



**Management Information Circular**

**May 11, 2014**

**PROPHECY DEVELOPMENT CORP.  
(the "Company")**

**2nd Floor, 342 Water Street  
Vancouver, B.C. Canada, V6B 1B6  
Telephone No.: (604) 569-3661/Fax No.: (604) 569-3617**

**MANAGEMENT INFORMATION CIRCULAR**

as at May 11, 2015 *(except as otherwise indicated)*

**This Management Information Circular (the "Information Circular") is furnished in connection with the solicitation of proxies by the management of the Company for use at the annual general meeting (the "Meeting") of its shareholders to be held on June 24, 2015 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting.** In this Information Circular, references to "the Company", "we" and "our" refer to Prophecy Development Corp. "Common Shares" means the Common shares without par value in the capital of the Company.

The Company is utilizing the notice-and-access mechanism (the "**Notice-and-Access Provisions**"), that came into effect February 11, 2013 for meetings held on or after March 1, 2013, under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") and National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") for distribution of this Information Circular to both registered and non-registered shareholders of the Company. See *General Proxy Information – Notice-and-Access* for further information.

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

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

**Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the "**Proxy**") are directors or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy. If your Common Shares are held in physical (i.e. paper) form and actually registered in your name, then you are a registered shareholder ("Registered Shareholder"). However, if like most shareholders you keep your Common Shares in a brokerage account, then you are a beneficial shareholder ("Beneficial Shareholder"). The manner for voting is different for Registered and Beneficial Shareholders and you need to carefully read the instructions below.** "Beneficial Shareholders" means shareholders who do not hold Common

Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

### Voting by Proxyholder

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

- (a) each matter or group of matters identified therein for which a choice is not specified;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that may properly come before the Meeting.

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

### Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a proxy may do so by:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company’s transfer agent, Computershare Trust Company of Canada (“**Computershare**”), by fax within North America at 1-866-249-7775, outside North America at 1-416-263-9524, or by mail to the 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) using a touch-tone phone to transmit voting choices to a toll free number. Registered Shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll free number, the holder’s account number and the proxy access number; or
- (c) using the internet through the website of the Company’s transfer agent at [www.computershare.com/ca/proxy](http://www.computershare.com/ca/proxy). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder’s account number and the proxy access number.

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

### Notice-and-Access

As noted above, the Company is utilizing Notice-and-Access Provisions that came into effect on February 11, 2013 under NI 54-101 and NI 51-102 for distribution of this Information Circular to shareholders.

The Notice-and-Access Provisions are a set of rules that allow reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and at least one other website, rather than mailing paper copies of such materials to shareholders. Electronic copies of this Information Circular, annual financial

statements of the Company for the year ended December 31, 2014 and management's discussion and analysis of the Company's results of operations and financial condition for the year ended December 31, 2014 may be found under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com) and on the Company's website at [www.prophecydev.com](http://www.prophecydev.com) under "Investors – Shareholders Meetings – 2015 AGM".

The Company will not use procedures known as "stratification" in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of this Information Circular to some shareholders with the notice package.

In relation to the Meeting, shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of this Information Circular. Shareholders are reminded to review this Information Circular.

### **Beneficial Shareholders**

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

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

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

There are two kinds of Beneficial Owners - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners), and those who do not object to the issuers of the securities they own knowing who they are (called NOBOs for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials directly to its NOBOs. As a result, NOBOs can expect to receive a scannable Voting Information Form ("**VIF**") from Computershare, our transfer agent. The VIF is to be completed and returned to Computershare in the envelope provided or by facsimile to the number provided in the VIF. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

The Meeting Materials are being sent to both Registered Shareholders and Beneficial Shareholders who are NOBOs. If you are a Beneficial Shareholder, and the Company or its agent sent these materials directly to you, your name, address and information about your holdings of securities were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send the Meeting Materials to you directly, the Company (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions sent to you.

The Company is taking advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials indirectly through intermediaries to its OBOs. The Company will pay these intermediaries to deliver Meeting Materials to OBOs. Intermediaries are responsible for delivering the Meeting materials to OBOs unless the OBO has waived the right to receive them. Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the Proxy provided to Registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a shareholder of the Company) different from the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, insert the name of the desired representative (which may be you) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, it must be completed and returned to Broadridge in accordance with Broadridge’s instructions, well in advance of the Meeting in order to: (a) have your Common Shares voted as you instruct; or (b) have any alternate representative you may choose duly appointed to attend the Meeting and vote your Common Shares.**

Alternatively, you can request in writing that your broker send you a proxy which would enable you, or a person designated by you, to attend the Meeting and vote your Common Shares.

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

The solicitation of proxies and the transactions contemplated in this Information Circular involve securities of an issuer located in Canada and are being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is amalgamated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”), as amended, certain of its directors and its executive officers are residents of Canada and its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject

themselves to a judgment made by a United States court.

### **Revocation of Proxies**

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

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Registered Shareholder or the Registered Shareholder's authorized attorney in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare at the address shown on the preceding page or at the address of the registered office of the Company at 2nd Floor, 342 Water Street, Vancouver, British Columbia Canada V6B 1B6 at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law, or
- (b) personally attending the Meeting and voting the Registered Shareholder's Common Shares.

Beneficial Shareholders who wish to change their votes must arrange for their respective intermediaries to revoke the proxy on their behalf.

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

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

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

### **RECORD DATE, VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the "**Board**") of the Company has fixed May 11, 2015 as the record date (the "**Record Date**") for determination of persons entitled to receive notice of and vote their Common Shares at the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Common Shares of the Company commenced trading on the Toronto Stock Exchange ("**TSX**") on October 19, 2011. Prior thereto the Common Shares were listed on the TSX Venture Exchange ("**TSXV**"). The Company is authorized to issue an unlimited number of Common Shares, and as of the Record Date, there were 311,878,634 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Company the following are the registered holders of Common Shares carrying more than 10% of the voting rights:

Shareholder Name <sup>(1)</sup>	Number of Shares Held <sup>(1)</sup>	Percentage of Issued Shares <sup>(1)</sup>
CDS & CO (NCI) <sup>(2)</sup>	205,731,844	66.12%
Apogee Silver Ltd.	60,000,000 <sup>(3)</sup>	19.28%

**Notes:**

- (1) The above information was supplied by the Company's transfer agent, Computershare.
- (2) CDS & CO is a share depository, the beneficial ownership of the Common Shares they hold is unknown to the Company.
- (3) These Common Shares are currently held in escrow pursuant to the terms of an escrow agreement entered into between the Company, Apogee Silver Ltd. and Computershare, as escrow agent. For further information please see the Company's news release dated January 2, 2015 which is available for review under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com).

## FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2014, report of the auditor, and related management discussion and analysis will be placed before the Meeting. These documents have been filed with the securities commissions or similar regulatory authorities in each of Alberta, British Columbia and Ontario. Copies of the documents may be obtained upon request without charge from the Company via mail at: Prophecy Development Corp., 2nd Floor, 342 Water Street, Vancouver, British Columbia, V6B 1B6, Attention: Investor Relations, via telephone at: (604) 563-0699, via fax at: (604) 569-3617 or via email: at [ir@prophecydev.com](mailto:ir@prophecydev.com). These documents are also available under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com).

## VOTES NECESSARY TO PASS RESOLUTIONS

A simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. Some resolutions must be passed by disinterested shareholders only; disinterested shareholders are shareholders who have no interest in the subject matter of the resolutions.

If there are more nominees for election as directors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation. See also *Majority Voting Policy* below.

## DIRECTORS

### NUMBER OF DIRECTORS

The Company currently has four directors, although shareholders approved the number to be fixed at five at the Company's last annual general meeting. The Board proposes that the number of directors remain fixed at five. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at five, and that the Board be authorized to appoint new directors as necessary to fill any vacancies on the Board.

**Management of the Company recommends that you vote IN FAVOUR of fixing the number of directors at five, and authorizing the Board to appoint new directors to fill any vacancies on the Board. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by**

each form of proxy, properly executed, FOR fixing the number of directors at five, and authorizing the Board to appoint new directors as necessary to fill any vacancies on the Board.

### ELECTION OF DIRECTORS

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

The Board has determined that four directors be elected to the Board at the Meeting. The following disclosure and accompanying biographical information sets out the names of management's nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years where required, the period of time during which each has been a director of the Company, and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction. The information as to Common Shares owned or controlled as at the Record Date has been provided by each of the nominees.

Name of Nominee, Current Position with the Company, and Residence <sup>(1)</sup>	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled
John Lee Executive Chairman, Interim CEO and Director Taipei, Taiwan	Since June 13, 2011 (Director of Pre-amalgamated company <sup>(3)</sup> since October 21, 2009)	15,490,590 <sup>(4)</sup>
Greg Hall <sup>(2)</sup> Director North Vancouver, British Columbia, Canada	Since June 13, 2011 (Director of Pre-amalgamated company <sup>(3)</sup> since October 21, 2009)	2,262,000 <sup>(5)</sup>
Harald Batista <sup>(2)</sup> Director Los Altos Hills, California, USA	Since July 27, 2012 (Special Advisor to Pre-amalgamated company <sup>(3)</sup> since January 5, 2010)	525,273
Masa Igata <sup>(2)</sup> Director New Territories, Hong Kong	Since April 23, 2014	1,248,217 <sup>(6)</sup>

**Notes:**

- (1) For more information about each nominee, please see Biographical Information of Management's Nominees for Director below.
- (2) Member of the Audit Committee & Corporate Governance and Compensation Committee.
- (3) Northern Platinum Ltd., Prophecy Holdings Inc. and Prophecy Resource Corp. were amalgamated on June 13, 2011 as one company under the name "Prophecy Resource Corp." Prophecy Resource Corp. changed its name to "Prophecy Coal Corp." on June 14, 2011. Prophecy Coal Corp. changed its name to "Prophecy Development Corp." on January 5, 2015.
- (4) 10,843,170 of these Common Shares are held by Merit Holdings Ltd., a private company wholly owned and controlled by Mr. Lee.
- (5) 400,000 of these Common Shares are held by MaKevCo Consulting Inc., a private company wholly owned and controlled by Mr. Hall and his spouse.
- (6) These Common Shares are held by Sophir Asia Limited, a private company wholly owned and controlled by Mr. Igata.

### Biographical Information of Management's Nominees for Director

The following information as to principal occupation, business or employment is not within the knowledge of

the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years unless otherwise indicated.

**John Lee** is the Interim CEO, Executive Chairman and a Director of the Company. He has been a mining analyst and accredited investor in the resource industry since 2001. He is a speaker at major resource conferences, including Mines and Money, China Mining, Terrapinn, and Cambridge House. Mr. Lee is a CFA charter holder and has degrees in economics and engineering from Rice University.

**Greg Hall** is a self-employed businessman with over 25 years' experience as a broker, senior executive officer and founder of several successful Vancouver-based brokerage firms. Mr. Hall previously served as a director of Silvercorp Metals (NYSE), the largest primary silver producer in China.

**Harald Batista** is a businessman actively involved with his family's extensive group of Brazilian companies. He has an MBA from the University of Santa Clara and has an impressive background in international sales and marketing.

**Masa Igata** is Founder and CEO of Frontier LLC, the first foreign investment bank in Mongolia. With more than 25 years' experience in financial markets, he focuses primarily on advising resource companies in Mongolia. Mr. Igata received his Graduate of Law from Kyoto University, and he is a member of the Securities Analysts Association of Japan and Mongolian Stock Exchange.

No director or officer of the Company is as of the date hereof, or has been within the past 10 years, a director or officer of any company that, while that person was acting in that capacity, was the subject of a cease trade order, penalties, sanctions or bankruptcy, during the time the individual was a director or within one year thereafter, or was a director or officer of a company during the time in which an event occurred which led to a cease trade order, penalties, sanctions or bankruptcy subsequent to the individual ceasing to act as a director or officer.

A shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees.

**Management of the Company recommends that you vote IN FAVOUR of the election of each of the above nominees to the Board. In the absence of instructions to the contrary, the Company's proxyholders will vote the Common Shares represented by each form of proxy, properly executed, FOR the election of each of the above nominees to the Board.**

### **Majority Voting Policy**

The Board adopted a majority voting policy on March 25, 2014. The policy stipulates that if the votes in favour of the election of an individual director nominee at a meeting of shareholders represent less than the number that voted "withheld" in respect of such election, the nominee will submit his or her resignation promptly after the Meeting for the consideration of the Corporate Governance and Compensation Committee (the "CGCC"). The CGCC will make a recommendation to the Board after reviewing the matter, and the Board will then decide whether to accept or reject the resignation. The Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any CGCC deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

### **Advance Notice Policy**

The Board adopted an advance notice policy (the “**Advance Notice Policy**”) on March 25, 2014. The Advance Notice Policy provides for advance notice to the Company in circumstances where nominations of persons for election to the Board are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the BCBCA or (ii) a shareholder proposal made pursuant to the provisions of the BCBCA.

The purpose of the Advance Notice Policy is to foster a variety of interests of the shareholders and the Company by ensuring that all shareholders - including those participating in a meeting by proxy rather than in person - receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. Among other things, the Advance Notice Policy fixes a deadline by which holders of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

As of the date of this Information Circular, the Company has not received notice of a nomination in compliance with the Advance Notice Policy.

### **APPOINTMENT OF AUDITOR**

Davidson & Company LLP, Chartered Accountants, of 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6, will be proposed at the Meeting for appointment as auditor of the Company until the close of business at the next annual meeting, at remuneration to be fixed by the directors. The Audit Committee and Board approved Davidson & Company LLP, who have been auditors for the Company since November 21, 2013.

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

#### **Audit Committee Charter**

The Audit Committee’s charter sets out the Audit Committee’s mandate and responsibilities. The charter is attached to the Company’s 2014 Annual Information Form filing which can be found under the Company’s SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com).

The Audit Committee currently consists of Greg Hall (Chairman), Harald Batista and Masa Igata. All members of the Audit Committee are independent and financially literate.

The Audit Committee reviews all financial statements of the Company prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The Audit Committee charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with National Instrument 52-110, *Audit Committees* and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Company’s auditors to discuss the various aspects of the Company’s financial statements and the independent audit.

### Relevant Education and Experience

As a result of their education and experience, each member of the Audit Committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements; and
- an understanding of internal controls and procedures for financial reporting.

See disclosure under *Biographical Information of Management's Nominees for Director* for relevant education and experience of members of the Audit Committee.

### Pre-Approval Policies for Non-audit Services

The Company's auditor, Davidson & Company LLP, has not provided any material non-audit services during the most recently completed fiscal year other than tax fees captioned below.

The Company has procedures for the review and pre-approval of any services performed by its auditor. The procedures require that all proposed engagements of its auditor for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests and, if acceptable to a majority of the Audit Committee members, pre-approves such audit and non-audit services by a resolution authorizing management to engage the Company's auditor for such audit and non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested and the fees related to such services could impair the independence of the auditors.

### External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the audit and non-audit services provided by Davidson & Company LLP, Chartered Accountants to the Company to ensure auditor independence. Fees incurred with Davidson & Company LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Year Ended December 31, 2014	Year Ended December 31, 2013
Audit Fees <sup>(1)</sup>	\$160,000	\$180,000
Audit-Related Fees <sup>(2)</sup>	\$0	\$0
Tax Fees <sup>(3)</sup>	\$15,000	\$15,000
All Other Fees <sup>(4)</sup>	\$0	\$0
<b>Total</b>	<b>\$175,000</b>	<b>\$195,000</b>

**Notes:**

- (1) "Audit Fees" are the aggregate fees billed by our independent auditor for the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include

*employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.*

- (3) *“Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.*
- (4) *“All Other Fees” include all other non-audit services.*

## **CORPORATE GOVERNANCE**

### **Mandate of the Board of Directors**

The Board has a formal mandate as outlined in the Corporate Governance Policies and Procedures Manual, as amended (the **“Manual”**). The Manual mandates the Board to: (i) oversee management of the Company, (ii) exercise business judgment, (iii) understand the Company and its business, (iv) establish effective systems, (v) protect confidentiality and proprietary information, and (vi) prepare for and attend Board, committee and shareholder meetings. The Manual also includes written charters for each committee and it contains a Code of Ethics, policies dealing with issuance of news releases and disclosure documents, as well as share trading black-out periods. Further, in the Manual, the Board encourages but does not require continuing education for all the Company’s directors.

### **Composition of the Board**

Applicable governance policies require that a listed issuer’s board of directors determine the status of each director as independent or not, based on each director’s interest in or other relationship with the Company. Applicable governance policies recommend that a board of directors be constituted with a majority of directors who qualify as independent directors (as defined below). A board of directors should also examine its size with a view to determining the impact of the number of directors upon the effectiveness of the board of directors, and the board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The Company’s policies permit retention of independent advisors for members of the board of directors and committees when they consider it advisable.

An “independent” director is one who “has no direct or indirect material relationship” with the Company. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to materially interfere with the exercise of the director’s independent judgement. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Company or employed by the Company’s external auditor. An individual who (or whose family member) is or has been within the last three years, an executive officer of such an entity is deemed to have a material relationship as is any individual who (or whose family members or partners) received directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Company (other than compensation for acting as a director or as a part time chairman or vice-chairman).

The Board is proposing four nominees to be elected to the office of director, of whom three of the nominees, being a majority of the Board, can be considered “independent” directors. The “independent” nominees are: Harald Batista, Greg Hall and Masa Igata. These nominees are considered independent by virtue of not being executive officers of the Company and having received no compensation other than in their role as directors. The sole non-independent director is John Lee, who is Executive Chairman of the Board and Interim Chief Executive Officer of the Company.

## **Committees of the Board**

Applicable regulatory governance policies require that: (i) committees of the Board be composed of at least a majority of independent directors; (ii) the Board expressly assume responsibility, or assign to a committee of the Board, responsibility for the development of the Company's approach to governance issues; (iii) the Board's Audit Committee be composed only of independent directors, and the role of the Audit Committee be specifically defined and include the responsibility for overseeing management's system of internal controls; (iv) the Audit Committee have direct access to the Company's external auditor; and (v) the Board appoint a committee, composed of a majority of independent directors, with the responsibility for proposing new nominees to the Board and for assessing directors on an on-going basis.

### ***Corporate Governance and Compensation Committee***

The Board has a CGCC (as previously defined) that formalizes the process of ensuring high calibre directors and proper director succession planning. The CGCC considered and recommended re-election of each member of the current Board at the Meeting. The CGCC currently consists of Greg Hall (Chairman), Harald Batista and Masa Igata. All members are "independent" and have direct experience relevant to their responsibilities on the CGCC.

The Board monitors the activities of the senior management through regular meetings and discussions amongst the Board and between the Board and senior management. The Board is of the view that its communication policy between senior management, members of the Board and shareholders is good. The CGCC also recommends compensation for the directors and executive officers of the Company. See further disclosure under *Statement of Executive Compensation*. The CGCC charter is available for review on request.

The function of the CGCC further includes the review, on an annual basis, of the compensation paid to the Company's executive officers and directors, to review the performance of the Company's executive officers and to make recommendations on compensation to the Board.

The CGCC periodically considers the grant of incentive Awards under the Plan (as such terms are defined below). Stock options have been granted to directors, executive officers, employees and consultants taking into account competitive compensation factors and the belief that options help to align the interests of directors, executive officers, employees and consultants with the interests of shareholders.

### ***Disclosure Protocol***

The Company has a Disclosure Controls and Procedures Policy that seeks input from senior management, independent directors and legal counsel to assess material relating to disclosure matters and regulatory requirements. The Disclosure Controls and Procedures Policy is available for review on request.

## **Board Decisions**

Any responsibility which is not delegated to senior management or to a Board committee remains with the full Board, which is addressed through board discussions, meetings and resolutions.

## **Recruitment of New Directors and Assessment of Board of Directors Performance**

Good governance policies include that (i) the board of directors implement a process for assessing the

effectiveness of the Board and its committees, and the contribution of individual directors, (ii) provide an orientation and education program for new directors, and (iii) review the adequacy and form of compensation of directors to reflect the responsibilities and risks involved in being an effective director.

Please see the discussion concerning the CGCC above.

The following table sets forth the record of attendance at Board, Audit Committee and CGCC meetings by Directors for the year ended December 31, 2014.

Director	Board of Directors Meetings	Audit Committee	Corporate Governance and Compensation Committee
John Lee	14/16	N/A	N/A
Greg Hall <sup>(1)</sup>	16/16	4/4	5/5
Michael Deats <sup>(2)</sup>	4/16	0/4	1/5
Chuluunbaatar Baz <sup>(3)</sup>	0/16	N/A	N/A
Harald Batista <sup>(4)</sup>	15/16	4/4	5/5
Masa Igata <sup>(5)</sup>	10/16	3/4	2/5

**Notes:**

- (1) Audit Committee & CGCC Chairman.
- (2) Mr. Deats was appointed as a member of the Audit Committee and CGCC on December 28, 2012 and ceased upon his death, to be a member of both on February 18, 2014.
- (3) Notwithstanding Mr. Baz not attending formal meetings, he was regularly consulted, participated in resolving issues and executed all directors resolutions by consent until he ceased to be a director on June 23, 2014.
- (4) Mr. Batista was appointed to the Board on July 27, 2012 and as a member of the Audit Committee and CGCC on August 7, 2012.
- (5) Mr. Igata was appointed to the Board and as a member of the Audit Committee and CGCC on April 23, 2014.

### Directorships

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

Name of Director	Name of Reporting Issuer	Exchange Listed
Greg Hall	Intertainment Media Inc.	TSX-V

### Orientation and Continuing Education

The Company has traditionally retained experienced mining and public company professionals as directors and hence any orientation needed is minimized. When new directors are appointed, they are acquainted with the Company's mineral projects and the expectations of directors. Board meetings generally include presentations by the Company's senior management and project staff in order to give the directors insight into the Company's operations and plans.

### Position Descriptions

Written position descriptions have been developed by the Board for the Chairman of the Board and the CEO of the Company.

The position description for the Chairman of the Board delegates to him the responsibility for, among other

things, leadership of the Board of Directors, ensuring its effectiveness including:

- Preparation for, and the conduct of, Board meetings
- Ensuring quality, quantity and timeliness of the information that goes to Board members
- Formation of Board committees and the integration of their activity with the work of the Board
- Evaluation of the Board's effectiveness and implementation of improvements
- Development of the Board, including Director recruitment, evaluation and compensation, and the ongoing formal and informal communication with and among Directors
- Chairing annual and special meetings of the shareholders
- Meeting with various groups (such as major shareholder groups), governments, the financial press, industry associates, etc.

The position description for the CEO delegates to him the responsibility for, among other things, executing the strategy agreed by the Board and developing the Company's objectives through leadership of the senior executive team including:

- Participation in the development of the Company's vision, strategic agenda, and business plan to facilitate communication and understanding between management and the Board
- Ensuring operations conform with the Board's view on company policy
- Ensuring, in consultation with the committees and the full Board, that succession plans are in place at senior executive levels
- Participation in external relationships which fulfill the Company's obligations as a member of industry and the community
- Providing the key link between the Board and management, and as a result, has a significant communication, coaching and team-building responsibility
- Ensuring that the Company's risks are adequately addressed and appropriate internal controls are in place
- Representing the shareholders and Board to management and management to the shareholders and Board
- Carrying out special assignments in collaboration with management or the Board

The Company does not maintain separate written descriptions of the roles of the Chairs of each of the committees of the Board. Instead, it has developed written charters for each of the committees which are attached as appendices to the Manual and available for review on the Company's website at [www.prophecydev.com](http://www.prophecydev.com) under "Company – Corporate Governance" or upon request by contacting the Company. The Chair of each committee is responsible for ensuring that the applicable committee fulfils its responsibilities and duties under its governing charter.

### **Code of Ethics**

The Board adopted a Code of Ethics on March 27, 2012, as amended on February 26, 2015, which is attached as Appendix 4 to the Manual and available for review on the Company's website at [www.prophecydev.com](http://www.prophecydev.com) under "Company – Corporate Governance" or upon request by contacting the Company. The Board also believes that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has a material interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

### **Nomination of Directors**

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the Company's annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience. The CGCC is composed entirely of independent directors, and is responsible for the identification of new director candidates for Board nomination.

### **Assessments**

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

### **Director Term Limits and Renewal**

The Company has not adopted term limits for directors or other specific mechanisms for Board renewal, as it is satisfied that the terms of management's current nominees for election as directors are not high, compared to other similar public companies and prevailing governance standards. None of the nominees have served as a director of the Company for more than six years, and two have served for less than three years. The CGCC believes that the Board composition being proposed is adequately balanced between experienced members with historical knowledge of the Company and the mining industry, and those newer members who bring with them fresh perspectives. The Board recognizes the value of consistency of tenure and therefore, seeks to retain this unique skillset among its members unless circumstances require otherwise. As well, the Board believes prescribed term limits or other prescriptive mechanisms are unnecessary where boards follow good corporate governance practices and properly govern themselves. The CGCC continually reviews and assesses the contributions of existing directors and the needs of the Company with respect to Board renewal as part of its nomination process. The Board will periodically consider whether term limits or other mechanisms for Board renewal should be adopted and will implement changes if, and when appropriate.

### **Gender Diversity**

The Company is committed to supporting a culture of inclusiveness and diversity although it has not adopted any written policy specifically relating to the identification and nomination of women directors, nor does the Board currently consider the level of representation of women when making executive officer appointments or set arbitrary targets regarding women on the Board or in executive positions. Although the Board acknowledges that diversity, including diversity of experience, perspective, education, race, gender and national origin is of value to the Company, in considering potential directors and executive officers, the CGCC will continue to seek the most qualified candidates, regardless of their gender. While the CGCC is not specifically focused on achieving any particular level of representation of women on the Board, it will continue to consider that as one of the various factors it reviews as part of its nomination and Board assessment process.

The Company has been successful in recruiting a woman to one of its key leadership positions, and does not believe that any gender bias has existed or exists in its hiring or promotion decisions. For that reason, no affirmative action is required to ensure women have an equal opportunity within the Company. As of May 11, 2015, there are no women members of the Board. Of the three executive officers of the Company, one is a woman: Irina Plavutska, Chief Financial Officer, representing 33.33% of the overall executive officer positions

within the Company. Ms. Plavutska joined the Company on August 23, 2010 and has been an executive officer of the Company since September 11, 2013. The Company will continue to monitor its gender diversity and disclose the results to its shareholders on an annual basis.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

As indicated above, the CGCC assists the Board in carrying out its responsibilities and decision making process relating to executive and director compensation for the Company and its subsidiaries. The CGCC has the following duties, responsibilities and authority:

- (a) to recommend to the Board the form and amount of compensation to be paid by the Company to directors for service on the Board and on its committees. The CGCC shall review director compensation at least annually;
- (b) to annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other share-based compensation plans and recommend changes in or additions to such structure and plans to the Board as needed;
- (c) to recommend to the Board the annual base compensation of the Company's executive officers;
- (d) to recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Company for officers and non-officer personnel providing services to the Company, and recommend incentive compensation participation levels for officers and non-officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the CGCC will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years;
- (e) to evaluate the performance of officers generally and in light of annual corporate goals and objectives under any incentive compensation plan;
- (f) to provide oversight of the performance evaluation and incentive compensation of non-officer personnel providing services to the Company; and
- (g) to administer the Company's stock option and other share-based compensation plans and determine the grants of stock options and other share-based compensation.

See disclosure under *Biographical Information of Management's Nominees for Director* for relevant education and experience of members of the CGCC.

The CGCC has not considered the implications of the risks associated with the Company's compensation program.

### Named Executive Officers

In this section "Named Executive Officer" (or "NEO") means each of the following individuals:

- (a) the Chief Executive Officer (the "CEO");
- (b) the Chief Financial Officer (the "CFO");
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that

financial year; and

- (d) each individual who would be an 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 December 31, 2014.

The following disclosure sets out the compensation that the Board intended to pay, make payable, award, grant, give or otherwise provide to each NEO and director of the Company or its subsidiaries for the financial year ended December 31, 2014.

Although an NEO or director may purchase financial instruments that are designed to hedge or offset a decrease in market value of Common Shares granted as compensation or held, directly or indirectly, by the NEO or director, no such persons currently hold or plan to purchase such financial instruments.

### **Report on Executive Compensation**

This report on executive compensation has been approved by the CGCC. The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Company's senior management, although the CGCC guides it in this role. As part of its mandate, the Board determines the type and amount of compensation for the Company's NEOs. In addition, the Board reviews the methodology utilized by the Company for setting salaries of employees throughout the organization.

The CGCC receives competitive market information on compensation levels for executives. The Company's compensation policies and programs are designed to be competitive with similar mining exploration and development companies and to recognize and reward executive performance consistent with the success of the Company's business.

#### ***Philosophy and Objectives***

The Company's senior management compensation program is designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company employs a combination of base salary, bonus compensation and equity participation through its share-based compensation plan.

#### ***Base Salary/Compensation***

In the Board's view, paying compensation that is competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. The NEOs are remunerated in order to ensure that the compensation package offered by the Company is in line with that offered by other companies in our industry, and as an immediate means of rewarding the NEO for efforts expended on behalf of the Company.

The compensation to be paid to a particular NEO is determined by gathering competitive information on comparable companies within the industry from a variety of sources, including surveys conducted by

independent consultants and national and international list publications. The Company does not engage in formal benchmarking. Payment of cash compensation fits within the objective of the compensation program since it rewards each NEO for performance of his duties and responsibilities.

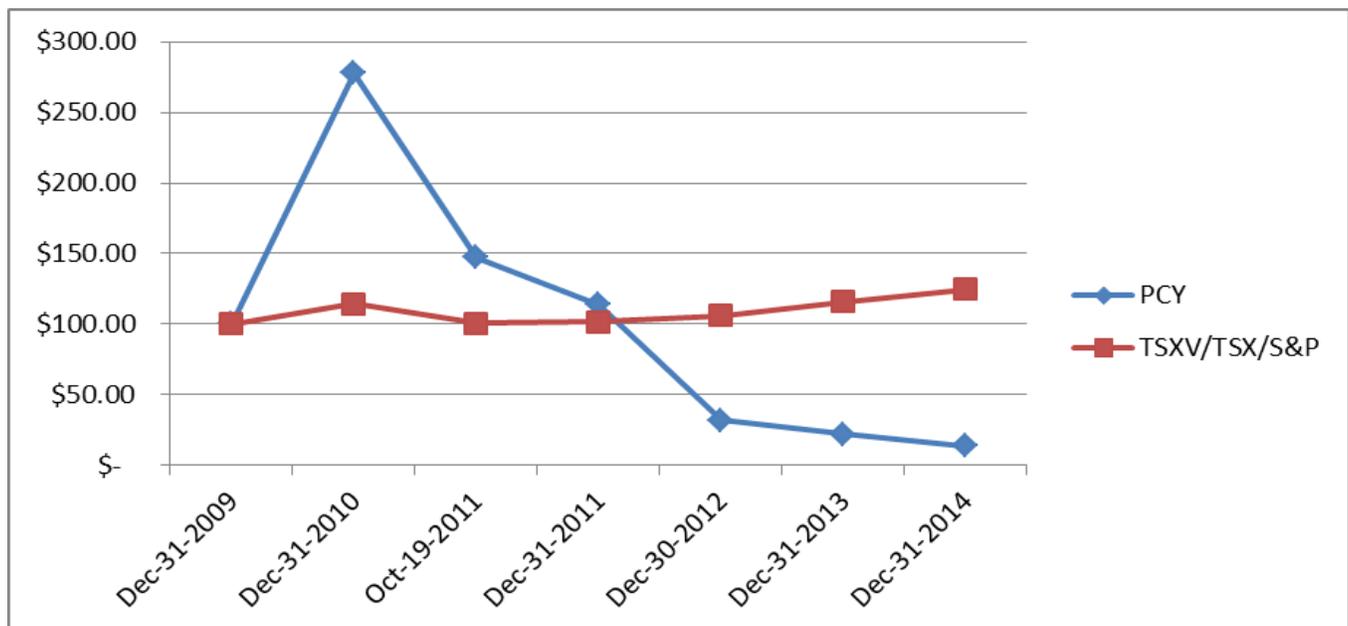
Compensation of the CEO is approved by the Board. Base compensation and bonus levels are determined taking into account independent market survey data.

### **Bonus Compensation**

There are currently no specific performance goals set by the Company for executive bonus compensation. Bonus compensation is awarded at the discretion of the Board and the Board considers performance of the individual and the Company, competitive factors and other matters in awarding bonuses. The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive cash and share bonus compensation dependent upon the Company meeting the Company's strategic objectives and milestones and sufficient cash resources being available.

### **Performance Graph**

The following graph compares the cumulative shareholder return on an investment of \$100 in the Common Shares of the Company for the past five years (on the TSX-V from December 31, 2009 until October 18, 2011, and from October 19, 2011 being the date the Company's Common Shares became listed on the TSX to December 31, 2014) with the S&P/TSX Composite Index from December 31, 2009 to December 31, 2014.



**Note:** The Company does not, nor is it contemplating in the near term, paying a dividend on its Common Shares.

Compensation levels for NEOs over the period indicated reflect their accomplishment of performance goals that are targeted at building a foundation for the long-term success of the Company. Given the early stage of the Company's development, these achievements may not yet be recognized in the market price of the Company's Common Shares, particularly in light of difficult market conditions for mining stocks in recent years. A significant proportion of compensation for the Company's NEOs continues to be "at risk" compensation in the form of

option grants, with the value of such options being directly affected by changes in share price. However, base salaries are not determined on benchmarks, performance goals or specific formula but are set to be competitive with industry levels. Discretionary cash bonuses may also be paid based upon a review of various operational and other objectives of the Company, the results of which may not have necessarily been reflected in the Company's share price in a particular year. In addition, the trading price of the Common Shares may be affected by various factors not related to the results of the Company such as changes in commodity prices and general economic conditions. Accordingly, it is difficult to specifically correlate total compensation to the trends shown in totality in the above performance graph. Over the period December 31, 2009 through December 31, 2010, total compensation received by the NEOs generally increased in line with industry standards and in line with total return on the Common Shares which generally trended upward significantly over that period. In the latest four fiscal years, total return on the Common Shares was relatively volatile and generally trended down. In the latest fiscal year, compensation levels for officers generally remained stagnant.

### Equity Participation – Share-Based and Option-Based Awards

The Company has a 20% fixed share-based compensation plan in place (the “**2014 Plan**”), under which the Company may grant stock options, bonus shares or stock appreciation rights (each, an “**Award**”) to acquire a maximum of 50,080,263 of the Company's Common Shares. As at the date of this Information Circular, there are 35,563,750 options outstanding under the 2014 Plan, which constitutes 11.4% of the total issued and outstanding Common Shares of the Company.

The 2014 Plan was approved by the Company's shareholders at the June 19, 2014 annual general meeting. The 2014 Plan was established to provide incentive to qualified parties being directors, officers, employees and consultants, to increase their proprietary interest in the Company through equity participation and foster their continued association with the Company. The Company believes that encouraging its directors, officers and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Awards are granted to staff taking into account a number of factors, including the amount and term of options or Awards previously granted, base salary and bonuses and competitive compensation factors. Award options vest according to terms established by the 2014 Plan. At least annually, the CGCC reviews grants of Awards to directors, officers, employees and consultants.

The Company's long term incentives are designed to foster and promote the long-term financial success of the Company by strengthening the ability of the Company to attract and retain directors, officers and qualified employees, motivate performance through incentive compensation, promote greater alignment of interests between employees and shareholders in creating long-term shareholder value, and enable employees to participate in the long-term growth and financial success of the Company. The Black-Scholes method is used to value stock options. Awards provide employees with the opportunity to participate in the growth of the Company's share price as well as benefit from the favourable tax treatment applicable to this form of compensation.

The CGCC approves Awards to facilitate consideration of targeted direct compensation to officers. Award options are generally granted to directors and officers annually as part of the annual compensation review. Award options are granted at other times of the year to individuals commencing employment with the Company. The exercise price for Award options is set in accordance with TSX policies and is based on the five-day volume weighted average trading price prior to the date of grant.

See disclosure under *Securities Authorized for Issuance under Equity Compensation Plans* for material terms of the 2014 Plan.

### SUMMARY COMPENSATION TABLE

The compensation paid to the NEOs during the Company's three most recently completed financial years ended December 31 is as set out below and expressed in Canadian dollars unless otherwise noted:

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
John Lee <sup>(2)</sup> Interim CEO	2014	Nil	Nil	209,778	70,000	Nil	Nil	418,812	698,590
	2013	Nil	Nil	114,846	105,000	Nil	Nil	420,011	639,857
	2012	Nil	112,000	158,969	Nil	Nil	Nil	945,000	1,215,969
Irina Plavutska <sup>(3)</sup> CFO	2014	104,741	Nil	14,005	8,500	Nil	Nil	962	128,208
	2013	45,315	5,950	4,338	8,000	Nil	Nil	Nil	55,603
	2012	Nil	4,600	12,985	Nil	Nil	Nil	68,250	85,835
Tony Wong <sup>(4)</sup> Corporate Secretary	2014	137,500	Nil	18,319	18,750	Nil	Nil	762	175,331

**Notes:**

- (1) Options granted on or after June 19, 2014 are governed by the 2014 Plan. All previously granted options are governed by the stock option plan approved by shareholders at the Company's annual general and special meeting held on July 30, 2013 (the "2013 Plan"). Includes the incremental fair value of re-issued and re-priced options determined by using the Black-Scholes option pricing model of approximately \$10,000.
- (2) Mr. Lee was appointed as the Company's CEO upon amalgamation on June 13, 2011. Mr. Lee's services were provided pursuant to an agreement between the Company and Mau Capital Management LLC ("Mau"), a personal holding company of Mr. Lee. Mau initially received a base fee of \$40,000, which was reduced to \$35,000 per month effective January 1, 2012. On November 6, 2012, the Mau agreement was terminated by the Company, and a termination payment of \$525,000 was paid to Linx Partners Ltd. ("Linx") (another personal holding company of Mr. Lee) at Mau's direction. On January 24, 2013 the Board accepted, ratified and approved termination of the Mau agreement and payment of the termination payment as at November 6, 2012, and approved a new consulting agreement between Mau and the Company (the "New Mau Agreement"). Under the New Mau Agreement, effective November 7, 2012, a base fee of \$35,000 per month is paid to Linx for services rendered by Mr. Lee as Executive Chairman of the Board, and a further \$1 per month is paid to Linx for services rendered by Mr. Lee as Interim CEO of the Company. In addition, the Company entered into discussions with Mau to amend the New Mau Agreement so that it may be terminated by either party by providing the other party with at least 90 days written notice. As Mr. Lee intended to wind-up Mau, the Company entered into a consulting agreement with Linx (the "Linx Agreement") on the same terms as the New Mau Agreement which terminated upon signing of the Linx Agreement on April 7, 2015. The CGCC is conducting a search for a new permanent CEO for the Company.
- (3) Ms. Plavutska was appointed as Interim CFO of the Company on August 11, 2011 and resigned November 11, 2012. She was appointed as CFO of the Company on September 11, 2013. During 2012 and 2013, Ms. Plavutska was also the Interim CFO for Prophecy Platinum Corp., an entity formerly affiliated with the Company, which paid compensation to her separately from the Company for those years.
- (4) Mr. Wong was appointed as General Counsel & Corporate Secretary on February 3, 2014.

The Company has calculated the "grant date fair value" amounts in the 'Option-based Awards' column using the Black-Scholes model, a mathematical valuation model that ascribes a value to a stock option based on a number

of factors in valuing the option-based awards, including the exercise price of the options, the price of the underlying security on the date the option was granted, and weighted average assumptions with respect to the volatility of the price of the underlying security and the risk-free rate of return. For the year ended December 31, 2014, the following weighted average assumptions were used: Risk-free interest rate - 1.62%, expected life options in years – 4.9 years, expected volatility – 84.3% expected forfeiture rate – 12%.

On May 1, 2014, further to the voluntary forfeiture of share purchase options held by certain directors, officers, employees and service providers with expiry dates on October 19, 2014, October 29, 2014, January 26, 2015, May 10, 2015, September 21, 2015, December 24, 2015 and June 18, 2017 at exercise prices of \$0.25 or \$0.28, the Company granted 3,575,000 new share purchase options to such individuals with an expiry date of May 1, 2019 at an exercise price of \$0.065 per share subject to a two year vesting schedule whereby 12.5% of the options granted vest at the end of each quarter for the first two years following the date of grant. The re-issuing and re-pricing of these options was approved by the shareholders at the Company’s annual general meeting held on June 19, 2014; consequently the incremental fair value of these options was determined using the Black-Scholes option pricing model.

On June 18, 2012, further to the voluntary forfeiture of share purchase options held by certain directors, officers, employees and service providers with expiry dates on June 13, 2016, August 30, 2016, January 9, 2017, February 3, 2017, and March 22, 2017 at exercise prices ranging from \$0.425 to \$0.77, the Company granted 5,315,000 new share purchase options to such individuals with an expiry date of June 18, 2017 at an exercise price of \$0.28 per share subject to a two year vesting schedule whereby 50% of the options granted vest at the end of each of the first and second years following the date of grant. Also, on June 18, 2012, the Company amended the exercise price of 18,358,050 options that had previously been granted to directors, officers, employees and service providers with expiry dates ranging from January 23, 2014 to February 14, 2016 by reducing the exercise prices (which ranged from \$0.38 to \$0.93) to \$0.28. There were no changes to the expiry dates and vesting periods of these options. The re-issuing and re-pricing of these options was approved by the shareholders at the Company’s annual general and special meeting held on July 30, 2013; consequently the incremental fair value of these options was determined using the Black-Scholes option pricing model.

## INCENTIVE PLAN AWARDS

### Outstanding Share-Based Awards and Option-Based Awards

The Company currently has a share-based awards plan (i.e. the 2014 Plan). Although it also contains provisions for the awarding of bonus shares and stock appreciation rights, the Company has yet to grant any Awards other than options under the 2014 Plan. The following table sets out the option-based awards and share-based awards outstanding as at December 31, 2014, for each NEO:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
John Lee	1,100,000	0.28	Jun. 18, 2017	Nil	Nil	Nil	Nil
	1,430,000	0.18	Aug. 22, 2017				

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
	1,200,000	0.12	Aug. 16, 2018				
	2,600,000	0.105	Jan. 27, 2019				
	1,500,000	0.065	May 1, 2019				
Irina Plavutska	130,000	0.28	Jun. 18, 2017	Nil	Nil	Nil	Nil
	50,000	0.18	Aug. 22, 2017				
	200,000	0.12	Aug. 16, 2018				
	100,000	0.105	Jan. 27, 2019				
	150,000	0.065	May 1, 2019				
Tony Wong	500,000	0.10	Feb 3, 2019	Nil	Nil	Nil	Nil
	100,000	0.065	May 1, 2019				

**Note:**

(1) The value at December 31, 2014 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2014 (\$0.05 per Common Share) and the exercise price of the options.

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

No incentive plan awards vested or earned during the year ended December 31, 2014 for any NEO, would have realized any dollar value if exercised.

### PENSION PLAN BENEFITS

The Company has no pension, defined contribution, or deferred compensation plans for its NEOs, directors, officers or employees.

### DIRECTOR COMPENSATION

Independent directors are paid varying amounts depending on the degree to which they are active on behalf of the Company. See the table below for amounts paid in 2014.

The compensation provided to directors who were not an NEO for the Company's most recently completed financial year of December 31, 2014, is:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael Deats	7,242	Nil	9,175	Nil	Nil	Nil	16,417
Chuluunbaatar Baz	13,173	Nil	74,611	Nil	Nil	Nil	87,784
Greg Hall	44,200	Nil	65,314	8,000	Nil	Nil	117,514
Harald Batista	39,834	Nil	27,649	5,000	Nil	Nil	72,483
Masa Igata	27,374	Nil	2,339	5,000	Nil	Nil	34,713

The following table sets out all option-based and share-based awards outstanding as at December 31, 2014, for directors who were not an NEO for the Company's most recently completed financial year of December 31, 2014:

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Michael Deats <sup>(2)</sup>	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Chuluunbaatar Baz	400,000 500,000 900,000 1,000,000	0.18 0.12 0.105 0.065	Aug 22, 2017 Aug 16, 2018 Jan 27, 2019 May 1, 2019	Nil	Nil	Nil	Nil
Greg Hall	250,000 300,000 600,000 750,000 400,000	0.28 0.18 0.12 0.105 0.065	Jun 18, 2017 Aug 22, 2017 Aug 16, 2018 Jan 27, 2019 May 1, 2019	Nil	Nil	Nil	Nil
Harald Batista	100,000 150,000 250,000 300,000 200,000	0.28 0.18 0.12 0.105 0.065	Jun 18, 2017 Aug 22, 2017 Aug 16, 2018 Jan 27, 2019 May 1, 2019	Nil	Nil	Nil	Nil
Masa Igata <sup>(3)</sup>	500,000	0.065	May 1, 2019	Nil	Nil	Nil	Nil

**Notes:**

- (1) The value at December 31, 2014 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2014 (\$0.05 per Common Share) and the exercise price of the options.
- (2) Mr. Deats' options were cancelled on May 19, 2014, following his death pursuant to the terms of the 2013 Plan.
- (3) These options are held by Sophir Asia Limited, a company wholly-owned and controlled by Mr. Igata.

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

No incentive plan awards vested or earned during the year ended December 31, 2014 for any director, would have realized any dollar value if exercised.

**TERMINATION AND CHANGE OF CONTROL BENEFITS**

Other than as set out below, there are no contracts, agreements, plans or arrangements that provide for payments to a NEO following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change of control of the Company or change in responsibilities of the NEO following a change of control of the Company.

***John Lee, Interim Chief Executive Officer and Executive Chairman***

On January 1, 2010 the Company entered into a consulting agreement with a holding company solely owned by Mr. Lee, at an annual fee of \$16,000 (as amended). On November 6, 2012 this agreement was terminated and

on November 7, 2012 a new consulting agreement was entered into (aggregately, referred to as previously disclosed, as the New Mau Agreement). On April 7, 2015 the New Mau Agreement was terminated, and the Company entered into the Linx Agreement. For further information regarding Mr. Lee's consulting agreements with the Company, refer to the disclosure under *Summary Compensation Table*.

The Linx Agreement is for an indefinite term and may be terminated by the Company for any reason other than for cause upon 90 days' written notice. The Company has the option of paying the consulting fees due under the Linx Agreement for that 90-day period in lieu thereof. Mr. Lee's consulting agreement with the Company also provides that in the event the Linx Agreement is terminated as a result of, or within six months following, a significant change in the affairs of the Company such as a take-over bid, change of control of the Board, the sale, exchange or other disposition of a majority of the outstanding Common Shares, the merger or amalgamation or other corporate restructuring of the Company in a transaction or series of transactions in which the Company's shareholders receive less than 51% of outstanding Common Shares of the new or continuing company (a "**Change of Control**"), Mr. Lee shall receive from the Company within 30 days, a payment equivalent to two years' worth of his annual consulting fees (currently \$420,000). In the event Mr. Lee's consulting agreement is terminated as a result of a Change in Control, all of his rights to any stock options he holds shall be governed by the provisions of his stock option agreements with the Company.

***Irina Plavutska, Chief Financial Officer***

Ms. Plavutska entered into an employment agreement with the Company effective July 1, 2013. The employment agreement is for an indefinite term, and provides for: (1) salary; (2) bonus, at the discretion of the Company; (3) stock options; (4) employee benefits; and (5) vacation pay (see *Summary Compensation Table*). Her employment agreement with the Company also provides that in the event her employment is terminated as a result of, or within six months following, a Change in Control, Ms. Plavutska shall receive from the Company within 30 days, a payment equal to two years of her annual salary (currently \$102,000). In the event Ms. Plavutska's employment agreement is terminated as a result of a Change in Control, all of her rights to any stock options she holds shall be governed by the provisions of her stock option agreements with the Company.

***Tony Wong, General Counsel and Corporate Secretary***

Mr. Wong entered into an employment agreement with the Company effective February 3, 2014. The employment agreement is for an indefinite term, and provides for: (1) salary; (2) bonus, at the discretion of the Company; (3) stock options; (4) employee benefits; and (5) vacation pay (see *Summary Compensation Table*). His employment agreement with the Company also provides that in the event his employment is terminated as a result of, or within six months following, a Change of Control, Mr. Wong shall receive from the Company within 30 days, a payment equal to two years of his annual salary (currently \$150,000). In the event Mr. Wong's employment agreement is terminated as a result of a Change in Control, all of his rights to any stock options he holds shall be governed by the provisions of his stock option agreements with the Company.

The criteria used to determine the amounts payable to the NEOs is based on industry standards and the Company's financial circumstances. The agreements with the NEOs and subsequent changes were accepted by the Board based on recommendations of the CGCC.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The 2014 Plan, a 20% fixed share-based compensation plan was approved by shareholders at the Company's annual general meeting on June 19, 2014.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2014.

### *Equity Compensation Plan Information*

	Number of securities issuable upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	26,563,750	\$0.13	23,516,513
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	<b>26,563,750</b>		<b>23,516,513</b>

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during the year ended December 31, 2014, or has any interest in any material transaction in the current year other than as set out in a document already disclosed to the public.

## PARTICULARS OF ADDITIONAL MATTERS TO BE ACTED UPON

### **A. APPROVAL OF DEBT SETTLEMENT UNITS**

On April 10, 2015, the Board resolved to issue units as payment for outstanding debt owing by the Company to some of the Company's directors, officers, employees and consultants (the "**Creditors**"), subject to TSX and disinterested shareholder approval (the "**Debt Settlement Units**"). It is proposed that an aggregate of 11,476,819 Debt Settlement Units be issued at a price of \$0.05 per Debt Settlement Unit (being the market price for the Company's Common Shares as of April 9, 2015, the effective date of the debt settlement agreements between the Company and the Creditors) to the Creditors and in the amounts as listed in the table below. Each Debt Settlement Unit is to be comprised of one Common Share of the Company and one share purchase warrant

(each a “**Warrant**”) of the Company entitling the holder thereof to purchase, upon exercise of a Warrant, one additional Common Share at a price of \$0.06 per Common Share for a period of two years from the date of issuance of the Debt Settlement Units. As a result, up to a total of 22,953,638 Common Shares may ultimately be issued in connection with the Debt Settlement Units if all of their underlying Warrants are exercised.

Name of Creditor	Position	Nature of Debt	Number of Units
John Lee <sup>(1)</sup>	Interim CEO and Executive Chairman	Consulting Fees, Short-Term Loan Fees & 2013 and 2014 Year-End Cash Bonuses	7,748,526
Greg Hall <sup>(1)</sup>	Director	Director Fees & 2014 Year-End Cash Bonus	699,734
Harald Batista <sup>(1)</sup>	Director	Director Fees, Expenses & 2014 Year-End Cash Bonus	675,680
Sophir Asia Limited <sup>(1)(2)</sup>	Director	Director Fees, Short-Term Loan Fee & 2014 Year-End Cash Bonus	738,890
Tony Wong <sup>(1)</sup>	General Counsel & Corporate Secretary	2014 Year-End Cash Bonus	375,000
Irina Plavutska <sup>(1)</sup>	Chief Financial Officer	2014 Year-End Cash Bonus	170,000
Ruth Drennan	Office Administrator	2014 Year-End Cash Bonus	100,000
Bekzod Kasimov	Business Development Manager	Consulting Fees & 2013 and 2014 Year-End Cash Bonuses	968,989
<b>TOTAL:</b>			<b><u>11,476,819</u></b>

**Notes:**

(1) This person is an insider of the Company.

(2) A company wholly-owned and controlled by Masa Igata, a director of the Company.

The TSX provided its conditional approval of the transaction on April 22, 2015 and the Debt Settlement Units will be distributed to the Creditors after the Meeting upon receipt of disinterested shareholder approval. Because the Debt Settlement Units relate to debt incurred for services provided prior to the Meeting, all of the Debt Settlement Units as set out above will be issued. The Board believes that the equity dilution to shareholders of up to 7.36% (with up to 20,815,660 Common Shares or 6.67% going to insiders of the Company) is outweighed by the benefits to the Company which will be received from rewarding and incentivizing the continued efforts of these persons.

At the Meeting, disinterested shareholders (meaning shareholders not receiving Debt Settlement Units and named above, holding approximately 292,099,365 Common Shares) will be asked to vote on the following ordinary resolution, with or without variation:

**“BE IT RESOLVED, as an ordinary resolution of the disinterested shareholders of the Company, THAT the allotment and issuance by the Board of 11,476,819 Debt Settlement Units to be granted as payment for outstanding debt owing to certain directors, officers, employees and consultants of the Company as set out in the Information Circular dated May 11, 2015 be approved.”**

**Management of the Company recommends that you vote IN FAVOUR of the Debt Settlement Units resolution. In the absence of instructions to the contrary, the Company’s proxyholders will vote the Common Shares represented by each form of proxy, properly executed, FOR approving the Debt Settlement Units.**

## **B. APPROVAL OF 2015 SHAREHOLDER RIGHTS PLAN**

The Board adopted a shareholders' rights plan agreement effective May 11, 2012 (the "**2012 Rights Plan**") which is set to expire on the date of this Meeting. The Board decided to adopt a new shareholders' rights plan (the "**2015 Rights Plan**") in substantially the same form as the 2012 Rights Plan on April 29, 2015 subject to TSX approval, shareholders' approval and formalization of the documentation to reflect the arrangement below. The objective of the Board in adopting the 2015 Rights Plan is to ensure the fair treatment of shareholders in connection with any take-over bid for the Company. In accordance with the policies of the TSX, the 2015 Rights Plan must be approved by a majority of the votes cast at the meeting within 180 days of the adoption by the Board of the 2015 Rights Plan.

The principal terms of the 2015 Rights Plan are summarized below. The full text of the 2015 Rights Plan will be filed prior to the Meeting and will be available for review under the Company's SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com). As well, a copy of the 2015 Rights Plan will also be available for review at the Meeting.

### *Purpose of Rights Plan*

The primary objective of the 2015 Rights Plan is to ensure that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company by (a) providing shareholders with adequate time to properly assess a take-over bid without undue pressure, and (b) providing the Board with more time to fully consider an unsolicited take-over bid, and, if applicable, to explore other alternatives to maximize shareholder value.

### *Summary of Rights Plan*

The following summary of the 2015 Rights Plan does not purport to be complete and is qualified in its entirety by reference to the 2015 Rights Plan.

### *Issue of Rights*

The Company will issue upon TSX approval, one right (a "**Right**") in respect of each Common Share as of the close of business on the date of the 2015 Rights Plan (the "**Record Time**"). The Company has issued and will continue to issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

### *The Rights*

Each Right will entitle the holder, subject to the terms and conditions of the 2015 Rights Plan, to purchase additional Common Shares of the Company after the Separation Time.

### *Rights Certificates and Transferability*

Before the Separation Time, the Rights will be evidenced by certificates for the Common Shares, and are not transferable separately from the Common Shares. From and after the Separation Time and prior to the Expiration Time, the Rights will be evidenced by separate Rights certificates (a "**Rights Certificate**") in substantially the form stipulated in the 2015 Rights Plan, which will be transferable separately from and independent of the Common Shares.

### ***Exercise of Rights***

Rights may be exercised in whole or in part on any business day after the Separation Time prior to the Expiration Time by submitting to the Rights Agent (identified below) the Rights Certificate evidencing such Rights together with an election to exercise such Rights (an **“Election to Exercise”**) substantially in the form attached to the Rights Certificate duly completed, accompanied by payment by certified cheque, banker’s draft or money order payable to the order of the Rights Agents (on behalf of the Company), of a sum equal to the exercise price, being \$1.00 multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised, all of the above to be received before the Expiration Time by the Rights Agent at its principle office in any of the cities listed on the Rights Certificate.

### ***Definition of “Acquiring Person”***

Subject to certain exceptions, an Acquiring Person is a person who becomes the Beneficial Owner (defined below) of 20% or more of the Company's outstanding Voting Shares.

### ***Definition of “Beneficial Ownership”***

A person is a Beneficial Owner of securities if such person, or its affiliates or associates or any other person acting jointly or in concert with such person, owns the securities in law or equity, and has the right to acquire (immediately or within 60 days) the securities upon the exercise of any convertible securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner under the 2015 Rights Plan where:

- (a) the securities have been deposited or tendered pursuant to a Permitted Lock-Up Agreement (as defined below) or take-over bid, unless those securities have been taken up or paid for;
- (b) such person (including an investment manager, trust company, statutory body, pension fund administrator or Crown agent) is engaged in the management of mutual funds, investment funds or public assets for others, as long as that person:
  - (i) holds those Common Shares in the ordinary course of its business for the account of others;
  - (ii) is not making a take-over bid or acting jointly or in concert with a person who is making a take-over bid; or
  - (iii) such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

### ***Definition of “Separation Time”***

Separation Time occurs on the tenth trading day after the earlier of:

- (a) the first date of public announcement that a person has become an Acquiring Person;
- (b) the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Permitted Bid (defined below)); and
- (c) the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such;

or such later date as determined by the Board.

***Definition of "Expiration Time"***

Means the earlier of the: (i) the date that the Board determines to redeem the Rights in certain stated events (i.e. the "Termination Time" as defined in the 2015 Rights Plan), and (ii) the termination of any meeting of shareholders at which the 2015 Rights Plan is not confirmed or reconfirmed pursuant to the provisions of the 2015 Rights Plan.

***Definition of a "Flip-In Event"***

Means a transaction in or pursuant to which any person becomes an Acquiring Person.

***Definition of "Permitted Bid"***

A Permitted Bid is a take-over bid made by a person pursuant to a take-over bid circular ("**Permitted Bid Offeror**") that complies with the following conditions:

- (a) the take-over bid is made to all registered holders of Common Shares (other than the Permitted Bid Offeror);
- (b) the Permitted Bid Offeror agrees that no Common Shares will be taken up or paid for under the take-over bid for at least 60 days following the commencement of the take-over bid and that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by shareholders, other than the Permitted Bid Offeror and certain related parties, have been deposited pursuant to the take-over bid and not withdrawn;
- (c) the Permitted Bid Offeror agrees that the Common Shares may be deposited to and withdrawn from the take-over bid at any time before such Common Shares are taken up and paid for; and
- (d) if, on the date specified for take-up and payment, the condition that unless at such date more than 50% of the outstanding Common Shares held by shareholders, other than the Permitted Bid Offeror and certain related parties, have been deposited pursuant to the take-over bid and not withdrawn is satisfied, the bid shall remain open for an additional period of at least ten business days to permit the remaining shareholders to tender their Common Shares.

***Definition of "Competing Permitted Bid"***

A Competing Permitted Bid is a take-over bid that:

- (a) is made while a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of that Permitted Bid or Competing Permitted Bid;
- (b) satisfies all the requirements of a Permitted Bid other than the requirement that no Common Shares will be taken up or paid for unless at such date more than 50% of the outstanding Common Shares held by shareholders, other than the Permitted Bid Offeror and certain related parties, have been deposited pursuant to the take-over bid and not withdrawn; and
- (c) contains the conditions that no Common Shares be taken up or paid for pursuant to the Competing Permitted Bid prior to the close of business on a date that is not earlier than the later of 35 days after the date of the Competing Permitted Bid and the earliest date on which the Common Shares may be taken up or paid for under any prior bid in existence at the date of such Competing Permitted Bid.

### ***Definition of "Permitted Lock-Up Agreement"***

An agreement between a person who has made or announced an intention to make, and not withdrawn, a take-over bid, other than a person who has completed a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition (as such term is defined in the 2015 Rights Plan) (the "**Offeror**"), any of its affiliates or associates or any other person acting jointly or in concert with the Offeror and a person (the "**Lock-up Person**") who is not an affiliate or associate of the Offeror or a person acting jointly or in concert with the Offeror whereby the Locked-up Person agrees to deposit or tender the Common Shares held by the Locked-up Person to the Offeror's take-over bid or to any take-over bid made by any of the Offeror's affiliates or associates or made by any other person acting jointly or in concert with the Offeror (the "**Lock-up Bid**"), provided that the agreement:

- (a) permits the Locked-up Person to withdraw the Common Shares from the agreement in order to tender or deposit the Common Shares to another take-over bid or to support another transaction that provides a greater cash value per Common Share (the "**Superior Offer Consideration**") to the holders of Common Shares than the Locked-up Person would have received under the Lock-up Bid (the "**Lock-up Bid Consideration**"). Notwithstanding the above, the Lock-Up Agreement may require that the Superior Offer Consideration must exceed the Lock-up Bid Consideration by a specified percentage before such withdrawal right takes effect, provided such specified percentage is not greater than 7%;

And, for greater clarity, such agreement may contain a right of first refusal or require a period of delay to give an Offeror an opportunity to match a higher price in another take-over bid or transaction and may provide for any other similar limitation on a Locked-up Person's right to withdraw Common Shares from the agreement, as long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Common Shares during the period of the other take-over bid or other transaction; and

- (b) no "break-up" fees, "top-up" fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
  - A. the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to a Locked-up Person; and
  - B. 50% of the cash equivalent of any amount in excess of the amount offered under the Lock-up Bid that the Locked-up Person receives pursuant to another take-over bid or transaction shall be payable pursuant to the agreement in the event that the Locked-up Person fails to tender Common Shares pursuant thereto in order to accept the other take-over bid or support another transaction.

### ***Redemption of Rights***

All (but not less than all) of the Rights may be redeemed by the Board with the prior approval of the shareholders at any time before a Flip-In Event occurs at a redemption price of \$0.00001 per Right (subject to adjustment). In addition, in the event of a successful Permitted Bid, Competing Permitted Bid, Exempt Acquisition or a bid for which the Board has waived the application of the "Flip-In" provisions of the 2015 Rights Plan, the Company will immediately upon such acquisition and without further formality, redeem the Rights at the redemption price. In the event a take-over bid that is not a Permitted Bid or a Competing Permitted Bid expires, is withdrawn or otherwise terminates after the Separation Time and prior to a Flip-In Event, the Company may elect to redeem all of the Rights at the redemption price. If the Rights are redeemed pursuant to the 2015 Rights Plan, the right to exercise the Rights will, without further action and without notice, terminate and the

only right thereafter of the Rights holders is to receive the redemption price.

#### ***Waiver***

Before a Flip-In Event occurs, the Board may waive the application of the “Flip-In” provisions of the 2015 Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of Common Shares. However, if the Board waives the 2015 Rights Plan with respect to a particular bid, it will be deemed to have waived the 2015 Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of Common Shares before the expiry of that first bid. The Board may also waive the “Flip-In” provisions of the 2015 Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has within 14 days, reduced its ownership to such a level that it is no longer an Acquiring Person. With the prior approval of shareholders at any time before a Flip-In Event occurs, the Board may waive the “Flip-In” provisions by extending the Separation Time to a date not more than ten business days after the meeting of shareholders called to approve the waiver, where they determine the Flip-In Event would have occurred by reason of an acquisition of Common Shares otherwise than pursuant to a take-over bid or inadvertence. The Company will give the Rights Agent prompt written notice of any waiver under these provisions by the Board.

#### ***Term of the Rights Plan***

Unless otherwise terminated, the 2015 Rights Plan will expire at the Expiration Time (defined above).

#### ***Amending Power***

Except for amendments to correct clerical or typographical errors and amendments to maintain the validity of the 2015 Rights Plan as a result of a change of applicable legislation or applicable rules or policies of securities regulatory authorities, shareholder (other than the Offeror and certain related parties) or Rights holder majority approval is required for supplements or amendments to the 2015 Rights Plan.

#### ***Rights Agent***

It is expected that the Rights Agent under the 2015 Rights Plan will be Computershare when the 2015 Rights Plan documents and agreements are formalized.

#### ***Rights Holder not a Shareholder***

Until a Right is exercised the holder thereof as such will have no rights as a shareholder of the Company. At the Meeting, shareholders will be asked to vote on the following resolution, with or without variation:

**“BE IT RESOLVED, as an ordinary resolution of the shareholders of the Company, THAT:**

- (a) the 2015 Rights Plan as described in the Information Circular of the Company dated May 11, 2015 be hereby ratified and approved;
- (b) the Company be authorized to abandon the 2015 Rights Plan if the Board of the Company deems it appropriate and in the best interests of the Company to do so; and
- (c) any one or more of the directors and officers of the Company be authorized to perform all such acts,

deeds and things and execute, under seal of the Company or otherwise, all such documents as may be required to give effect to this resolution.”

**Management of the Company recommends that you vote IN FAVOUR of the 2015 Rights Plan resolution. In the absence of instructions to the contrary, the Company’s proxyholders will vote the Common Shares represented by each form of proxy, properly executed, FOR approving the 2015 Rights Plan.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is included in the Company’s Annual Information Form, comparative annual audited financial statements for the years ended December 31, 2014 and 2013, auditor’s report, and related management discussion and analysis for 2014 filed under the Company’s SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com). Copies of the Company’s most recent interim financial statements and related management discussion and analysis, and additional information, may also be obtained from the Company’s SEDAR profile at [www.SEDAR.com](http://www.SEDAR.com) or upon request from the Company via telephone at (604) 569-3661 or via fax at (604) 569-3617.

#### **OTHER MATTERS**

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

**DATED** at Vancouver, British Columbia this 11<sup>th</sup> day of May, 2015.

#### **BY ORDER OF THE BOARD**

*“John Lee”*

**John Lee**  
**Interim Chief Executive Officer**