, will vest fully upon the expiry of the hold period of four months from the Award Date, unless otherwise approved by the relevant Regulatory Authorities.

Options granted to Employees engaged in Investor Relations Activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the Options vesting in any three month period.

3.10 Resale Restrictions

(a) "If required by applicable securities laws, any Optioned Shares will be subject to a hold period expiring on the date that is four months and a day after the Grant Date, and the certificates representing any Optioned Shares issued prior to the expiry of such hold period will bear a legend in substantially the following form:

> "UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES REPRESENTED HEREBY MUST NOT TRADE THE SECURITIES BEFORE *[INSERT THE DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE DATE OF GRANT]*

(b) If the Exercise Price of any Option granted hereunder: (i) to any Insider, or (ii) at any discount to the Market Price (as defined in TSXV Policies), all such Options and any Optioned Shares issuable upon exercise of such Options will be subject to a four month and one day hold period commencing on the Grant Date, and the certificates representing any Optioned Shares issued prior to the expiry of such hold period will bear a legend in substantially the following form:

> "WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT *UNTIL [INSERT THE DATE THAT IS 4 MONTHS AND ONE DAY AFTER THE DATE OF GRANT]*."

3.11 Collection of Personal Information

The Optionee consents to the Company's collection, use and disclosure of their personal information for the purposes of the Company's grant of the option evidenced by the Option Certificate. The Optionee further acknowledges that, from time to time, the Company may be required to disclose such personal information to securities regulatory authorities and stock exchanges and, by providing such personal information to the Company hereby expressly consents to such disclosure.

ARTICLE 4
EXERCISE OF OPTION

4.1 Exercise of Option

An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder. An Option Holder or the Personal Representative of an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period up to 4:30 p.m. local time in Vancouver, British Columbia on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option.

4.2 Tax Withholding

To the extent the grant or exercise of an Option hereunder gives rise to any tax or other statutory withholding obligation (including, without limitation, income and payroll withholding taxes imposed by any jurisdiction), prior to the delivery of the Option or Common Shares being acquired upon the exercise of the Option, as the case may be, the Company may:

(a) require the Optionee to remit to the Company a cash payment; or

(b) withhold from any remuneration or consideration whatsoever payable to the Optionee, an amount sufficient to pay any tax or other statutory withholding obligation associated with the grant or exercise of the Option, as the case may be.

The Company shall have the right to require an Optionee to remit to the Company a cash payment in an amount sufficient to pay any tax or other statutory withholding obligation associated with a grant or exercise of an Option hereunder as a condition to the delivery of any Option or Common Shares being acquired upon the exercise of an Option, as the case may be.

4.3 Issue of Share Certificates

As soon as practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall forward a new Option Certificate to the Option Holder concurrently with delivery of the Share Certificate for the balance of Shares available under the Option.

4.4 Condition of Issue

The Options and the issue of Shares by the Company pursuant to the exercise of Options are subject to the terms and conditions of this Plan and compliance with the rules and policies of all applicable Regulatory Authorities to the granting of such Options and to the issuance and distribution of such Shares, and to all applicable Securities Laws. The Option Holder agrees to comply with all Securities Laws and agrees to furnish to the Company any information, reports or undertakings required to comply with, and to fully cooperate with, the Company in complying with such Securities Laws.

ARTICLE 5
ADMINISTRATION

5.1 Administration

The Plan shall be administered by the Administrator on the instructions of the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan and such regulations shall form part of the Plan. The Board may delegate to the Administrator or any Director, senior officer or employee of the Company such administrative duties and powers as it may see fit.

5.2 Interpretation

The interpretation by the Board of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

ARTICLE 6
AMENDMENT AND TERMINATION

6.1 Prospective Amendment

The Board may from time to time amend the Plan and the terms and conditions of any Option thereafter to be granted and, without limiting the generality of the foregoing, may make such amendment for the purpose of meeting any changes in any relevant law, rule or regulation applicable to the Plan, any Option or the Shares, or for any other purpose which may be permitted by all relevant laws, regulations, rules and policies provided always that any such amendment shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to such amendment.

6.2 Amendment to Exercise Price

In the event that the exercise price of an Option held by an Insider of the Company is to be reduced, disinterested Shareholder approval must be obtained.

6.3 Retrospective Amendment

The Board may from time to time retrospectively amend the Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options that have been previously granted.

6.4 Approvals

This Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities.

6.5 Termination

The Board may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination which shall continue to be governed by the provisions of the Plan.

6.6 Agreement

The Company and every Option awarded hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan.

SCHEDULE "A"

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL ______________________________ .

KING'S BAY GOLD CORPORATION

Stock Option Plan
Option Certificate

This Certificate is issued pursuant to the provisions of the **King's Bay Gold Corporation** (the "Company") Stock Option Plan (the "Plan") and evidences that ____________________________________ is the holder (the "Option Holder") of an option (the "Option") to purchase up to ____________________ common shares (the "Shares") in the capital stock of the Company at a purchase price of Cdn. $________ per Share. Subject to the provisions of the Plan:

(a) the Award Date of this Option is ________________________________; and

(b) the Expiry Date of this Option is ________________________________.

This Option may be exercised at any time and from time to time from and including the Award Date through to and including up to 4:30 local time in Vancouver, British Columbia on the Expiry Date by delivery to the Administrator of the Plan an Exercise Notice, in the form provided in the Plan, together with this Certificate and a certified cheque or bank draft payable to "**King's Bay Gold Corporation**" in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan, the terms and conditions of which the Option Holder hereby expressly agrees with the Company to be bound by. This Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail.

This Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto.

The foregoing Option has been awarded this ____ day of ________________________, ___________.

KING'S BAY GOLD CORPORATION

Per:

____
Administrator, King's Bay Gold Corporation
Stock Option Plan

By signature hereunder, I [NAME] hereby acknowledges receipt of this Option Certificate and hereby consents to the Company's collection, use and disclosure of their personal information for the purposes of the Company's grant of the option evidenced by this Option Certificate. [NAME] further acknowledges that, from time to time, the Company may be required to disclose such personal information to securities regulatory authorities and stock exchanges and, by providing such personal information to the Company; [NAME] hereby expressly consents to such disclosure.

____
[NAME]

SCHEDULE "B"

KING'S BAY GOLD CORPORATION
STOCK OPTION PLAN

NOTICE OF EXERCISE OF OPTION

TO: The Administrator, Stock Option Plan
KING'S BAY GOLD CORPORATION

The undersigned hereby irrevocably gives notice, pursuant to the **King's Bay Gold Corporation** (the "Company") Stock Option Plan (the "Plan"), of the exercise of the Option to acquire and hereby subscribes for **(cross out inapplicable item):**

(a) all of the Shares; or

(b) ___________________________________ of the Shares;

which are the subject of the Option Certificate attached hereto.

The undersigned tenders herewith a certified cheque or bank draft **(circle one)** payable to "**King's Bay Gold Corporation**" in an amount equal to the aggregate Exercise Price of the aforesaid shares and directs the Company to issue the certificate evidencing said shares in the name of the undersigned to be mailed to the undersigned at the following address:

____

____

____

____

DATED the ______ day of _________________, ____________.

____
Signature of Option Holder

SCHEDULE F

RIGHTS OF DISSENT
PURSUANT TO SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

Shareholder's right to dissent

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- **(a)** the shareholder's name and address;
- **(b)** the number and class of shares in respect of which the shareholder dissents; and
- **(c)** a demand for payment of the fair value of such shares.

Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- **(a)** the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- **(b)** the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- **(c)** the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- **(a)** a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- **(b)** if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

Parties

(19) On an application to a court under subsection (15) or (16),

- **(a)** all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

SCHEDULE G

PROPOSED NEW ARTICLES

[See attached]

Incorporation No. __________

BUSINESS CORPORATIONS ACT

ARTICLES

OF

MERCED HOLDINGS CORP.

Table of Contents

Incorporation No. _________

BUSINESS CORPORATIONS ACT

ARTICLES

OF

MERCED HOLDINGS CORP.

(the "**Company**")

PART 1– INTERPRETATION

1.1 Definitions

Without limiting Article 1.2, in these Articles, unless the context requires otherwise:

(a) **"adjourned meeting"** means the meeting to which a meeting is adjourned under Article 8.6 or 8.9;

(b) **"board"** and **"directors"** mean the board of directors of the Company for the time being;

(c) **"*Business Corporations Act*"** means the *Business Corporations Act*, S.B.C. 2002, c.57, and includes its regulations;

(d) **"Company"** means Merced Holdings Corp.;

(e) **"*Interpretation Act*"** means the *Interpretation Act*, R.S.B.C. 1996, c. 238; and

(f) **"trustee",** in relation to a shareholder, means the personal or other legal representative of the shareholder, and includes a trustee in bankruptcy of the shareholder.

1.2 Business Corporations Act definitions apply

The definitions in the *Business Corporations Act* apply to these Articles.

1.3 Interpretation Act applies

The *Interpretation Act* applies to the interpretation of these Articles as if these Articles were an enactment.

1.4 Conflict in definitions

If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles.

1.5 Conflict between Articles and legislation

If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

PART 2 – SHARES AND SHARE CERTIFICATES

2.1 Form of share certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

2.2 Shareholder Entitled to Certificate or Acknowledgement

Unless the shares are uncertificated shares, each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgement of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

2.3 Sending of share certificate

Any share certificate to which a shareholder is entitled may be sent to the shareholder by mail and neither the Company nor any agent is liable for any loss to the shareholder because the certificate sent is lost in the mail or stolen.

2.4 Replacement of worn out or defaced certificate

If the directors are satisfied that a share certificate is worn out or defaced, they must, on production to them of the certificate and on such other terms, if any, as they think fit:

(a) order the certificate to be cancelled; and

(b) issue a replacement share certificate.

2.5 Replacement of lost, stolen or destroyed certificate

If a share certificate is lost, stolen or destroyed, a replacement share certificate must be issued to the person entitled to that certificate if the directors receive:

(a) proof satisfactory to them that the certificate is lost, stolen or destroyed; and

(b) any indemnity the directors consider adequate.

2.6 Splitting share certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name 2 or more certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the certificate so surrendered, the Company must cancel the surrendered certificate and issue replacement share certificates in accordance with that request.

2.7 Shares may be uncertificated

Notwithstanding any other provisions of this Part, the directors may, by resolution, provide that:

(a) the shares of any or all of the classes and series of the Company's shares may be uncertificated shares; or

(b) any specified shares may be uncertificated shares.

PART 3 – ISSUE OF SHARES

3.1 Directors authorized to issue shares

The directors may, subject to the rights of the holders of the issued shares of the Company, issue, allot, sell, grant options on or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices that the directors, in their absolute discretion, may determine.

3.2 Company need not recognize unregistered interests

Except as required by law or these Articles, the Company need not recognize or provide for any person's interests in or rights to a share unless that person is the shareholder of the share.

PART 4 – SHARE TRANSFERS

4.1 Recording or registering transfer

A transfer of a share of the Company must not be registered

(a) unless a duly signed instrument of transfer in respect of the share has been received by the Company and the certificate (or acceptable documents pursuant to Article 2.5 hereof) representing the share to be transferred has been surrendered and cancelled; or

(b) if no certificate has been issued by the Company in respect of the share, unless a duly signed instrument of transfer in respect of the share has been received by the Company.

4.2 Form of instrument of transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

4.3 Signing of instrument of transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer, or, if no number is specified, all the shares represented by share certificates deposited with the instrument of transfer:

(a) in the name of the person named as transferee in that instrument of transfer; or

(b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the share certificate is deposited for the purpose of having the transfer registered.

4.4 Enquiry as to title not required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

4.5 Transfer fee

There must be paid to the Company, in relation to the registration of any transfer, the amount determined by the directors from time to time.

PART 5 – ACQUISITION OF SHARES

5.1 Company authorized to purchase shares

Subject to the special rights and restrictions attached to any class or series of shares, the Company may, if it is authorized to do so by the directors, purchase or otherwise acquire any of its shares.

5.2 Company authorized to accept surrender of shares

The Company may, if it is authorized to do so by the directors, accept a surrender of any of its shares.

5.3 Company authorized to convert fractional shares into whole shares

The Company may, if it is authorized to do so by the directors, convert any of its fractional shares into whole shares in accordance with, and subject to the limitations contained in, the *Business Corporations Act*.

PART 6 – BORROWING POWERS

6.1 Powers of directors

The directors may from time to time on behalf of the Company:

(a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person, and at any discount or premium and on such other terms as they consider appropriate;

(c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(d) mortgage or charge, whether by way of specific or floating charge, or give other security on the whole or any part of the present and future assets and undertaking of the Company.

PART 7 – GENERAL MEETINGS

7.1 Annual general meetings

Unless an annual general meeting is deferred or waived in accordance with section 182(2)(a) or (c) of the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual general meeting.

7.2 When annual general meeting is deemed to have been held

If all of the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 7.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

7.3 Calling of shareholder meetings

The directors may, whenever they think fit, call a meeting of shareholders.

7.4 Notice for meetings of shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting and to each director, unless these Articles otherwise provide, at least the following number of days before the meeting:

(a) if and for so long as the Company is a public company, 21 days;

(b) otherwise, 10 days.

7.5 Record date for notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(a) if and for so long as the Company is a public company, 21 days;

(b) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

7.6 Record date for voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set as provided above, the record date for determining the shareholders entitled to vote at the meeting shall be 5:00 p.m. the day before the meeting.

7.7 Failure to give notice and waiver of notice

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

7.8 Notice of special business at meetings of shareholders

If a meeting of shareholders is to consider special business within the meaning of Article 8.1, the notice of meeting must:

(a) state the general nature of the special business; and

(b) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

(i) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice, and

(ii) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

PART 8 – PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

8.1 Special business

At a meeting of shareholders, the following business is special business:

(a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting or the election or appointment of directors;

(b) at an annual general meeting, all business is special business except for the following:

(i) business relating to the conduct of or voting at the meeting,

(ii) consideration of any financial statements of the Company presented to the meeting,

(iii) consideration of any reports of the directors or auditor,

(iv) the setting or changing of the number of directors,

(v) the election or appointment of directors,

(vi) the appointment of an auditor,

(vii) the setting of the remuneration of an auditor,

(viii) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution, and

(ix) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

8.2 Special resolution

The votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

8.3 Quorum

Subject to the special rights and restrictions attached to the shares of any affected class or series of shares, the quorum for the transaction of business at a meeting of shareholders is one or more persons, present in person or by proxy.

8.4 Other persons may attend

The directors, the president, if any, the secretary, if any, and any lawyer or auditor for the Company are entitled to attend any meeting of shareholders, but if any of those shareholders do attend a meeting of shareholders, that person is not to be counted in the quorum, and is not entitled to vote at the meeting, unless that person is a shareholder or proxy holder entitled to vote at the meeting.

8.5 Requirement of quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote at the meeting is present at the commencement of the meeting.

8.6 Lack of quorum

If, within 1/2 hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(a) in the case of a general meeting convened by requisition of shareholders, the meeting is dissolved; and

(b) in the case of any other meeting of shareholders, the shareholders entitled to vote at the meeting who are present, in person or by proxy, at the meeting may adjourn the meeting to a set time and place.

8.7 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

(a) the chair of the board, if any;

(b) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

8.8 Alternate chair

At any meeting of shareholders, the directors present must choose one of their number to be chair of the meeting if: (a) there is no chair of the board or president present within 15 minutes after the time set for holding the meeting; (b) the chair of the board and the president are unwilling to act as chair of the meeting; or (c) if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting. If, in any of the foregoing circumstances, all of the directors present decline to accept the position of chair or fail to choose one of their number to be chair of the meeting, or if no director is present, the shareholders present in person or by proxy must choose any person present at the meeting to chair the meeting.

8.9 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

8.10 Notice of adjourned meeting

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

8.11 Motion need not be seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

8.12 Manner of taking a poll

Subject to Article 8.13, if a poll is duly demanded at a meeting of shareholders:

(a) the poll must be taken

(i) at the meeting, or within 7 days after the date of the meeting, as the chair of the meeting directs, and

(ii) in the manner, at the time and at the place that the chair of the meeting directs;

(b) the result of the poll is deemed to be a resolution of, and passed at, the meeting at which the poll is demanded; and

(c) the demand for the poll may be withdrawn.

8.13 Demand for a poll on adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

8.14 Demand for a poll not to prevent continuation of meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

8.15 Poll not available in respect of election of chair

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

8.16 Casting of votes on poll

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

8.17 Chair must resolve dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the same, and his or her determination made in good faith is final and conclusive.

8.18 Chair has no second vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a casting or second vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

8.19 Declaration of result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting.

8.20 Meetings by telephone or other communications medium

A shareholder or proxy holder who is entitled to participate in a meeting of shareholders may do so in person, or by telephone or other communications medium, if all shareholders and proxy holders participating in the meeting are able to communicate with each other; provided, however, that nothing in this Section shall obligate the Company to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders. If one or more shareholders or proxy holders participate in a meeting of shareholders in a manner contemplated by this Article 8.20:

(a) each such shareholder or proxy holder shall be deemed to be present at the meeting; and

(b) the meeting shall be deemed to be held at the location specified in the notice of the meeting.

PART 9 – ALTERATIONS AND RESOLUTIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act*, the Company may by resolution of the directors:

(a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(c) if the Company is authorized to issue shares of a class of shares with par value:

  (i) decrease the par value of those shares,

  (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares,

  (iii) subdivide all or any of its unissued or fully paid issued shares with par value into shares of smaller par value, or

  (iv) consolidate all or any of its unissued or fully paid issued shares with par value into shares of larger par value;

(d) subdivide all or any of its unissued or fully paid issued shares without par value;

(e) change all or any of its unissued or fully paid issued shares with par value into shares without par value or all or any of its unissued shares without par value into shares with par value;

(f) alter the identifying name of any of its shares;

(g) consolidate all or any of its unissued or fully paid issued shares without par value; or

(h) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

9.2 Change of Name

The Company may by resolution of the directors authorize an alteration to its Notice of Articles in order to change its name or adopt or change any translation of that name.

9.3 Other Alterations or Resolutions

If the *Business Corporations Act* does not specify:

(a) the type of resolution and these Articles do not specify another type of resolution, the Company may by resolution of the directors authorize any act of the Company, including without limitation, an alteration of these Articles; or

(b) the type of shareholders' resolution and these Articles do not specify another type of shareholders' resolution, the Company may by ordinary resolution authorize any act of the Company.

PART 10 – VOTES OF SHAREHOLDERS

10.1 Voting rights

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint registered holders of shares under Article 10.3:

(a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote at the meeting has one vote; and

(b) on a poll, every shareholder entitled to vote has one vote in respect of each share held by that shareholder that carries the right to vote on that poll and may exercise that vote either in person or by proxy.

10.2 Trustee of shareholder may vote

A person who is not a shareholder may vote on a resolution at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting in relation to that resolution, if, before doing so, the person satisfies the chair of the meeting at which the resolution is to be considered, or satisfies all of the directors present at the meeting, that the person is a trustee for a shareholder who is entitled to vote on the resolution.

10.3 Votes by joint shareholders

If there are joint shareholders registered in respect of any share:

(a) any one of the joint shareholders, but not both or all, may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(b) if more than one of the joint shareholders is present at any meeting, personally or by proxy, the joint shareholder present whose name stands first on the central securities register in respect of the share is alone entitled to vote in respect of that share.

10.4 Trustees as joint shareholders

Two or more trustees of a shareholder in whose sole name any share is registered are, for the purposes of Article 10.3, deemed to be joint shareholders.

10.5 Representative of a corporate shareholder

If a corporation that is not a subsidiary of the Company is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(a) for that purpose, the instrument appointing a representative must

(i) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least 2 business days before the day set for the holding of the meeting, or

(ii) unless the notice of the meeting provides otherwise, be provided, at the meeting, to the chair of the meeting; and

(b) if a representative is appointed under this Article 10.5,

(i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder, and

(ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

10.6 When proxy provisions do not apply

Articles 10.7 to 10.13 do not apply to the Company if and for so long as it is a public company.

10.7 Appointment of proxy holder

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint a proxy holder to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

10.8 Alternate proxy holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

10.9 When proxy holder need not be shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(a) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 10.5;

(b) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or

(c) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

10.10 Form of proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

(Name of Company)

The undersigned, being a shareholder of the above named Company, hereby appoints .... or, failing that person, ..., as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders to be held on the day of and at any adjournment of that meeting.

Signed this .... day of ...., ...

....
Signature of shareholder

10.11 Provision of proxies

A proxy for a meeting of shareholders must:

(a) be received at the registered office of the Company or at any other place specified in the notice calling the meeting for the receipt of proxies, at least the number of business days specified in the notice or, if no number of days is specified, 2 business days before the day set for the holding of the meeting; or

(b) unless the notice of the meeting provides otherwise, be provided at the meeting to the chair of the meeting.

10.12 Revocation of proxies

Subject to Article 10.13, every proxy may be revoked by an instrument in writing that is:

(a) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(b) provided at the meeting to the chair of the meeting.

10.13 Revocation of proxies must be signed

An instrument referred to in Article 10.12 must be signed as follows:

(a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her trustee; or

(b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 10.5.

10.14 Validity of proxy votes

A vote given in accordance with the terms of a proxy is valid despite the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(a) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(b) by the chair of the meeting, before the vote is taken.

10.15 Production of evidence of authority to vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

10.16 Chair May Determine Validity of Proxy

Unless prohibited by applicable law, the chair of any meeting of shareholders may determine whether or not a proxy deposited for use at the meeting, which may not strictly comply with the requirements of this Article 10 as to form, execution, accompanying documentation, time of filing or otherwise, shall be valid for use at the meeting and any such determination made in good faith shall be final, conclusive and binding upon the meeting.

PART 11 – DIRECTORS

11.1 First directors; number of directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 12.7, is set at:

(a) subject to paragraphs (b) and (c), the number of directors that is equal to the number of the Company's first directors;

(b) if the Company is a public company, the greater of three and the number most recently elected by ordinary resolution (whether or not previous notice of the resolution was given); and

(c) if the Company is not a public company, the number most recently elected by ordinary resolution (whether or not previous notice of the resolution was given).

11.2 Change in number of directors

If the number of directors is set under Articles 11.1(b) or 11.1(c):

(a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(b) if, contemporaneously with setting that number, the shareholders do not elect or appoint the directors needed to fill vacancies in the board of directors up to that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

11.3 Directors' acts valid despite vacancy

An act or proceeding of the directors is not invalid merely because fewer directors have been appointed or elected than the number of directors set or otherwise required under these Articles.

11.4 Qualifications of directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

11.5 Remuneration of directors

The directors are entitled to the remuneration, if any, for acting as directors as the directors may from time to time determine. If the directors so decide, the remuneration of the directors will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to a director in such director's capacity as an officer or employee of the Company.

11.6 Reimbursement of expenses of directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

11.7 Special remuneration for directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

11.8 Gratuity, pension or allowance on retirement of director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

PART 12 – ELECTION AND REMOVAL OF DIRECTORS

12.1 Election at annual general meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 7.2:

(a) the shareholders entitled to vote at the annual general meeting for the election of directors may elect, or in the unanimous resolution appoint, a board of directors consisting of up to the number of directors for the time being set under these Articles; and

(b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (a), but are eligible for re-election or re-appointment.

12.2 Consent to be a director

No election, appointment or designation of an individual as a director is valid unless:

(a) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;

(b) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(c) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

12.3 Failure to elect or appoint directors

If:

(a) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 7.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(b) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 7.2, to elect or appoint any directors;

then each director in office at such time continues to hold office until the earlier of:

(c) the date on which his or her successor is elected or appointed; and

(d) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

12.4 Directors may fill casual vacancies

Any casual vacancy occurring in the board of directors may be filled by the remaining directors.

12.5 Remaining directors' power to act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or for the purpose of summoning a meeting of shareholders to fill any vacancies on the board of directors or for any other purpose permitted by the *Business Corporations Act*.

12.6 Shareholders may fill vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, and the directors have not filled the vacancies pursuant to Article 12.5 above, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

12.7 Additional directors

Notwithstanding Articles 11.1 and 11.2, between annual general meetings or unanimous resolutions contemplated by Article 7.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 12.7 must not at any time exceed:

(a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or

(b) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 12.7.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 12.1(a), but is eligible for re-election or re-appointment.

12.8 Ceasing to be a director

A director ceases to be a director when:

(a) the term of office of the director expires;

(b) the director dies;

(c) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(d) the director is removed from office pursuant to Articles 12.9 or 12.10.

12.9 Removal of director by shareholders

The Shareholders may, by special resolution, remove any director before the expiration of his or her term of office, and may, by ordinary resolution, elect or appoint a director to fill the resulting vacancy. If the shareholders do not contemporaneously elect or appoint a director to fill the vacancy created by the removal of a director, then the directors may appoint, or the shareholders may elect or appoint by ordinary resolution, a director to fill that vacancy.

12.10 Removal of director by directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

12.11 Nominations of directors

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company.

(b) Nominations of persons for election to the board may be made at any annual meeting of shareholders or at any special meeting of shareholders (if one of the purposes for which the special meeting was called was the election of directors):

(i) by or at the direction of the board, including pursuant to a notice of meeting;

(ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the *Business Corporations Act*, or a requisition of the shareholders made in accordance with the provisions of the *Business Corporations Act*; or

(iii) by any person (a "**Nominating Shareholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below in this Article 12.11 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Article 12.11.

(c) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof (as provided for in Article 12.11(d)) in proper written form to the secretary of the Company at the principal executive offices of the Company.

(d) To be timely, a Nominating Shareholder's notice to the secretary of the Company must be given:

(i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date"**) on which the first public announcement (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be given not later than the close of business on the tenth (10th) day after the Notice Date in respect of such meeting; and

(ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

(e) To be in proper written form, a Nominating Shareholder's notice to the secretary of the Company must set forth:

(i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person during the past five years; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (D) a statement as to whether such person would be "independent" of the Company (as such term is defined under Applicable Securities Laws (as defined below)) if elected as a director at such meeting and the reasons and basis for such determination; (E) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such Nominating Shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting jointly or in concert therewith, on the one hand, and such nominee, and his or her respective associates, or others acting jointly or in concert therewith, on the other hand; and (F) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws (as defined below); and

(ii) as to the Nominating Shareholder giving the notice: (A) any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company; (B) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of the record by the Nominating Shareholder as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, and (C) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws (as defined below).

(f) The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as an independent director of the Company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

(g) The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the provisions set forth in this Article 12.11 and, if any proposed nomination is not in compliance with such provisions, to declare that such defective nomination shall be disregarded.

(h) For purposes of this Article 12.11:

(i) "**Affiliate**", when used to indicate a relationship with a person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person;

(ii) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;

(iii) "**Associate**", when used to indicate a relationship with a specified person, means:

A. any corporation or trust of which such person beneficially owns, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such corporation or trust for the time being outstanding,

B. any partner of that person,

C. any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity,

D. a spouse of such specified person,

E. any person of either sex with whom such specified person is living in a conjugal relationship outside marriage, or

F. any relative of such specified person or of a person mentioned in clauses D or E of this definition if that relative has the same residence as the specified person;

(iv) "**Derivatives Contract**" means a contract between two parties (the "**Receiving Party**" and the "**Counterparty**") that is designed to expose the Receiving Party to economic benefits and risks that correspond substantially to the ownership by the Receiving Party of a number of shares in the capital of the Company or securities convertible into such shares specified or referenced in such contract (the number corresponding to such economic benefits and risks, the "**Notional Securities**"), regardless of whether obligations under such contract are required or permitted to be settled through the delivery of cash, shares in the capital of the Company or securities convertible into such shares or other property, without regard to any short position under the same or any other Derivatives Contract. For the avoidance of doubt, interests in broad-based index options, broad-based index futures and broad-based publicly traded market baskets of stocks approved for trading by the appropriate governmental authority shall not be deemed to be Derivatives Contracts;

(v) "**owned beneficially**" or "**owns beneficially**" means, in connection with the ownership of shares in the capital of the Company by a person:

A. any such shares as to which such person or any of such person's Affiliates or Associates owns at law or in equity, or has the right to acquire or become the owner at law or in equity, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, upon the exercise of any conversion right, exchange right or purchase right attaching to any securities, or pursuant to any agreement, arrangement, pledge or understanding whether or not in writing,

B. any such shares as to which such person or any of such person's Affiliates or Associates has the right to vote, or the right to direct the voting, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, pursuant to any agreement, arrangement, pledge or understanding whether or not in writing,

C. any such shares which are beneficially owned, directly or indirectly, by a Counterparty (or any of such Counterparty's Affiliates or

Associates) under any Derivatives Contract (without regard to any short or similar position under the same or any other Derivatives Contract) to which such person or any of such person's Affiliates or Associates is a Receiving Party; provided, however, that the number of shares that a person owns beneficially pursuant to this clause in connection with a particular Derivatives Contract shall not exceed the number of Notional Securities with respect to such Derivatives Contract; provided, further, that the number of securities owned beneficially by each Counterparty (including their respective Affiliates and Associates) under a Derivatives Contract shall for purposes of this clause be deemed to include all securities that are owned beneficially, directly or indirectly, by any other Counterparty (or any of such other Counterparty's Affiliates or Associates) under any Derivatives Contract to which such first Counterparty (or any of such first Counterparty's Affiliates or Associates) is a Receiving Party and this proviso shall be applied to successive Counterparties as appropriate, and

D. any such shares which are owned beneficially within the meaning of this definition by any other person with whom such person is acting jointly or in concert with respect to the Company or any of its securities; and

(vi) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com.

(i) Notwithstanding any other provision of this Article 12.11, notice given to the secretary of the Company pursuant to this Article 12.11 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid, provided that receipt of confirmation of such transmission has been received) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Vancouver time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

(j) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 12.11.

PART 13 – PROCEEDINGS OF DIRECTORS

13.1 Meetings of directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the board held at regular intervals may be held at the place and at the time that the board may by resolution from time to time determine.

13.2 Chair of meetings

Meetings of directors are to be chaired by:

(a) the chair of the board, if any;

(b) in the absence of the chair of the board, the president, if any, if the president is a director; or

(c) any other director chosen by the directors if:

  (i) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting,

  (ii) neither the chair of the board nor the president, if a director, is willing to chair the meeting, or

  (iii) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

13.3 Voting at meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

13.4 Meetings by telephone or other communications medium

A director may participate in a meeting of the directors or of any committee of the directors in person, or by telephone or other communications medium, if all directors participating in the meeting are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Article 13.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

13.5 Who may call extraordinary meetings

A director may call a meeting of the board at any time. The secretary, if any, must on request of a director, call a meeting of the board.

13.6 Notice of extraordinary meetings

Subject to Articles 13.7 and 13.8, if a meeting of the board is called under Article 13.5, reasonable notice of that meeting, specifying the place, date and time of that meeting, must be given to each of the directors:

(a) by mail addressed to the director's address as it appears on the books of the Company or to any other address provided to the Company by the director for this purpose;

(b) by leaving it at the director's prescribed address or at any other address provided to the Company by the director for this purpose; or

(c) orally, by delivery of written notice or by telephone, voice mail, e-mail, fax or any other method of legibly transmitting messages.

13.7 When notice not required

It is not necessary to give notice of a meeting of the directors to a director if:

(a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed or is the meeting of the directors at which that director is appointed;

(b) the director has filed a waiver under Article 13.9; or

(c) the director attends such meeting.

13.8 Meeting valid despite failure to give notice

The accidental omission to give notice of any meeting of directors to any director, or the non-receipt of any notice by any director, does not invalidate any proceedings at that meeting.

13.9 Waiver of notice of meetings

Any director may file with the Company a notice waiving notice of any past, present or future meeting of the directors and may at any time withdraw that waiver with respect to meetings of the directors held after that withdrawal.

13.10 Effect of waiver

After a director files a waiver under Article 13.9 with respect to future meetings of the directors, and until that waiver is withdrawn, notice of any meeting of the directors need not be given to that director unless the director otherwise requires in writing to the Company.

13.11 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is a majority of the directors.

13.12 If only one director

If, in accordance with Article 11.1, the number of directors is one, the quorum necessary for the transaction of the business of the directors is one director, and that director may constitute a meeting.

PART 14 – COMMITTEES OF DIRECTORS

14.1 Appointment of committees

The directors may, by resolution:

(a) appoint one or more committees consisting of the director or directors that they consider appropriate;

(b) delegate to a committee appointed under paragraph (a) any of the directors' powers, except:

(i) the power to fill vacancies in the board,

(ii) the power to change the membership of, or fill vacancies in, any committee of the board, and

(iii) the power to appoint or remove officers appointed by the board; and

(c) make any delegation referred to in paragraph (b) subject to the conditions set out in the resolution.

14.2 Obligations of committee

Any committee formed under Article 14.1, in the exercise of the powers delegated to it, must:

(a) conform to any rules that may from time to time be imposed on it by the directors; and

(b) report every act or thing done in exercise of those powers to the earliest meeting of the directors to be held after the act or thing has been done.

14.3 Powers of board

The board may, at any time:

(a) revoke the authority given to a committee, or override a decision made by a committee, except as to acts done before such revocation or overriding;

(b) terminate the appointment of, or change the membership of, a committee; and

(c) fill vacancies in a committee.

14.4 Committee meetings

Subject to Article 14.2(a):

(a) the members of a directors' committee may meet and adjourn as they think proper;

(b) a directors' committee may elect a chair of its meetings but, if no chair of the meeting is elected, or if at any meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(c) a majority of the members of a directors' committee constitutes a quorum of the committee; and

(d) questions arising at any meeting of a directors' committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting has no second or casting vote.

PART 15 – OFFICERS

15.1 Appointment of officers

The board may, from time to time, appoint a president, secretary or any other officers that it considers necessary or desirable, and none of the individuals appointed as officers need be a member of the board.

15.2 Functions, duties and powers of officers

The board may, for each officer:

(a) determine the functions and duties the officer is to perform;

(b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(c) from time to time revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

15.3 Remuneration

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the board thinks fit and are subject to termination at the pleasure of the board.

PART 16 – CERTAIN PERMITTED ACTIVITIES OF DIRECTORS

16.1 Other office of director

A director may hold any office or place of profit with the Company (other than the office of auditor of the Company) in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

16.2 No disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise.

16.3 Professional services by director or officer

Subject to compliance with the provisions of the *Business Corporations Act*, a director or officer of the Company, or any corporation or firm in which that individual has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such corporation or firm is entitled to remuneration for professional services as if that individual were not a director or officer.

16.4 Remuneration and benefits received from certain entities

A director or officer may be or become a director, officer or employee of, or may otherwise be or become interested in, any corporation, firm or entity in which the Company may be interested as a shareholder or otherwise, and, subject to compliance with the provisions of the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other corporation, firm or entity.

PART 17 – INDEMNIFICATION

17.1 Indemnification of directors

The directors must cause the Company to indemnify its directors and former directors, and their respective heirs and personal or other legal representatives to the greatest extent permitted by Division 5 of Part 5 of the *Business Corporations Act*.

17.2 Deemed contract

Each director is deemed to have contracted with the Company on the terms of the indemnity referred to in Article 17.1.

PART 18 – AUDITOR

18.1 Remuneration of an auditor

The directors may set the remuneration of the auditor of the Company without the prior approval of the shareholders.

18.2 Waiver of appointment of an auditor

The Company shall not be required to appoint an auditor if all of the shareholders of the Company, whether or not their shares otherwise carry the right to vote, resolve by a unanimous resolution to waive the appointment of an auditor. Such waiver may be given before, on or after the date on which an auditor is required to be appointed under the *Business Corporations Act*, and is effective for one financial year only.

PART 19 – DIVIDENDS

19.1 Declaration of dividends

Subject to the rights, if any, of shareholders holding shares with special rights as to dividends, the directors may from time to time declare and authorize payment of any dividends the directors consider appropriate.

19.2 No notice required

The directors need not give notice to any shareholder of any declaration under Article 19.1.

19.3 Directors may determine when dividend payable

Any dividend declared by the directors may be made payable on such date as is fixed by the directors.

19.4 Dividends to be paid in accordance with number of shares

Subject to the rights of shareholders, if any, holding shares with special rights as to dividends, all dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

19.5 Manner of paying dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of paid up shares or fractional shares, bonds, debentures or other debt obligations of the Company, or in any one or more of those ways, and, if any difficulty arises in regard to the distribution, the directors may settle the difficulty as they consider expedient, and, in particular, may set the value for distribution of specific assets.

19.6 Dividend bears no interest

No dividend bears interest against the Company.

19.7 Fractional dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

19.8 Payment of dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed:

(a) subject to paragraphs (b) and (c), to the address of the shareholder;

(b) subject to paragraph (c), in the case of joint shareholders, to the address of the joint shareholder whose name stands first on the central securities register in respect of the shares; or

(c) to the person and to the address as the shareholder or joint shareholders may direct in writing.

19.9 Receipt by joint shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

PART 20 – ACCOUNTING RECORDS

20.1 Recording of financial affairs

The board must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the provisions of the *Business Corporations Act*.

PART 21 – EXECUTION OF INSTRUMENTS

21.1 Who may attest seal

The Company's seal, if any, must not be impressed on any record except when that impression is attested by the signature or signatures of:

(a) any 2 directors;

(b) any officer, together with any director;

(c) if the Company has only one director, that director; or

(d) any one or more directors or officers or persons as may be determined by resolution of the directors.

21.2 Sealing copies

For the purpose of certifying under seal a true copy of any resolution or other document, the seal must be impressed on that copy and, despite Article 21.1, may be attested by the signature of any director or officer.

21.3 Execution of documents not under seal

Any instrument, document or agreement for which the seal need not be affixed may be executed for and on behalf of and in the name of the Company by any one director or officer of the Company, or by any other person appointed by the directors for such purpose.

PART 22 – NOTICES

22.1 Method of giving notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(a) mail addressed to the person at the applicable address for that person as follows:

(i) for a record mailed to a shareholder, the shareholder's registered address,

(ii) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class, or

(iii) in any other case, the mailing address of the intended recipient;

(b) delivery at the applicable address for that person as follows, addressed to the person:

(i) for a record delivered to a shareholder, the shareholder's registered address,

(ii) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class,

(iii) in any other case, the delivery address of the intended recipient;

(c) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(d) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(e) physical delivery to the intended recipient; or

(f) such other manner of delivery as is permitted by applicable legislation governing electronic delivery.

22.2 Deemed receipt of mailing

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Article 22.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

22.3 Certificate of sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Article 22.1, prepaid and mailed or otherwise sent as permitted by Article 22.1 is conclusive evidence of that fact.

22.4 Notice to joint shareholders

A notice, statement, report or other record may be provided by the Company to the joint registered shareholders of a share by providing the notice to the joint registered shareholder first named in the central securities register in respect of the share.

22.5 Notice to trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(a) mailing the record, addressed to them:

(i) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description, and

(ii) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(b) if an address referred to in Article 22.5(a)(ii) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

PART 23 – RESTRICTION ON SHARE TRANSFER

23.1 Application

Article 23.2 does not apply to the Company if and for so long as it is a public company.

23.2 Consent required for transfer

No shares may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

PART 24 - SPECIAL RIGHTS AND RESTRICTIONS

24.1 Definitions

In this Part 24, unless the context requires otherwise "**Preferred shares**", when no specific class is designated, means the Preferred, Super Voting, Non-Participating and Preferred shares issuable in series.

24.2 Preferred, Super Voting, Non-Participating

The following special rights and restrictions are attached to the preferred, super voting, non-participating shares:

(a) Number and Designation. The Preferred, Super Voting, Non-Participating Shares of King's Bay Resources Ltd. (the "Company") shall consist of a maximum of 100,000 shares which shall be designated as "Preferred, Super Voting, Non-Participating" shares (the "**Preferred, Super Voting, Non-Participating Shares**") and which shall have the special rights and restrictions hereinafter set forth (the "**Rights and Restrictions**").

(b) No Issuance Unless Approved by Majority of Common Shares. No Preferred, Super Voting, Non-Participating Shares may be issued unless such issuance to each specific proposed shareholder of such shares (a "**Proposed SV Shareholder**") is approved by a majority of the votes cast in a meeting of holders of common shares of the Company. Any common shares of the Company held by a Proposed SV Shareholder will not be counted in such vote.

(c) Voting Rights. The holders of the Preferred, Super Voting, Non-Participating Shares are entitled to receive notice of and to attend at and to vote in person or by proxy at any general meetings of the shareholders of the Company and are entitled to cast one thousand (1000) votes for each Preferred, Super Voting, Non-Participating Share held.

(d) Dividends or other Company Distributions. The holders of the Preferred, Super Voting, Non-Participating Shares are not entitled to dividends, nor any other distributions by the Company to its shareholders.

(e) Participation on Windup or Dissolution. The holders of the Preferred, Super Voting, Non-Participating Shares are not entitled to participate in the assets of the Company upon dissolution or the winding-up of the Company.

(f) Redemption. The Company may redeem any or all outstanding Preferred, Super Voting, Non-Participating Shares from a holder in the discretion of the board of the Company. The redemption price is the paid up capital amount on each Preferred, Super Voting, Non-Participating Share.

(g) No Transfer. Preferred, Super Voting, Non-Participating Shares are non-transferable.

(h) Sale of A Majority of the Common Shares of the Company. In the event that holders of a minimum of 75% of the Common Shares of the Company accept an offer to purchase their Common Shares, each offer on substantially the same terms, the holders of the Preferred, Super Voting, Non-Participating Shares will be deemed to accept an offer for their Preferred, Super Voting, Non-Participating Shares on the same terms (and in particular, the price per share) and must tender their shares to the buyer at the same time as closing takes place for the sale of the Common Shares.

24.3 Preferred shares issuable in series

The Preferred shares may include one or more series and, subject to the *Business Corporations Act*, the directors may, by resolution, if none of the shares of that particular series are issued, alter the Articles of the Company and authorize the alteration of the Notice of Articles of the Company, as the case may be, to do one or more of the following:

(a) determine the maximum number of shares of that series that the Company is authorized to issue, determine that there is no such maximum number, or alter any such determination;

(b) create an identifying name for the shares of that series, or alter any such identifying name; and

(c) attach special rights or restrictions to the shares of that series, or alter any such special rights or restrictions.