



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

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**ANNUAL GENERAL AND SPECIAL MEETING TO BE HELD**

**December 16, 2020**

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***Unless otherwise noted, all information in this management information circular  
is provided as of November 10, 2020***

**[www.prosperosilver.com](http://www.prosperosilver.com)**

## PROSPERO SILVER CORP.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General and Special Meeting (the “**Meeting**”) of Shareholders of Prospero Silver Corp. (the “**Company**”) will be held at the offices of Norton Rose Fulbright Canada LLP, 1800 – 510 West Georgia Street, Vancouver, British Columbia, on Wednesday, December 16, 2020 at 10:00 a.m. (Pacific time), for the following purposes:

1. to receive the financial statements of the Company for the fiscal year ended December 31, 2019, together with the report of the auditors thereon;
2. to appoint auditors for the Company for the ensuing year;
3. to set the number of directors at three (3);
4. to elect directors;
5. to appoint Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company for the ensuing year and to authorize the Board of Directors to fix the remuneration;
6. to consider and, if deemed fit, approve continuance of the Company's Share Option Plan;
7. to consider, and if deemed appropriate, approve a special resolution to consolidate the issued and outstanding common shares of the Company on the basis of three (3) pre-Consolidation shares for every one (1) post-Consolidation share, or a ratio that is less at the discretion of the Board and to authorize the Board of Directors to determine when and if to effect such Consolidation, as more particularly described in the accompanying Information Circular;
8. to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

The directors have fixed November 10, 2020 as the record date for determination of the shareholders entitled to receive this Notice.

Registered shareholders who are unable to attend the meeting are requested to read the notes included in the form of Proxy enclosed and then to complete, date, sign and mail the enclosed form of Proxy, or to complete the Proxy by telephone or the internet, in accordance with the instructions set out in the Proxy and in the Information Circular accompanying this Notice.

DATED at Vancouver, British Columbia this 10<sup>th</sup> day of November, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

*“William Murray”*

William Murray  
Chairman and Chief Executive Officer

### **CAUTION Concerning COVID-19 Pandemic**

As of the date of this Notice and the accompanying Information Circular it is the intention of the Company to hold the Meeting at the location stated above in this Notice. **In addition, in order to mitigate potential risks to the health and safety of its shareholder, employees, communities and other stakeholders, the Company is strongly encouraging shareholders and others not to attend in person.**

Shareholders who do wish to attend the Meeting in person, please contact Rosina Lal at 604-641-4942 or Rosina.Lal@nortonrosefulbright.com. You will be required to sign and submit a screening form 48 hours in advance of the Meeting. Shareholders should carefully consider and follow the instructions of the federal Public Health Agency of Canada.

In addition, we urge our shareholders to review and follow the instructions of any regional health authorities of the Province of British Columbia, including the Vancouver Coastal Health Authority, the Fraser Health Authority and any other health authority holding jurisdiction over the areas you must travel through to attend the Meeting.

These recommendations are made based on the advisories of Canadian public health authorities and intended to reduce potential risks associated with larger gatherings and travel, associated with the COVID-19 pandemic (“**COVID-19**”).

In any event, please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled to/from outside of Canada within the 14 days immediately prior to the Meeting. All shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described on pages 1 to 3 of the Information Circular accompanying this Notice.

The Company reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak, including:

- changing the Meeting date and/or changing the means of holding the Meeting;
- denying access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has, travelled to/from outside of Canada within the 14 days immediately prior to the Meeting; and
- such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting.

Should any such changes to the Meeting format occur, the Company will announce any and all of these changes by way of news release, which will be filed under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on our Company website at <http://www.prosperosilver.com>. We strongly recommend you check SEDAR and the Company’s website prior to the Meeting for the most current information. In the event of any changes to the Meeting format due to the COVID-19, the Company will not prepare or mail amended Meeting proxy materials.

**If you are a non-registered shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the meeting.**

# PROSPERO SILVER CORP.

## MANAGEMENT INFORMATION CIRCULAR

(dated November 10, 2020, except where otherwise noted)

### SOLICITATION OF PROXIES

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of Prospero Silver Corp. (the “**Company**” or “**Prospero**”) for use at the Annual General and Special Meeting of Shareholders of the Company to be held on December 16, 2020 (the “**Meeting**”) and any adjournment thereof at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the directors and regular employees of the Company. All costs of solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The person(s) designated by Management in the enclosed form of proxy are directors and/or officers of the Company (the “**Management Proxyholders**”). Each shareholder of the Company has the right to appoint as proxyholder a person (who need not be a shareholder) other than Management Proxyholders to represent the shareholder at the virtual Meeting or at any adjournment or postponement thereof. Such right may be exercised by striking out the names of the person(s) printed in the accompanying form of proxy and inserting the name of the person in the blank space provided in the enclosed form of proxy or by completing another suitable form of proxy and, in either case, delivering the completed and executed form of proxy as provided below.

### Registered Shareholders

In the case of registered shareholders of the Company (“**Registered Shareholders**”), the completed, signed and dated form of proxy should be sent in the addressed envelope enclosed to Computershare Trust Company of Canada Attn: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or via fax to 1-866- 249-7775 (toll free North America) or 1-416-263-9524 (toll International). Alternatively, Registered Shareholders may vote by telephone by calling 1-866-732-8683 (toll free) or by using the internet at [www.investorvote.com](http://www.investorvote.com). To be effective, a proxy must be received not later than 10:00 a.m. (Vancouver time) on December 14, 2020, or at least 48 hours (excluding Saturdays and holidays), before the time for holding the Meeting or any adjournment thereof.

A Registered Shareholder who has given a proxy may revoke it by depositing an instrument in writing, including another proxy bearing a later date, signed by the shareholder or by the shareholder’s attorney, who is authorized in writing, or by transmitting, by telephonic or electronic means, a revocation signed by electronic signature by the shareholder or by the shareholder’s attorney, who is authorized in writing, to the registered office of the Company (1800 – 510 West Georgia Street, Vancouver, British Columbia, V6B 0M3) at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment or postponement of the Meeting, the last business day preceding the day of the adjournment or postponement, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment or postponement thereof. A Registered Shareholder may also revoke a proxy in any other manner permitted by law. Only Registered Shareholders have the right to revoke a proxy. A Non-Registered Shareholder who wishes to change its vote must arrange for its Intermediary to revoke its proxy on its behalf.

## Voting of Proxies

On any ballot that may be called for, the common shares represented by a properly executed proxy given in favour of the Management Proxyholders will be voted or withheld from voting in accordance with the instructions given on the ballot. If the shareholder specifies a choice with respect to any matter to be acted upon, the common shares will be voted accordingly.

In the absence of any direction in the instrument of proxy, such common shares will be voted in favour of the matters set forth in the accompanying Notice of Meeting. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting, and with respect to other matters which may properly come before the Meeting or any adjournment or postponement thereof. At the date of this Circular, Management is not aware of any such amendment, variation or other matter to come before the Meeting. However, if any amendments or variations to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to Management should properly come before the Meeting or any adjournment or postponement thereof, the common shares represented by properly executed proxies given in favour of the Management Proxyholders will be voted on such matters pursuant to such discretionary authority.

## Beneficial (Non-Registered) Holders

Only Registered Shareholders (or duly appointed proxyholders) are permitted to attend and vote at the Meeting. However, in many cases, shareholders are “non-registered” shareholders because the common shares they own are not registered in their names, but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the common shares. More particularly, a person is not a Registered Shareholder in respect of common shares which are held on behalf of that person (a “**Non-Registered Shareholder**”), but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the common shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. Non-Registered Shareholders do not appear on the list of shareholders maintained by the transfer agent.

Applicable regulatory policy requires intermediaries to seek voting instructions from beneficial shareholders. Every intermediary has its own procedures to seek those instructions. Beneficial shareholders should follow those procedures carefully to ensure that their shares are voted at the Meeting.

The majority of brokers in Canada have delegated authority for obtaining instructions from clients to Broadridge Investor Communication Solutions, Canada (“**Broadridge**”). Broadridge typically applies a special sticker to the proxy forms, or alternatively, prepares a separate “voting instruction” form, mails those forms to beneficial holders, and asks beneficial holders to return the proxy or voting instruction forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions for voting at the Meeting. A beneficial holder who receives a proxy bearing a Broadridge sticker or a voting instruction form cannot deposit that proxy or form on the Meeting date to vote common shares at the Meeting. The proxy or form must be returned to Broadridge in advance of the Meeting in order to allow the shares to be voted by the named proxyholder at the Meeting.

In addition to those procedures, recent amendments to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) allow a non-objecting beneficial holder (“**NOBO**”) to submit to the Company or an applicable intermediary any document in writing that requests that such NOBO or its nominee be appointed as the NOBO’s proxyholder. If such a request is received, the Company or the intermediary, as applicable, must arrange, without expense to the NOBO, to appoint such NOBO or its nominee as a proxyholder and to deposit that proxy within the time specified in this Information Circular, provided that the Company or the intermediary receives such written instructions at least one business day prior to the time at which proxies are to be submitted for use at the Meeting;

accordingly, any such request must be received by 10:00 a.m. (Pacific time) on December 11, 2020.

An objecting beneficial owner (“**OBO**”) is a beneficial holder who has provided instructions to an intermediary holding common shares in an account on behalf of the OBO that the OBO objects to the intermediary disclosing the OBO’s name, address and share ownership information to the Company to allow the Company to send shareholder materials to the OBO. The Company will not pay for intermediaries to forward to OBOs under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*, and an OBO will not receive those materials unless the OBO’s intermediary assumes the cost of delivery.

**IF YOU ARE A BENEFICIAL SHAREHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.**

#### **EXERCISE OF DISCRETION**

Shares represented by proxy are entitled to be voted on a show of hands or any poll and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted or withheld from voting in accordance with the specification so made.

#### **SUCH SHARES WILL BE VOTED FOR EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED BY THE SHAREHOLDER.**

The enclosed form of proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the management of the Company knows of no such amendment, variation or other matter, which may be presented to the Meeting.

#### **RECORD DATE**

The Company’s board of directors (the “**Board**” or the “**Board of Directors**”) has established the record date (the “**Record Date**”) for the Meeting as the close of business on November 10, 2020. Only shareholders of record at the close of business on the Record Date will be entitled to receive notice of the Meeting, or any adjournments or postponements thereof, and to vote at the Meeting. No shareholders having become shareholders of record after that time will be entitled to vote at the Meeting, or any adjournments or postponements thereof.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized voting securities of the Company consist of an unlimited number of common shares. As of the Record Date, the Company has 5,747,189 issued and outstanding fully paid and non-assessable common shares, each share carrying the right to one vote. **THE COMPANY HAS NO OTHER CLASSES OF VOTING SECURITIES.**

Any shareholder of record at the close of business on November 10, 2020 who either personally attends the Meeting or who has completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have his shares voted at the Meeting.

## PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Company, the only person(s) or companies who beneficially own, or control or direct, directly or indirectly, shares carrying 10% or more of the voting rights attached to all outstanding shares of the Company are:

| Name                      | No. of Shares | Percentage |
|---------------------------|---------------|------------|
| Fortuna Silver Mines Inc. | 1,546,095     | 26.90%     |

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE VOTED ON

Other than as set forth herein, management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Company since the commencement of the Company's last completed financial year, or of any proposed nominee for election as a director of the Company, or of any associate or affiliate of any of such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

## MATTERS TO BE VOTED ON AT THE MEETING

### Financial Statements

The audited consolidated financial statements for the financial year ended December 31, 2019 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 at [www.sedar.com](http://www.sedar.com) or on its website at [www.prosperosilver.com](http://www.prosperosilver.com).

### Set the Number of Directors at three

The current Articles of the Company currently provide that the Board of Directors must consist of the greater of three and the most recently set of (1) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and (2) the number of directors set under Article 14.4 *Places of Retiring Directors not Filled*. The Board of Directors has considered issues relating to its size and determined that the Board of Directors should be three directors.

Shareholders will be asked at the meeting to consider and, if deemed advisable, to approve the following ordinary resolution (the "**Ordinary Resolution**") to reduce the number of directors to three (3):

"RESOLVED as an ordinary resolution, pursuant to the Articles of Prospero Silver Corp. (the "**Company**"), that the number of directors of the Company be decreased from five directors and be set at three (3)."

The Board recommends that shareholders vote FOR the Ordinary Resolution to approve the number of directors be set at three. The nominee directors named in the accompanying form of proxy will vote the shares represented thereby FOR the Ordinary Resolution, unless the shareholder has given contrary instructions in such form of proxy.

If shareholders approve the Ordinary Resolution, shareholders will then be asked to elect three directors. Please see the biographical and other information of the director nominees below under “**Election of Directors**”.

### **Election of Directors**

The Board of Directors presently consists of five (5) directors; however, it is intended to elect three (3) directors for the ensuing year. The term of office of each of the present directors expires at the Meeting, and management intends to nominate all incumbent directors for re-election at the Meeting.

The persons named below will be presented for election at the Meeting as management’s nominees and the persons named in the accompanying form of proxy intend to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company, or with the provisions of the *Business Corporations Act* (British Columbia) (the “**Act**”).

Pursuant to Section 224 of the Act, the Company is required to have an Audit Committee. In addition to its Audit Committee the Company has a Disclosure Committee. The members of these committees are indicated below.

The following table sets out the names of the nominees for election as directors, the province or state and the country in which each is ordinarily resident, all offices of the Company now held by each of them, their principal occupations, the period of time for which each has been a director of the Company, and the number of common shares of the Company or any of its subsidiaries beneficially owned by each, or controlled or directed, directly or indirectly, as at the date hereof.

| <b>Name, Position, Province/State and Country of Residence<sup>(1)(2)</sup></b>       | <b>Principal Occupation or Employment<sup>(1)</sup></b>  | <b>Period as a Director of the Company</b> | <b>No. of Shares<sup>(1)</sup></b> |
|---|--|--|------------------------------------|
| William Murray <sup>(3)(4)</sup><br>British Columbia, Canada<br>Chairman and Director | Chairman, 2008 to present  | Since March 31, 2008                       | 380,299                            |
| Murray Oliver <sup>(3)</sup><br>British Columbia, Canada<br>Director                  | Business Consultant, MJO Equities Inc., 1992 to present.   | Since June 9, 2008                         | Nil                                |
| John Watson <sup>(3)(4)</sup><br>Colorado, United States<br>Director                  | Chairman and Director of NV Gold Corporation, 2009 to present and Manager/Member of Watson & Associates, LLC (property management company) | Since May 10, 2010                         | 34,500                             |

(1) The information as to province/state and country of residence, principal occupation and shares beneficially owned is not within the knowledge of the management of the Company and has been furnished by the respective nominees.

(2) None of the proposed nominees for election as a director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity.

(3) Member of the Audit Committee.

(4) Member of the Disclosure Committee.

### *Orders & Bankruptcies*

None of the proposed nominees for election as a director of the Company:

- (a) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:
  - (i) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, which order was in effect for a period of more than 30 consecutive days (an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) 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,
- (b) is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### *Penalties and Sanctions*

None of the proposed nominees for election as a director of the Company have been subject to:

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

### **Appointment of Auditors**

Management of the Company will recommend to the Meeting the appointment of Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company. Davidson & Company LLP were first appointed auditors of the Company on March 30, 2020.

## Continuance of Share Option Plan

The Company has in place a Share Option Plan (the “**Plan**”) for the benefit of directors, officers, employees, management employees and consultants of the Company and of its subsidiaries. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Plan. The maximum aggregate number of common shares that may be reserved for issuance under the Plan and all other share compensation arrangements of the Company is 10% of the Company’s issued and outstanding shares at the date of grant. This is a “**rolling**” plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company’s issued and outstanding share capital increases. The exercise price of an option issued under the Plan is determined by the directors, but may not be less than the closing market price of the Company’s shares on the day preceding the date of granting of the option less any available discount, in accordance with the policies of the TSX Venture Exchange (the “**Exchange**”). No option may be granted for a term longer than 10 years. An option may expire on such earlier date or dates as may be fixed by the Board, subject to earlier termination in the event the optionee ceases to be eligible under the Plan by reason of death, retirement or otherwise.

The Plan provides for the following restrictions: (i) no Participant may be granted an option if that option would result in the total number of stock options granted to the Participants in the previous 12 months, exceeding 5% of the issued and outstanding common shares unless the Company has obtained disinterested shareholder approval in accordance with Exchange Policies; (ii) the aggregate number of options granted to Participants conducting Investor Relations Activities (as defined in Exchange Policies) in any 12 month period must not exceed 2% of the issued and outstanding common shares, calculated at the time of grant; and, (iii) the aggregate number of options granted to any one Consultant in any 12 month period must not exceed 2% of the issued and outstanding common shares, calculated at the time of grant. In addition, Options granted to Consultants conducting Investor Relations Activities will vest over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting or such longer vesting period as the Board may determine. Vesting of Options is otherwise at the discretion of the Board.

In accordance with the Corporate Finance Policies (the “**Exchange Policies**”) of the TSX Venture Exchange (the “**Exchange**”) governing stock options, all issuers are required to adopt a stock option plan pursuant to which stock options may be granted to directors, officers, employees and consultants of the Company, or of a subsidiary of the Company. The Company currently has a share option plan (the “**Plan**”) as previously approved by the directors, and as also first approved by the shareholders of the Company at the Annual and Special General Meeting held on June 5, 2009. The Plan complies with the requirements of Exchange Policy 4.4 for Tier 2 issuers. See “**Executive Compensation – Share Option Plan**” below for a description of the principal features of the Plan.

The Exchange Policies require that the Plan be approved by shareholders annually, at the Company’s Annual General Meeting. Continuation of the Plan will be subject to the approval of the shareholders of the Company and review and acceptance by the Exchange.

A copy of the Plan will be available at the Meeting for review by shareholders. In addition, upon request, shareholders may obtain a copy of the Plan from the Company prior to the Meeting. See “**Additional Information**” below.

### *Shareholder Approval of Share Option Plan*

Accordingly, the shareholders of the Company will be requested at the Meeting to pass an ordinary resolution in the following terms:

“RESOLVED that:

1. the Company's share option plan (the “**Plan**”), as described in the Information Circular of the Company dated November 10, 2020, be and is hereby ratified, confirmed and approved, subject to acceptance by the TSX Venture Exchange;
2. the Company be authorized to grant stock options pursuant and subject to the terms and conditions of the Plan, entitling the option holders to purchase up to that number of common shares that is equal to 10% of the issued and outstanding capital of the Company at the time of the grant; and
3. 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 all such deeds, documents, instruments and assurances as in the opinion of such director or officer may be necessary or desirable to give effect to the foregoing resolutions and to complete all transactions in connection with the continuation of the Plan.”

The Board of Directors has determined that the continuance of the Plan is in the best interests of the Company and its shareholders. The Board of Directors unanimously recommends that shareholders vote in favour of the resolution approving the continuance of the Plan. The persons named in the enclosed proxy intend to vote for the approval of the foregoing resolutions at the Meeting unless otherwise directed by the shareholders appointing them.

### **Share Consolidation**

The Company seeks shareholder approval at the Meeting for a special resolution to consolidate all of the issued and outstanding common shares (the “**Consolidation**”) on the basis of three (3) pre-Consolidation shares for every one (1) post-Consolidation share, or a ratio that is less at the discretion of the Board of Directors, with the Consolidation to be implemented by the Board at any time prior to the next annual meeting of the shareholders (the “**Consolidation Resolution**”). On completion of the Consolidation, on an approximately 3:1 basis, the 5,747,189 common shares that are currently issued and outstanding would be consolidated into approximately 1,915,729 post-Consolidation common shares. The Consolidation remains subject to Exchange approval. Notwithstanding approval of the Consolidation Resolution by shareholders of the Company, the Board of Directors may, in its sole discretion, determine the timing of the Consolidation and whether to revoke this special resolution, and abandon the Consolidation Resolution without further approval or action by or prior notice to shareholders. It is expected that should a share consolidation occur, the post-consolidation common shares would generally commence trading on the Exchange at opening of trading three trading days following the effective date.

#### *Reasons for the Consolidation*

Management of the Company expects that the Consolidation will provide flexibility in the capital structure of the Company in order to facilitate future transactions (e.g. to raise capital or complete a business combination) while keeping the Company's capital structure manageable. If the Consolidation is implemented and the market price of the common shares (adjusted to reflect the consolidation ratio) declines, the percentage decline as an absolute number and as a percentage of the Company's overall market capitalization may be greater than would have occurred if the Consolidation had not been implemented. Both the total market capitalization of the Company and the adjusted market price of the common shares following the Consolidation may be lower than they were before the Consolidation took effect. Consequently, the reduced number of common shares that would be outstanding after the Consolidation is implemented could adversely affect the liquidity of the common shares.

### *Effect of Consolidation*

As the Company currently has an unlimited number of common shares, without a par value, authorized for issuance, the Consolidation will not have any effect on the number of Shares that remain available for future issuances. The Consolidation will not affect any shareholder's percentage ownership interest or proportionate voting power in the Company, other than as a result of the creation and disposition of fractional share interests as described below. Likewise, all equity awards granted, the number of Common Shares reserved for issuance and any maximum number of common shares with respect to which equity awards may be granted to any participant, under the Company's equity incentive plans, would also be adjusted as a result of the Consolidation, such that the number of common shares underlying outstanding options, restricted share units and deferred share units, would be reduced proportionately such that its underlying award value will not change as a result of the Consolidation.

The Company would not expect the Consolidation itself to have any economic effect on holders of common shares or securities exercisable to acquire common shares, except to the extent the Consolidation could result in fractional shares. In case of fraction shares, no fractional common shares of the Company will be issued if, as a result of the Consolidation, a Shareholder would otherwise be entitled to a fractional share. Instead, any fractional common shares resulting from the Consolidation will be rounded down to the nearest whole share if the fraction is less than one-half of a share and will be rounded up to the nearest whole share if the fraction is at least one-half or a share.

For the avoidance of doubt, the Company would only be responsible for dealing with fractions arising on registered holdings. For shareholders whose common shares are held through an intermediary (a securities broker, dealer, bank or financial institution), the effect of the Consolidation on their individual shareholdings would be administered by the intermediary. The effect would be expected to be the same as for registered shareholders, however, it is the intermediary's responsibility to deal with fractions arising within their customer accounts, and would not be the responsibility of the Company.

### *Implementation*

Following the Consolidation, the Company would continue to be subject to periodic reporting and other requirements of Canadian securities laws and the common shares will continue to be listed on the TSX-V under the symbol "PSL".

Voting rights and other rights of the holders of common shares prior to the implementation of the Consolidation would also not be affected by the Consolidation, other than as a result of the creation and disposition of fractional shares as described below. For example, a holder of 2% of the voting power attached to the outstanding common shares immediately prior to the implementation of the Consolidation will generally continue to hold 2% of the voting power attached to the common shares immediately after the Consolidation. The number of registered shareholders will not be affected by the Consolidation.

If the Consolidation does occur, registered shareholders who hold at least one new post-Consolidation common share would be required to exchange their share certificates representing their pre-Consolidation common shares for new share certificates representing their new post-Consolidation common shares or, alternatively, a Direct Registration System ("**DRS**") Advice/Statement representing the number of new post-Consolidation common shares they hold following the Consolidation. DRS is an electronic registration system which allows shareholders to hold common shares in their name in book-based form, as evidenced by a DRS Advice/Statement rather than a physical share certificate.

The transfer agent, Computershare Investor Services Inc., would then send each registered shareholder a letter of transmittal that contains instructions on how to surrender common share certificates representing pre-consolidation common shares to the transfer agent of the Company. The transfer agent would then send to each registered shareholder who follows the instructions provided in the letter of transmittal, a new share certificate representing the number of new post-Consolidation common shares to which the registered Shareholder is entitled rounded down to the nearest whole number or, alternatively, a DRS Advice/Statement representing the number of post-Consolidation common shares the registered

Shareholder holds following the Consolidation. Non-registered shareholders who hold common shares through intermediaries (securities brokers, dealers, banks, financial institutions, etc.) would need to contact their intermediaries.

Until surrendered to the transfer agent, each share certificate representing pre-Consolidation common shares will be deemed for all purposes to represent the number of post-Consolidation common shares to which the registered shareholder is entitled as a result of the Consolidation. Until registered shareholders have returned their properly completed and duly executed letter of transmittal and surrendered their pre-Consolidation share certificate(s) for exchange, registered shareholders would not be entitled to receive any other distributions, if any, that may be declared and payable to holders of record following the Consolidation.

Any registered Shareholder whose pre-Consolidation certificate(s) have been lost, destroyed or stolen would be entitled to a replacement share certificate only after complying with the requirements that the Company, the transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

The method chosen for delivery of share certificates and letters of transmittal to the Company's transfer agent would be the responsibility of the registered shareholder and neither the transfer agent nor the Company will have any liability in respect of share certificates and/or letters of transmittal which are not actually received by the transfer agent. The Company recommends that such certificates and documents be delivered by hand to the transfer agent and a receipt therefor be obtained or, if mailed, that registered mail with return receipt be used and that appropriate insurance be obtained.

If the Consolidation does occur, the holders of common shares who hold uncertificated shares (i.e., shares held in book-entry form and not represented by a physical share certificate), either as registered holders or beneficial owners, would have their existing book-entry account(s) electronically adjusted by the Company's transfer agent or, for beneficial owners, by their brokerage firms, banks, trusts or other nominees that hold in "street name" for their benefit, as the case may be, to give effect to the Consolidation. Such holders would not need to take any additional actions to exchange their pre-Consolidation book-entry shares, if any, for post-Consolidation common shares.

If the Consolidation does occur, non-registered shareholders holding their common shares through an intermediary (a securities broker, dealer, bank or financial institution) should be aware that the 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 common shares through an intermediary, shareholders would be encouraged to contact their intermediary.

Shareholders would not be entitled to exercise any statutory dissent rights in connection with a share consolidation.

### ***Shareholder Approval***

In accordance with the *Business Corporations Act* (British Columbia), the resolution approving the Consolidation must be approved by a majority of not less than sixty-six and two-thirds percent (66 2/3%) of the votes cast by the shareholders represented at the Meeting in person or by proxy.

Accordingly, at the Meeting, shareholders will be asked to consider and, if deemed advisable, to approve and authorize the following resolutions in respect of the Consolidation:

"RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Board is authorized, subject to the acceptance of the TSX Venture Exchange, to take such actions as are necessary to consolidate, at any time following the date of this resolution by prior to the next annual meeting of shareholders of the Company, all of the issued and outstanding common shares of the Company on the basis that approximately three (3) pre-consolidation shares, or a ratio that is less at the discretion of the Board, be consolidated into one (1) post-consolidation share (the "**Consolidation**");

2. despite the foregoing authorization, the Board may, at its absolute discretion, determine when such consolidation will take place and may further, at its discretion, determine not to effect such consolidation of all of the issued and outstanding common shares, in each case without requirement for further approval, ratification or confirmation by the shareholders;
3. notwithstanding that this resolution has been passed by the shareholders of the Company, the Board of Directors may revoke such resolution at any time before it has been effected without further action by the shareholders; and
4. any director or officer of Prospero be and is hereby authorized, for and on behalf of Prospero, to execute and deliver all documents and instruments and take such other actions, including making all necessary filings with applicable regulatory bodies and stock exchanges, as such director or officer may determine to be necessary or desirable to implement this ordinary resolution and the matter authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action.”

The foregoing special resolution permits the Board of Directors of the Company, without further approval by the shareholders, to proceed with the Consolidation Resolution at any time following the date of this Meeting but prior to the next annual meeting of the shareholders. Alternatively, the directors of the Company may choose not to proceed with the Consolidation Resolution if the directors, in their discretion, deem that it is no longer desirable to do so.

The Board of Directors has determined that the possible share consolidation would be in the best interests of the Company and its shareholders. The Board of Directors unanimously recommends that shareholders vote in favour of the resolution granting the Board of Directors the authority to implement a consolidation if required. The persons named in the enclosed proxy intend to vote for the approval of the foregoing resolutions at the Meeting unless otherwise directed by the shareholders appointing them.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate governance is the process and structure used to direct and manage the business and affairs of a Company with the objective of enhancing value for its owners. National Instrument 58-101 of the Canadian Securities Administrators – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) requires the Company to disclose a summary of its corporate governance protocols.

### **Board of Directors**

As at the date hereof, the Board of Directors of the Company consists of five directors, two of whom are independent directors as defined in NI 58-101, meaning that, such director has no direct or indirect relationship with the Company which could, in the view of the Board, reasonably be expected to interfere with the exercise of his independent judgment, and is not otherwise deemed not to be independent. Messrs Albinson, Bosworth and Murray are executive officers and are therefore not considered independent. Murray Oliver and John Watson are independent directors. Messrs Albinson and Bosworth are not standing for re-election as directors of Prospero.

Due to the size and stage of development of the Company, the Board has deemed it to be impractical at this time to maintain a Board which consists of a majority of independent directors. The Board is continuing to assess the need for additional independent directors as the Company develops. The Board is of the view that the Company is well-served by its board composition and that the independence of the Board from management is not compromised.

### Other Directorships

The following directors of the Company are directors of other companies that are reporting issuers or the equivalent in Canada or elsewhere:

| Director       | Reporting Issuer(s)  |
|----------------|--|
| William Murray | N/A  |
| Murray Oliver  | Terrace Energy Corp. (TSXV:TZR), Vinza Capital Management Inc. |
| John Watson    | NV Gold Corporation (TSXV:NVX)                                 |

### Mandates

The Board of Directors is responsible for supervising management in carrying on the business and affairs of the Company. Directors are required to act and exercise their powers with reasonable prudence in the best interests of the Company. In discharging its mandate, the Board is responsible for the oversight and review of the development of, among other things, the following matters:

- (1) the strategic planning process of the Company;
- (2) identifying the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- (3) planning for succession of management;
- (4) the Company's policies regarding communications with its shareholders and others, and
- (5) the integrity of the internal controls and management information systems of the Company.

In carrying out its mandate, the Board relies primarily on management to provide it with regular detailed reports on the operations of the Company and its financial position. The Board reviews and assesses these reports and other information provided to it at meetings of the full Board and of its Committees. Management personnel regularly attend Board meetings to provide information and answer questions. Directors also consult from time to time with management. At least annually, the Board reviews management's report on its business and strategic plan and any changes with respect to risk management and succession planning.

The Board discharges specific responsibilities directly through its Audit Committee. The Board of Directors has adopted a written charter for the Committee (see "**Audit Committee – Audit Committee's Charter**").

### Orientation and Continuing Education

The Board does not have a formal orientation and education program for new directors. Upon joining the Board, each director is provided with an orientation program regarding the role of the Board, its committees and its directors, and the nature and operation of the Company's current and past business. They are also provided with a copy of the Audit Committee charter. The Board encourages directors to participate in continuing education opportunities in order to ensure that the directors may maintain or enhance their skills and abilities as directors, and maintain a current and thorough understanding of the Company's business.

**Ethical Business Conduct**

Corporate governance is the structure and process used to direct and manage the business and affairs of a company with the objective of enhancing shareholder value. The Board of Directors believes that the Company has in place corporate governance practices that are both effective and appropriate to the Company's size and business operations. Because of its size and composition, the Board does not find it necessary to have in place many formal processes in order to ensure effective corporate governance. For these reasons, the Board has not adopted a formal Code of Conduct.

The Company regards maintaining a culture of ethical business conduct and social responsibility as critically important. Management consistently strives to instill the Company's principles into the practices and actions of the Company's management and employees.

**Nomination of Directors**

The directors of the Company have not appointed a nominating committee. Rather, the directors of the Company as a whole are responsible for identifying and recommending new candidates, having regard to the appropriate number of directors of the Company and the necessary competencies and skills of the directors as a whole and of each director individually. New nominees should have a track record in general business management, special expertise in areas of strategic interest to the Company and the ability to devote the time required.

**Compensation**

The directors of the Company have not appointed a compensation committee.

The directors of the Company as a whole are responsible for determining the compensation to be paid to the Chief Executive Officer and directors of the Company, and for reviewing the Chief Executive Officer's recommendations respecting the compensation of consultants to the Company to ensure such compensation reflects the responsibilities and risks associated with each position.

When determining the compensation of the Chief Executive Officer, the directors of the Company as a whole consider, among other things: (i) providing fair and competitive compensation to ensure compensation appropriately reflects the responsibilities he assumes; (ii) balancing the interests of the Chief Executive Officer and the shareholders of the Company; and (iii) rewarding performance with respect to operations in general.

In order to achieve these objectives, the Board considers the following factors when determining the compensation paid to the Chief Executive Officer: (i) remuneration for services performed for the benefit of the Company; and (ii) long-term incentive in the form of stock options. When reviewing the compensation of consultants to the Company, the directors of the Company as a whole consider how individuals are critical to the growth and success of the Company.

It is not anticipated that there will be any significant changes to our compensation practices in the next financial year.

**Other Board Committees**

The Company does not have any other standing committees other than the audit and disclosure committee.

## **Assessments**

The Board does not have an independent nominating committee. At present, a majority of the directors are independent of management. The directors of the Company as a whole periodically consider the mix of skills and experience that directors bring to the Company to assess, on an on-going basis, whether the directors of the Company have the necessary skills to perform their oversight function effectively. The Board plans to continue evaluating its own effectiveness in this manner.

## **AUDIT COMMITTEE**

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

The text of the Company's Audit Committee Charter is attached as Appendix 1 to this Information Circular.

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

The Audit Committee presently consists of John Watson, William Murray and Murray Oliver. In accordance with National Instrument 52-110 Audit Committees of the Canadian Securities Administrators ("NI 52-110"), each member of the Audit Committee is financially literate. Applying the criteria in NI 52-110, Messrs. Watson and Oliver are independent directors of the Company.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year did the Board of Directors of the Company decline to adopt a recommendation of the audit committee to nominate or compensate an external auditor.

### **Relevant Education and Experience**

The education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member is set out below:

#### *John Watson*

Mr. Watson completed a BA Degree in Geology and holds an MS in Mineral Economics and has 45 years of experience in the mining industry. Mr. Watson has been the CEO of three public companies and has direct experience in exploration, project development, construction, operations and reclamation, primarily in the Nevada, USA.

#### *William Murray*

Mr. Murray is a Professional Engineer with over 40 years of international mining experience in operations, engineering, construction and project development. During the period of March 2003 and February 2008, Mr. Murray was President and Chief Executive Officer of PolyMet Mining Corp. where he was instrumental in developing and advancing the large-scale poly-metallic NorthMet Project located in the Minnesota Iron Range. Mr. Murray previously worked in senior management positions at Denison Mines, Anglo American Corporation and Fluor Daniel.

#### *Murray J. Oliver*

Mr. Oliver has a B.A. in economics and over 24 years' experience as a consultant providing corporate finance, restructuring and shareholder communication services to both private and public companies. Mr. Oliver has worked with the Pemcorp Group of Companies since 1995 and has served as Vice President of Business Development since 2000. He is currently a director of Terrace Energy Corp. (TSXV:TZR). Mr. Oliver is also a founder of Heart Force Medical Inc., a private medical device company.

**Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on an exemption under section 2.4, 6.1.1(4), (5) or (6), or granted under Part 8 of NI 52-110.

**Pre-Approval Policies and Procedures**

As at the date of this Information Circular, the Audit Committee has specific policies and/or procedures in place for the engagement of non-audit services, as per its Audit Committee Charter.

**External Auditor Service Fees***Audit Fees*

The aggregate fees billed by the Company's external auditor in each of the last two fiscal years for audit fees were \$17,500 for the fiscal year ended December 31, 2019 and \$24,000 for the fiscal year ended December 31, 2018.

*Audit-Related Fees*

The aggregate fees billed by the Company's external auditor in each of the last two fiscal years for additional services related to the performance of the audit or review of the Company's financial statements were \$Nil for the fiscal year ended December 31, 2019, and were \$Nil for the fiscal year ended December 31, 2018.

*Tax Fees*

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning were \$7,750 for the fiscal year ended December 31, 2019, and \$1,500 for the fiscal year ended December 31, 2018. These professional services relate to the preparation of the Company's Canadian Income Tax Return and related filings.

*All Other Fees*

During the fiscal years ended December 31, 2019 and December 31, 2018, the Company has not incurred any other fees for products or services provided by its external auditors.

**Exemption for Venture Issuers**

As a venture issuer, the Company is exempt from the provisions of NI 52-110 that would otherwise require its audit committee to be constituted in accordance with Part 3 of NI 52-110, and the Company to provide comprehensive disclosure about the members of its Audit Committee.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

As a project generator company, the Company's primary focus is applying its efforts and capital to the development of its properties. The Company's properties are early stage projects requiring a significant geological effort to understand their scope and potential.

The Company's current executive compensation program is comprised of base salary and long-term incentives in the form of stock options. The Company has no other long-term awards or incentive plans, bonus programs, or indirect compensation (benefits) and none are contemplated at this time.

The Company does not have a compensation committee, albeit two of the Company's directors, Messrs. Murray and Watson, are or have been active on the compensation committees of other companies. The Company does not retain a compensation consultant to assist the board in determining compensation. The Board of Directors of the Company assesses the compensation of its officers every six months based on the success of the Company's projects, the Company's performance in the market, individual performance of the executive and the executive's contributions to achieving the Company's objectives. Due to the Company's small size, currently the Company does not have any performance-based compensation goals that are based on share price or earnings per share.

#### *Option-Based Awards*

Stock options are granted pursuant to the Company's Share Option Plan to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. Previous grants of stock options are taken into account when considering new grants. The Board is satisfied that the current options granted to directors and officers adequately reflect the risk and responsibility involved with being an effective director or officer of the Company. Implementation of, the general administration and the number of options to be granted under the Share Option Plan are the responsibility of the Company's Board of Directors as a whole, which allows independent directors to have input into compensation decisions. See "**Share Option Plan**" below.

#### *Compensation Governance*

The directors of the Company as a whole are responsible for determining the compensation to be paid to the Chief Executive Officer and directors of the Company, and for reviewing the Chief Executive Officer's recommendations respecting the compensation of consultants to the Company to ensure such compensation reflects the responsibilities and risks associated with each position.

When determining the compensation of the Chief Executive Officer, the directors of the Company as a whole consider, among other things: (i) providing fair and competitive compensation to ensure compensation appropriately reflects the responsibilities he assumes; (ii) balancing the interests of the Chief Executive Officer and the shareholders of the Company; and (iii) rewarding performance with respect to operations in general. Currently, the Company does not use benchmarking as a methodology for compensation decisions.

In order to achieve these objectives, the Board considers the following factors when determining the compensation paid to the Chief Executive Officer: (i) remuneration for services performed for the benefit of the Company; and (ii) long-term incentive in the form of stock options. When reviewing the compensation of consultants to the Company, the directors of the Company as a whole consider how individuals are critical to the growth and success of the Company.

The Board has not specifically considered the risks associated with the Company's compensation policies and practices relating to the compensation arrangements currently in place with the Company's senior

officers. These arrangements are relatively simple in structure and do not include any compensation or incentive awards tied to performance goals or short term incentives.

### Summary Compensation Table

The following table sets forth details of all compensation paid in respect of the individuals who were, at December 31, 2019, the Chief Executive Officer and the Chief Financial Officer of the Company (the “**Named Executive Officers**”). There were no other executive officers of the Company, or any of its subsidiaries, whose total compensation was, individually, more than \$150,000 for the financial year ended December 31, 2019.

| Name and Principal Position        | Year | Salary (\$) | Option-Based Awards <sup>(1)</sup> (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|------------------------------------|------|-------------|---|-----------------------------|-------------------------|
| William Murray<br>Chairman and CEO | 2019 | \$60,000    | \$4,973                                 | \$Nil                       | \$64,973                |
|                                    | 2018 | \$120,000   | \$59,303                                | \$Nil                       | \$179,303               |
|                                    | 2017 | \$100,000   | \$58,247                                | \$Nil                       | \$158,247               |
| Grant B. Bosworth<br>Interim CFO   | 2019 | \$Nil       | \$2,362                                 | \$Nil                       | \$2,362                 |
|                                    | 2018 | \$6,000     | \$30,667                                | \$Nil                       | \$36,667                |
|                                    | 2017 | \$6,000     | \$27,667                                | \$Nil                       | \$33,667                |

- (1) Dollar amounts provided reflect fair value on the date of grant. The options granted in the 2017, 2018 and 2019 financial years were granted pursuant to the Company’s Share Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Company’s common share price, expected dividend yield and risk free interest rate. The amounts presented in the table represent the value of the vested and unvested portion of the options issued during the applicable financial year. For accounting purposes, the fair value of the award is amortized over the applicable vesting period and recognized as a compensation expense.

The Company does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director. However, management is not aware of any Named Executive Officer or director purchasing such an instrument.

### Outstanding Option-Based Awards

The following table sets forth details of all awards outstanding for the Named Executive Officers at the end of the most recently completed financial year, including awards granted to the Named Executive Officers in prior years.

| Option Based Awards                 |  |                            |                        |   |
|-------------------------------------|--|----------------------------|------------------------|---|
| Name                                | No. of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$) |
| William Murray,<br>Chairman and CEO | 40,000   | \$2.60                     | May 24, 2022           | \$Nil   |
|                                     | 25,000   | \$0.75                     | September 6, 2023      | \$Nil   |
| Grant Bosworth,<br>Interim CFO      | 19,000   | \$2.60                     | May 24, 2022           | \$Nil   |
|                                     | 15,000   | \$0.75                     | September 6, 2023      | \$Nil   |

- (1) In-the-Money Options are those where the market value of the underlying securities as at the most recent financial year end exceeds the option exercise price. The option exercise prices range from \$0.075 to \$0.26. The closing market price of the Company’s shares as at December 31, 2019 was \$0.30.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth details of the value vested or earned by the Named Executive Officers for option-based awards for the most recently completed financial year.

| <b>Name</b>                         | <b>Option-Based Awards – Value Vested During the Year (\$)</b> | <b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b> |
|-------------------------------------|--|---|
| William Murray,<br>Chairman and CEO | \$4,973  | \$Nil   |
| Grant Bosworth,<br>Interim CFO      | \$2,362  | \$Nil   |

**Pension Plan Benefits**

The Company does not have in place any pension or retirement plan. The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as an officer of the Company, in connection with or related to the retirement, termination or resignation of such person and the Company has provided no compensation to such persons as a result of a change of control of the Company, its subsidiaries or affiliates.

**Termination and Change of Control Benefits**

The Company has not entered into an employment contract with any of the Named Executive Officers nor does it have any arrangements with the Named Executive Officers for compensation in the event of resignation, retirement or any other termination with the Company or change in the Named Executive Officers' responsibilities following a change of control.

The Company has entered into certain management services agreements. See “**Management Contracts**”.

**Director Compensation**

*Director Compensation Table*

The following table sets forth details of all amounts of compensation provided to the directors other than the Named Executive Officers (the “**Other Directors**”) for the Company's most recently completed financial year.

| <b>Name</b>   | <b>Fees Earned (\$)</b> | <b>Option-Based Awards<sup>(1)</sup> (\$)</b> | <b>Non-equity incentive plan compensation (\$)</b> | <b>All Other Compensation (\$)</b> | <b>Total (\$)</b> |
|---------------|-------------------------|---|--|------------------------------------|-------------------|
| Tawn Albinson | \$Nil                   | \$Nil   | \$Nil  | \$Nil                              | \$Nil             |
| Murray Oliver | \$Nil                   | \$Nil   | \$Nil  | \$Nil                              | \$Nil             |
| John Watson   | \$Nil                   | \$Nil   | \$Nil  | \$Nil                              | \$Nil             |

(1) The options granted in the 2019, 2018 and 2017 financial years were granted pursuant to the Company's Share Option Plan. For compensation purposes, the Black-Scholes option valuation model has been used to determine the fair value on the date of grant. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Company's common share price, expected dividend yield and risk free interest rate. The amounts presented in the table represent the value of the vested and unvested portion of the options issued during the applicable financial year. For accounting purposes, the fair value of the award is amortized over the applicable vesting period and recognized as a compensation expense.

The Company has a director compensation policy pursuant to which it will pay each of its directors, other than the Chairman, a monthly cash fee of \$500 for his service on the Board of Directors of the Company, and will pay its Chairman a monthly cash fee of \$10,000 for serving as Chairman of the Board as well as being the Company's principal representative in Canada.

*Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation*

The following table sets forth details of all awards outstanding for the Other Directors at the end of the most recently completed financial year, including awards granted to the Other Directors in prior years.

| Name          | Option-Based Awards                                  |                            |                        |   |
|---------------|--|----------------------------|------------------------|---|
|               | No. of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$) |
| Tawn Albinson | 40,000   | \$2.60                     | May 24, 2022           | \$Nil   |
|               | 15,000   | \$0.75                     | September 6, 2023      | \$Nil   |
| Murray Oliver | 16,500   | \$0.50                     | March 4, 2021          | \$Nil   |
|               | 19,000   | \$2.60                     | May 24, 2022           | \$Nil   |
| John Watson   | 12,500   | \$0.75                     | September 6, 2023      | \$Nil   |
|               | 19,000   | \$2.60                     | May 24, 2022           | \$Nil   |
|               | 12,500   | \$0.75                     | September 6, 2023      | \$Nil   |

(1) In-the-Money Options are those where the market value of the underlying securities as at the most recent financial year end exceeds the option exercise price. The option exercise prices range from \$0.50 to \$2.60. The closing market price of the Company's shares as at December 31, 2019 was \$0.30.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth details of the value vested or earned by the Other Directors for option-based awards for the most recently completed financial year.

| Name          | Option-Based Awards – Value Vested During the Year (\$) | Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$) |
|---------------|---|--|
| Tawn Albinson | \$4,973   | \$Nil  |
| Murray Oliver | \$2,362   | \$Nil  |
| John Watson   | \$2,362   | \$Nil  |

**Share Option Plan**

See “**Continuance of Stock Option Plan**” for particulars of the Company's Stock Option Plan.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out, as of the end of the Company's financial year ended December 31, 2019, all information required with respect to compensation plans under which equity securities of the Company are authorized for issuance:

| Plan Category   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights<br>(a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights<br>(b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>(1)</sup> (Excluding Securities Reflected in Column (a))<br>(c) |
|---|--|--|---|
| Equity compensation plans approved by security holders(1) | 258,500  | \$1.71   | 306,218   |
| <b>Total</b>  | <b>258,500</b>   | <b>\$1.71</b>  | <b>306,218</b>  |

(1) Represents the Option Plan of the Company, which reserves a number of common shares equal to 10% of the then outstanding common shares from time to time, for issuance pursuant to the stock options.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer, employee or former director, executive officer or employee or any of their respective associates or affiliates or any proposed nominee for election as a director of the Company is or has been at any time since the beginning of the last completed financial year, indebted to the Company or any of its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Company or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, no informed person of the Company, proposed nominee for election as a director, or any associate or affiliate of the foregoing, had any material interest, direct or indirect, in any transaction or proposed transaction since the commencement of the Company's most recently completed financial year ended December 31, 2019 which has materially affected or would materially affect the Company or any of its subsidiaries.

## MANAGEMENT CONTRACTS

No management functions of the Company or any of its subsidiaries are performed to any substantial degree by a person other than the directors or executive officers of the Company or its subsidiaries.

## OTHER BUSINESS

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Company at its offices located at 1800 – 510 West Georgia Street, Vancouver, B.C., V6B 0M3 or by telephone at 604-288-7813 to request copies of any documents referenced herein or to request copies of the Company's financial statements and MD&A. Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year.

DATED this 10<sup>th</sup> day of November, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

*“William Murray”*

William Murray  
Chairman and Chief Executive Officer

## **APPENDIX 1**

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

#### **Mandate**

The Audit Committee of the Company will assist the Board of Directors in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor the:

- (1) quality and integrity of the Company's financial statements and other financial information;
- (2) compliance of such statements and information with legal and regulatory requirements;
- (3) qualifications and independence of the Company's independent external auditor (the "**Auditor**");  
and
- (4) performance of the Company's internal accounting procedures and Auditor.

#### **Structure And Operations**

The Committee will be comprised of three or more members.

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee must be persons who are not officers or employees of the Company or of any affiliate of the Company. Additional independence requirements may be imposed under Canadian National Instrument 52-110 Audit Committees (or a successor instrument) if the Company ceases to be a "**venture issuer**" as that term is defined under NI 51-110.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

The members of the Committee will be appointed by the Board and will serve until such member's successor is duly appointed or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

Unless the Board selects a Committee Chair, the members of the Committee will designate a Chair by the majority vote of all of the members of the Committee. The Chair will call, set the agendas for and chair all meetings of the Committee.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval will be presented to the full Committee at its next scheduled meeting.

The Committee will meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor will be given reasonable notice of, and be entitled to attend and speak at, at least one meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at any other Committee meeting. On request by the Auditor, the Chair will call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum will consist of a majority of members.

The Committee is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this

appropriate. In addition, the Committee will meet with the Auditor and Company management annually to review the Company's financial statements in a manner consistent with its duties set out below.

## **Duties**

The following functions are the common recurring duties of the Committee in carrying out its mandate outlined above under "**Mandate**". These duties should serve as a guide with the understanding that the Committee may fulfil additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee will also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee's mandate.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee will be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated mandate, the Committee will have all the authority of, but will remain subject to, the Board.

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee will:

### *Independence of Auditor*

- (1) Review and discuss with the Auditor any disclosed relationships or services that may affect the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company.
- (2) Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
- (3) Require the Auditor to report directly to the Committee.
- (4) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

### *Performance & Completion by Auditor of its Work*

- (5) Oversee the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting).
- (6) Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-appointment by the Company's shareholders of the existing Auditor and the compensation to be paid to the Auditor.
- (7) Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by the Auditor unless such non-audit services:
  - (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of fees paid by the Company to the Auditor during the fiscal year in which the non-audit services are provided;
  - (b) were not recognized by the Company at the time of the engagement to be non-audit services; and

(c) are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

*Internal Financial Controls & Operations of the Company*

(8) Establish procedures for:

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

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Preparation of Financial Statements*

(9) Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

(10) Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

(11) Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

(12) Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

(13) Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:

(a) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.

(b) the management inquiry letter provided by the Auditor and the Company's response to that letter.

(c) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

*Public Disclosure by the Company*

(14) Review the Company's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.

(15) Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.

*Manner of Carrying Out its Mandate*

- (16) Consult, to the extent it deems necessary or appropriate, with the Auditor but 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.
- (17) Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- (18) Meet, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor in separate executive sessions.
- (19) Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee and to set and pay the compensation to any such advisors.
- (20) Make regular reports to the Board.
- (21) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- (22) Annually review the Committee's own performance.

**Limitation of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Company management and the Auditor.