

PROPHECY DEVELOPMENT CORP.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of **PROPHECY DEVELOPMENT CORP.** (the “**Company**”) will be held at Suite 451 - 409 Granville Street, Vancouver, British Columbia on the 13th day of June, 2017 at the hour of 10:00 AM (PST), for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended December 31, 2016, and the auditors' report thereon;
2. To set the number of directors of the Company for the ensuing year at five;
3. To elect Directors of the Company for the ensuing year;
4. To appoint Davidson & Company LLP as auditors of the Company for the ensuing year and to authorize the Directors to fix the auditors' remuneration;
5. To consider an ordinary resolution of disinterested shareholders to approve an amendment to the terms of certain issued and outstanding warrants by extending their expiry date, as more particularly described in the accompanying information circular;
6. To consider an ordinary resolution of disinterested shareholders to approve the allotment and issuance of 59,659 Debt Settlement Units, as more particularly described in the accompanying information circular;
7. To consider an ordinary resolution of disinterested shareholders to approve amendments to the Company's Share-Based Compensation Plan (the “**2016 Plan**”) to increase the number of shares available for issuance under the 2016 Plan, as more particularly described in the accompanying information circular; and
8. To transact such other business as may properly come before the meeting.

Accompanying this Notice of meeting is the Company's Information Circular, Form of Proxy (or Voting Instruction Form if you hold Common shares through a broker or other intermediary) and a Supplemental Mailing List Return Card. The accompanying Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice. A copy of the audited Consolidated Financial Statements together with the Management's Discussion and Analysis as at December 31, 2016 have been filed under the Company's SEDAR profile and may be viewed by interested shareholders by visiting www.SEDAR.com.

SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO DATE AND SIGN THE ENCLOSED PROXY FORM AND RETURN IT PROMPTLY TO THE COMPANY'S REGISTRAR AND TRANSFER AGENT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT IN THE FORM OF PROXY AND INFORMATION CIRCULAR ACCOMPANYING THIS NOTICE. THE PROXY WILL NOT BE USED AT THE MEETING OR ANY ADJOURNMENT(S) THEREOF UNLESS THE SAME IS DEPOSITED AT THE OFFICE OF THE REGISTRAR AND TRANSFER AGENT, COMPUTERSHARE TRUST COMPANY OF CANADA BY FAX WITHIN NORTH AMERICA AT 1-866-249-7775, OUTSIDE NORTH AMERICA AT 1-416-263-9524, AND BY MAIL TO THE 9TH FLOOR, 100 UNIVERSITY AVENUE, TORONTO, ONTARIO, M5J 2Y1 OR BY HAND DELIVERY AT 2ND FLOOR, 510 BURNARD STREET, VANCOUVER, BRITISH COLUMBIA, CANADA V6C 3B9, BY NO LATER THAN 10:00 AM (PST) ON JUNE 9, 2017. THE ENCLOSED PROXY FORM IS SOLICITED BY MANAGEMENT AND YOU MAY AMEND IT, IF YOU SO DESIRE, BY STRIKING OUT THE NAMES LISTED THEREIN AND INSERTING IN THE SPACE PROVIDED THE NAME OF THE PERSON YOU WISH TO REPRESENT YOU AT THE MEETING. IF A SHAREHOLDER RECEIVES MORE THAN ONE PROXY FORM IT IS BECAUSE SUCH SHAREHOLDER OWNS SHARES REGISTERED IN DIFFERENT NAMES OR ADDRESSES; EACH PROXY FORM SHOULD BE COMPLETED AND RETURNED.

Dated at Vancouver, British Columbia, this 27th day of April, 2017.

BY ORDER OF THE BOARD

“John Lee”

John Lee, Executive Chairman



Management Information Circular
April 27, 2017

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

**Suite 1610 – 409 Granville Street
Vancouver, B.C. Canada, V6C 1T2
Telephone No.: (604) 569-3661/Fax No.: (604) 569-3617**

**MANAGEMENT INFORMATION CIRCULAR
as at April 27, 2017 (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 13, 2017 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 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. 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 by no later than 10:00 AM (PST) on June 9, 2017 or at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting 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 non-registered 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 non-registered shareholders. Electronic copies of this Information Circular, annual

financial statements of the Company for the year ended December 31, 2016 and management's discussion and analysis of the Company's results of operations and financial condition for the year ended December 31, 2016 may be found under the Company's SEDAR profile at www.SEDAR.com and on the Company's website at www.prophecydev.com under "Investor – Shareholder Meetings – 2017 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, non-registered 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 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 or elsewhere, 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 Suite 1610 – 409 Granville Street, Vancouver, British Columbia Canada V6C 1T2 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 April 27, 2017 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 5,329,589 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 ⁽¹⁾	Number of Shares Held ⁽¹⁾	Percentage of Issued Shares ⁽¹⁾
CDS & CO (NCI) ⁽²⁾	4,486,398	84.18%

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.*

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the fiscal year ended December 31, 2016, 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., Suite 1610 – 409 Granville Street, Vancouver, British Columbia Canada V6C 1T2, via telephone at: (604) 569-3661, via fax at: (604) 569-3617 or via email: at ir@prophecydev.com. These documents are also available under the Company's SEDAR profile at 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 ⁽¹⁾	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 ⁽³⁾ since October 21, 2009)	1,026,453 ⁽⁴⁾
Greg Hall ⁽²⁾ Director North Vancouver, British Columbia, Canada	Since June 13, 2011 (Director of Pre-amalgamated company ⁽³⁾ since October 21, 2009)	19,697
Harald Batista ⁽²⁾ Director Los Altos Hills, California, USA	Since July 27, 2012 (Special Advisor to Pre-amalgamated company ⁽³⁾ since January 5, 2010)	26,582
Masa Igata ⁽²⁾ Director Ulaanbaatar, Mongolia	Since April 23, 2014	83,443 ⁽⁵⁾

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) 28,431 of these Common Shares are held by Merit Holdings Ltd., a private company wholly owned and controlled by Mr. Lee.
- (5) 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. 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 Securities, the first foreign investment bank in Mongolia. With more than 30 years' experience in financial markets, he focuses primarily on advising state-owned and other major 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 2016 Annual Information Form filing which can be found under the Company's SEDAR profile at 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, 2016	Year Ended December 31, 2015
Audit Fees ⁽¹⁾	\$85,000	\$104,000
Audit-Related Fees ⁽²⁾	\$0	\$0
Tax Fees ⁽³⁾	\$15,000	\$15,000
All Other Fees ⁽⁴⁾	\$0	\$0
Total	\$100,000	\$119,000

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 CEO 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 2016 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, 2016.

Director	Board of Directors Meetings	Audit Committee	Corporate Governance and Compensation Committee
John Lee	2/2	N/A	N/A
Greg Hall ⁽¹⁾	2/2	4/4	1/1
Harald Batista ⁽²⁾	2/2	4/4	1/1
Masa Igata ⁽³⁾	2/2	4/4	1/1

Notes:

(1) Audit Committee & CGCC Chairman.

(2) 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.

(3) 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	Montan Mining Corp.	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 under "Corporate – 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 under "Corporate – 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 eight years, and one has served for only three years. The CGCC believes that the Board composition being proposed is adequately balanced between more experienced members with historical knowledge of the Company and the mining industry, and newer members who bring with them fresher 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 does not believe that having a written policy which sets specific quotas or targets is an appropriate method to achieve diversity objectives.

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 April 18, 2016, there are no women members of the Board. Of the four executive officers of the Company, one is a woman: Irina Plavutska, Chief Financial Officer, representing 25% 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, 2016.

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, 2016.

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.

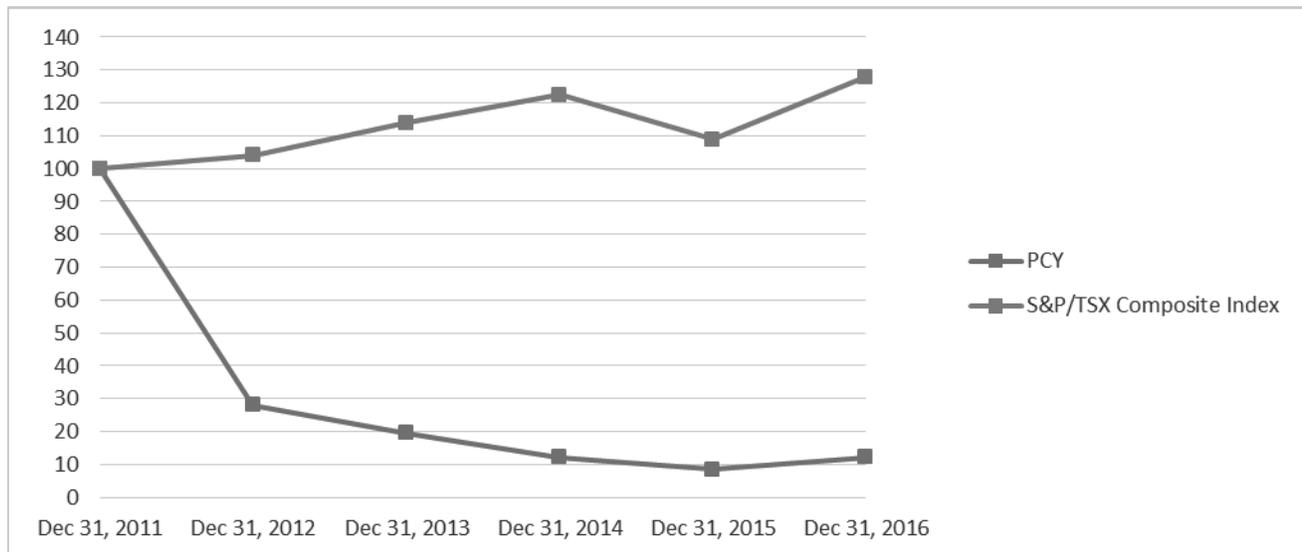
Compensation of the CEO is approved by the Board. Base compensation and bonus levels are determined taking into account independent market survey data.

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 with the S&P/TSX Composite Index from December 31, 2011 to December 31, 2016.



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. In particular, NEOs were instrumental in identifying, negotiating and closing key project acquisitions for 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 Common Shares and option grants, with the value of such Common Shares and 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. No discretionary cash bonuses for 2016 were paid to officers despite meeting operational and other objectives during the last fiscal

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, 2011 through December 31, 2016, total compensation received by the NEOs generally decreased in line with total return on the Common Shares which generally trended downward over that period. In the latest fiscal year, total compensation levels for officers remained significantly reduced despite the total return on the Common Shares being relatively volatile but generally trending slightly up. Since January 2016, consulting fee/salary levels for all NEOs remain drastically reduced by between 41.18% to 50%, until such time as the Company's cash flow situation improves to reflect the Company's overall performance. All NEOs agreed to receive a portion of their reduced salaries to February 28, 2017, in the form of Common Shares to conserve cash resources. Furthermore, John Lee, Interim CEO, has deferred subsequent payment of his reduced consulting fee until such time as the Company's cash flow situation improves.

Equity Participation – Share-Based and Option-Based Awards

The Company has a 20% fixed share-based compensation plan in place (the “**2016 Plan**”), under which the Company may grant stock options, bonus shares or stock appreciation rights (each, an “**Award**” as defined below) to acquire the equivalent of a maximum of 887,043 of the Company's Common Shares. As at the date of this Information Circular, there are the equivalent of 542,126 options outstanding under the 2016 Plan, which constitutes 10.17% of the total issued and outstanding Common Shares of the Company.

The 2016 Plan was approved by the Company's shareholders at the June 2, 2016 annual general meeting. The 2016 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 2016 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.

The CGCC may make amendments to the 2016 Plan, subject to any necessary shareholder and regulatory

approvals. Amendments to the 2016 Plan which would require such approvals include any amendment to the 2016 Plan which increases the number of Common Shares issuable pursuant to Awards under the 2016 Plan. During the last financial year ended December 31, 2016, the CGCC has not approved any amendments to the 2016 Plan. **See *Particulars of Additional Matters to be Acted Upon with regard to the Board's recommendation that shareholders approve amendments to the 2016 Plan.***

The following is a summary of certain provisions of the 2016 Plan and is qualified in its entirety by the full text of the 2016 Plan, subject to any revisions or amendments (including the proposed Amendments to Share-Based Compensation Plan resolution) deemed necessary by the CGCC and Board.

Purpose

The purpose of the 2016 Plan is to promote the interests and long-term success of the Company by: (i) providing certain employees, directors, officers and consultants with greater incentive to further develop and promote the Company's business and financial success; (ii) furthering the alignment of interests of persons to whom Awards (as defined below) may be granted with those of the shareholders generally through a proprietary ownership interest in the Company; and (iii) assisting the Company in attracting, retaining and motivating its employees, directors, officers and consultants.

Eligible Persons

Awards may be granted to an employee, director, officer or consultant of the Company or any of its subsidiaries (an "**Eligible Person**"). A participant ("**Participant**") is an Eligible Person to whom an Award has been granted. An "**Award**" means any Option, Bonus Share or Stock Appreciation Right (each as defined below) granted under the 2016 Plan.

Number of Common Shares Available for Awards

Subject to the adjustment provisions provided for in the 2016 Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the Stock Exchange, defined in the 2016 Plan to mean: "such stock exchange or other organized market on which the Common Shares are principally listed or posted for trading from time to time, and which, for greater certainty, is the TSX" as at the date of this Information Circular), the aggregate number of Common Shares issuable pursuant to Awards granted under the 2016 Plan, plus the aggregate number of Common Shares issuable pursuant to outstanding stock options granted under the 2014 Plan (as such term is defined in the 2016 Plan), must not exceed the equivalent of 887,043, being 20% of the total issued and outstanding Common Shares of the Company as at June 2, 2016, the date the 2016 Plan was approved by the Company's shareholders, or 16.64% of the total issued and outstanding Common Shares of the Company as at the date of this Information Circular. There is currently the equivalent of 542,126 stock options outstanding under the 2016 Plan. Therefore, provided that such number does not change, the Company would have available for issuance an additional: A) equivalent of 409,188 Common Shares under the 2016 Plan if the proposed Debt Settlement Units and Amendments to Share-Based Compensation Plan resolutions are approved, B) equivalent of 397,257 Common Shares under the 2016 Plan if the proposed Debt Settlement Units resolution is not, but the proposed Amendments to Share-Based Compensation Plan resolution is approved, or C) the equivalent of 126,534 Common Shares under the 2016 Plan if the proposed Amendments to Share-Based Compensation Plan resolutions are not approved. Common Shares available under the 2016 Plan may be used for any Option, Bonus Share or Stock Appreciation Right.

For purposes of the above, if an Award entitles the holder to receive or purchase Common Shares, the number of Common Shares covered by such Award or to which such Award relates will be counted on the date of grant of such Award against the aggregate number of Common Shares available for granting Awards under the 2016 Plan as follows: (a) every Common Share subject to a stock option to purchase Common Shares granted under the 2016 Plan (an “**Option**”) will be counted as one Common Share for every Common Share subject to such Option; (b) every Common Share that may be issued on account of a Bonus Share will be counted as one Common Share for every Common Share that may be issued on account of such Bonus Share; and (c) every Common Share that may be issued on account of a Stock Appreciation Right will be counted as one Common Share for every Common Share that may be issued on account of such Stock Appreciation Right.

If an outstanding Award for any reason expires or is terminated or cancelled without having been exercised or settled in full, or if Common Shares acquired pursuant to an Award are forfeited, the Common Shares will again be available for issuance under the 2016 Plan. Common Shares will not be deemed to have been issued pursuant to the 2016 Plan with respect to any portion of an Award that is settled in cash.

Number of Common Shares under Award Grant

Subject to complying with all requirements of the Stock Exchange and the provisions of the 2016 Plan, the number of Common Shares that may be purchased under any Award will be determined and fixed by the CGCC at the date of grant.

Maximum Award Grant

There are no maximum award grant limits under the 2016 Plan for individuals or insiders in the aggregate.

Exercise Price of Options

The exercise price per Common Share under each Option will be the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that the exercise price of an Option shall not be less than the Current Market Price (as such term is defined in the 2016 Plan) calculated on the Award date.

Vesting and Restrictions

Options vest according to the terms of the Option Agreement (as such term is defined in the 2016 Plan) under which they are granted.

Except as determined from time to time by the CGCC and Board, all Options will cease to vest as at the date upon which the Participant ceases to be an Eligible Person (which, in the case of an employee or consultant of the Company or its subsidiaries, will be the date on which active employment or engagement, as applicable, with the Company or its subsidiaries terminates, specifically without regard to any period of reasonable notice or any salary continuance).

Notwithstanding the above, in the event of the death of a Participant prior to the Participant ceasing to be an Eligible Person, all Options of such Participant will become immediately vested.

Term of Options and Causes of Cessation

Subject to s. 8.3 of the 2016 Plan that deals with extensions for blackout periods and the requirements of the Stock Exchange, each Option with expire (the “**Expiry Date**”) on the earlier of:

- (a) the date determined by the CGCC and specified in the Option Agreement pursuant to which such Option is granted, provided that such date may not be later than the earlier of: (i) the date which is the tenth anniversary of the date on which such Option is granted, and (ii) the latest date permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange;
- (b) in the event the Participant ceases to be an Eligible Person for any reason, other than the death of the Participant or the termination of the Participant for cause, such period of time after the date on which the Participant ceases to be an Eligible Person as may be specified by the CGCC, which date must not exceed 90 days following the termination of the Participant’s employment with the Company, or in the case of Options granted to a director, officer or consultant, 90 days following the Participant ceasing to be a director, officer or a consultant, unless the CGCC otherwise determines, and which period will be specified in the Option Agreement with the Participant with respect to such Option;
- (c) in the event of the termination of the Participant as an officer, employee or consultant of the Company or a subsidiary for cause, the date of such termination;
- (d) in the event that a director is subject to any order, penalty or sanction by an applicable securities regulatory authority which relates to such director’s activities in relation to the Company, and the CGCC determines that such director’s Options should be cancelled, the date of such determination;
- (e) in the event of the death of a Participant prior to: (i) the Participant ceasing to be an Eligible Person; or (ii) the date which is the number of days specified by the CGCC pursuant to subparagraph (b) above from the date on which the Participant ceased to be an Eligible Person; the date which is one year after the date of death of such Participant or such earlier date as may be specified by the CGCC and which period will be specified in the Option Agreement with the Participant with respect to such Option; and
- (f) notwithstanding the foregoing provisions of subparagraphs (b), (c), (d) and (e) above, the CGCC may, subject to the 2016 Plan and to regulatory approval, at any time prior to expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension must not be granted beyond the original expiry date of the Option as provided for in subparagraph (a) above.

Blackout Extension

Where the Expiry Date for an Option occurs during a blackout period, the Expiry Date for such Option shall be extended to the date which is ten business days following the end of such blackout period, provided that, the Expiry Date for an Option will not be extended if the Eligible Person or the Company is subject to a cease trade order (or similar order under securities laws) in respect of the Company’s securities.

Share Bonus Plan

The CGCC will have the right to issue, or reserve for issuance, for no cash consideration, to any Eligible Person, as compensation or a discretionary bonus, any number of Common Shares (“**Bonus Shares**”) as the CGCC may determine. The price at which such Bonus Shares are issued will be equal to the Current Market Price.

“**Current Market Price**” means: (a) in respect of Options, the volume weighted average trading price of the Common Shares as reported on the Stock Exchange for the five (5) trading days immediately preceding the day on which the Option is granted, or such greater amount as the CGCC may determine; provided, however, that

the Exercise Price of an Option shall not be less than the minimum Exercise Price required by the applicable rules of the Stock Exchange; (b) in respect of Bonus Shares, means the most recent closing price of the Common Shares on the Stock Exchange immediately prior to the grant of the Bonus Shares; and (c) in respect of Stock Appreciation Rights which are exercised: (i) the closing price of the Common Shares on the Stock Exchange on the date the notice of exercise in respect thereof is received by the Company, if such day is a Trading Day and the notice of exercise is received by the Company after regular trading hours; or (ii) the closing price of the Common Shares on the Stock Exchange on the Trading Day immediately prior to the date the notice of exercise in respect thereof is received by the Company, if the notice of exercise is received by the Company during regular trading hours, or on a non-Trading Day.

Stock Appreciation Rights Plan

The CGCC has the right, subject to the paragraphs below, to grant to any Eligible Person stock appreciation rights ("**Stock Appreciation Rights**"), with the specific terms and conditions thereof to be as provided in the 2016 Plan and in the award agreement entered into in respect of such grant.

A Stock Appreciation Right will entitle the Participant to receive from the Company the number of Common Shares, disregarding fractions, as determined on the following basis:

$$\text{Number of Common Shares} = \frac{\text{Number of Stock Appreciation Rights} \times (\text{Current Market Price} - \text{SAR Exercise Price})}{\text{Current Market Price}}, \text{ less any amount withheld on account of income taxes}$$

The exercise price per Common Share under each Stock Appreciation Right ("**SAR Exercise Price**") will be the fair market value of the Common Shares, expressed in terms of money, as determined by the CGCC, in its sole discretion, provided that such price may not be less than the SAR Fair Market Value or such other minimum price as may be permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange. Subject to the foregoing, the fair market value (the "**SAR Fair Market Value**") of any Common Share for the purpose of determining the SAR Exercise Price for any Stock Appreciation Right will be, unless otherwise determined by the CGCC in their discretion, the trading price at which the Common Shares traded on the Stock Exchange as of close of market on the day immediately prior to the date such Stock Appreciation Right is granted.

The obligation of the Company to issue and deliver any Stock Appreciation Rights pursuant to an Award or to deliver any Common Shares pursuant to the exercise thereof will be subject to receipt of all necessary approvals of any applicable securities regulatory authority and the Stock Exchange.

Non-Transferability of Awards

Each Award Agreement will provide that the Award granted thereunder is not transferable or assignable to anyone other than by will or by the laws governing the devolution of property, to the Participant's executor, administrator or other personal representative in the event of death of the Participant.

Procedure for Suspending, Amending or Terminating the 2016 Plan

Subject to the provisions of the 2016 Plan and the requirements of the Stock Exchange, the CGCC has the right at any time to suspend, amend or terminate the 2016 Plan or any Award agreement, including, but not limited to, the right without approval of the shareholders, to: (a) make amendments of a clerical nature, including, but not limited to, the correction of grammatical or typographical errors or clarification of terms; (b) make amendments to reflect any requirements of any regulatory authorities to which the Company is subject, including the Stock Exchange; (c) make amendments to vesting provisions of Awards; (d) extend the term of any Award held by non-insiders of the Company; (e) prior to the expiry of an Option, extend the period of time within which an Option may be exercised by a Participant who has ceased to be an Eligible Person, but such an extension shall not be granted beyond the original Expiry Date of the Option; and (f) reduce the exercise price per Common Share under any Award held by non-insiders of the Company, or replace such Award with a lower exercise price per Common Share under such replacement Award.

Other Material Information

Subject to the provisions of the 2016 Plan, appropriate adjustments to the 2016 Plan and to Awards will be made, and will be conclusively determined, by the CGCC, to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations, substitutions, or reclassifications of the Common Shares, the payment of share dividends by the Company (other than dividends in the ordinary course) or other changes in the capital of the Company or from a Merger and Acquisition Transaction (as defined in the 2016 Plan). In the event of a Merger and Acquisition Transaction, or a proposed Merger and Acquisition Transaction, the CGCC will: (a) in an appropriate and equitable manner, determine any adjustment to the number and type of Common Shares (or other securities or other property) that thereafter will be made the subject of Awards; (b) in an appropriate and equitable manner, determine the number and type of Common Shares (or other securities or other property) subject to outstanding Awards; (c) in an appropriate and equitable manner, determine the exercise price with respect to any Award, provided, however, that the number of securities covered by any Award or to which such Award relates will always be a whole number; (d) in an appropriate and equitable manner, determine the manner in which all unexercised rights granted under the 2016 Plan will be treated including, without limitation, requiring the acceleration of the time for the exercise of such rights by the Participants, the time for the fulfilment of any conditions or restrictions on such exercise, and the time for the expiry of such rights; (e) offer any Participant the opportunity to obtain a new or replacement Award over any securities into which the Common Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Common Shares under the Award and the exercise price (and otherwise substantially upon the terms of the Award being replaced, or upon terms no less favourable to the Participant); and (f) commute for or into any other security or any other property or cash, any Award that is still capable of being exercised, upon giving to the Participant to whom such Award has been granted at least 30 days' written notice of its intention to commute such Award, and during such period of notice, the Award, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such period of notice, the unexercised portion of the Award will lapse and be cancelled.

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 (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
John Lee ⁽⁴⁾ Interim CEO	2016	Nil	79,145 ⁽¹⁾	76,815	Nil	Nil	Nil	132,717	288,647
	2015	Nil	Nil	119,177	Nil	Nil	Nil	428,988	548,165
	2014	Nil	Nil	209,778	70,000	Nil	Nil	418,812	698,590
Irina Plavutska ⁽⁵⁾ CFO	2016	45,000	37,520 ⁽²⁾	18,436	Nil	Nil	Nil	1,526	102,482
	2015	89,250	Nil	12,828	Nil	Nil	Nil	1,728	103,806
	2014	104,741	Nil	14,005	8,500	Nil	Nil	962	128,208
Tony Wong ⁽⁶⁾ Corporate Secretary	2016	56,250	59,131 ⁽²⁾	18,436	Nil	Nil	Nil	636	134,453
	2015	131,250	Nil	16,755	Nil	Nil	Nil	792	148,797
	2014	137,500	Nil	18,319	18,750	Nil	Nil	762	175,331

Notes:

- (1) These Share-Based awards were paid in lieu of accrued and deferred consulting fees to June 30, 2016. The value of these Share-Based awards is the fair market value of the Shares as at June 2, 2016.
- (2) These Share-Based awards were paid in two tranches, in lieu of accrued salaries, expenses and (in the case of Irina Plavutska only) vacation pay for the pay period from November 16, 2015 to March 31, 2016. The value of these Share-Based awards is the fair market value of the Shares as at January 13, 2016 and February 29, 2016.
- (3) Options granted on or after June 19, 2014 are governed by the 2016 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.
- (4) Mr. Lee was appointed as the Company's CEO upon amalgamation on June 13, 2011. Mr. Lee's services were provided pursuant to a consulting agreement (the "**Mau Agreement**") which the Board accepted, ratified and approved on January 24, 2013 between the Company and Mau Capital Management LLC ("**Mau**"), a personal holding company of Mr. Lee. Under the Mau Agreement, a base fee of \$35,000 per month was paid to Linx Partners Ltd. ("**Linx**") (another personal holding company of Mr. Lee) for services rendered by Mr. Lee as Executive Chairman of the Board, and a further \$1 per month was paid to Linx for services rendered by Mr. Lee as Interim CEO of the Company. The Company subsequently entered into discussions with Mau to amend the 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 Mau Agreement which terminated upon signing of the Linx Agreement on April 7, 2015. On January 13, 2016, the Linx Agreement was amended to reduce the base fee of \$35,000 per month by 50% to \$17,500 per month, and to defer payment of the reduced base fee, until such time as the Company's cash flow situation improves. The CGCC is conducting a search for a new permanent CEO for the Company.
- (5) 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. Ms. Plavutska's services are provided pursuant to an employment agreement with the Company dated July 1, 2013. Under the employment agreement, a base salary of \$8,500 per month was paid to Ms. Plavutska for services rendered as CFO of the Company. On January 13, 2016, the employment agreement was amended to reduce the base salary of \$8,500 per month by 41.18% to \$5,000 per month until such time as the Company's cash flow situation improves.
- (6) Mr. Wong was appointed as General Counsel & Corporate Secretary on February 3, 2014. Mr. Wong's services are provided pursuant to an employment agreement with the Company dated February 3, 2014. Under the employment agreement, a base salary of \$12,500 per month was paid to Mr. Wong for services rendered as General Counsel & Corporate Secretary of the Company. On January 13, 2016, the employment agreement was amended to reduce the base salary of \$12,500 per month by 50% to \$6,250 per month until such time as the Company's cash flow situation improves.

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, 2016, the following weighted average assumptions were used: Risk-free interest rate - 1.20%, expected life

options in years – 4.9 years, expected volatility – 131.45%, expected dividend yield – Nil, weighted average fair value of options granted during the year - \$2.25.

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 the equivalent of \$25.00 or \$28.00, the Company granted the equivalent of 35,750 new share purchase options to such individuals with an expiry date of May 1, 2019 at an exercise price the equivalent of \$6.50 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 the equivalent of \$42.50 to \$77.00, the Company granted the equivalent of 53,150 new share purchase options to such individuals with an expiry date of June 18, 2017 at an exercise price the equivalent of \$28.00 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. 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 2016 Plan). Although it also contains provisions for the awarding of stock appreciation rights, as at December 31, 2016, the Company had yet to grant any Awards other than options and bonus shares to officers under the 2016 Plan. The following table sets out the option-based awards and share-based awards outstanding as at December 31, 2016, 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 (\$) ⁽¹⁾	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	9,973	12.00	Aug. 16, 2018	\$150,000	Nil	Nil	Nil
	26,000	10.50	Jan. 27, 2019				
	15,000	6.50	May 1, 2019				
	23,500	5.00	April 7, 2020				
	13,400	5.00	June 22, 2020				
	50,000	2.00	June, 2, 2021				
Irina Plavutska	2,000	12.00	Aug. 16, 2018	\$36,000	Nil	Nil	Nil
	1,000	10.50	Jan. 27, 2019				
	1,500	6.50	May 1, 2019				

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 (\$) ⁽¹⁾	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 (\$)
	3,000	5.00	April 7, 2020				
	2,000	5.00	June 22, 2020				
	12,000	2.00	June 2, 2021				
Tony Wong	5,000	10.00	Feb 3, 2019	\$36,000	Nil	Nil	Nil
	1,000	6.50	May 1, 2019				
	4,000	5.00	April 7, 2020				
	2,000	5.00	June 22, 2020				
	12,000	2.00	June 2, 2021				

Note:

(1) The value at December 31, 2016 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2016 (\$5.00 per Common Share) and the exercise price of the options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value vested or earned as at the year ended December 31, 2016, for incentive plan awards outstanding for each NEO:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
John Lee	\$25,312	Nil	Nil
Irina Plavutska	\$6,075	Nil	Nil
Tony Wong	\$6,075	Nil	Nil

Note:

(1) The only “in-the-money” options held by any NEOs at December 31, 2016, were those that expire on June 2, 2021 which are 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 value at December 31, 2016 is calculated by determining the difference between the closing price on the TSX of the Common Shares as of the vesting date for each of the first two quarters, September 2 and December 2, 2016 (being \$4.25 and \$3.80 per Common Share, respectively), and the exercise price of the options.

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 or accrued in 2016. Since January 2016, compensation levels for all directors remain drastically reduced by 50% to reflect the Company’s overall performance, and payment (other than for the month of September 2016) deferred to conserve cash resources, until such time as the Company’s cash flow situation improves.

The compensation provided to directors who were not an NEO for the Company's most recently completed financial year of December 31, 2016, is:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Greg Hall	8,400 ⁽¹⁾	16,371 ⁽²⁾	18,436	Nil	Nil	Nil	43,207
Harald Batista	7,500 ⁽¹⁾	21,858 ⁽²⁾	15,363	Nil	Nil	Nil	44,721
Masa Igata	7,500 ⁽¹⁾	21,858 ⁽²⁾	18,436	Nil	Nil	Nil	47,794

Notes:

- (1) These fees earned for directors and meeting fees for the period from July 1 to December 31, 2016 have been accrued and payment (other than for the month of September 2016) deferred until such time as the Company's cash flow situation improves.
- (2) These Share-Based awards were paid in lieu of accrued and deferred directors and meeting fees to June 30, 2016. The value of these Share-Based awards is the fair market value of the Shares as at June 2, 2016.

The following table sets out all option-based and share-based awards outstanding as at December 31, 2016, for directors who were not an NEO for the Company's most recently completed financial year of December 31, 2015:

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 (\$) ⁽¹⁾	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 (\$)
Greg Hall	6,000	12.00	Aug 16, 2018	\$36,000	Nil	Nil	Nil
	7,500	10.50	Jan 27, 2019				
	4,000	6.50	May 1, 2019				
	6,000	5.00	April 7, 2020				
	2,000	5.00	June 22, 2020				
	12,000	2.00	June 2, 2021				
Harald Batista	2,500	12.00	Aug 16, 2018	\$30,000	Nil	Nil	Nil
	3,000	10.50	Jan 27, 2019				
	2,000	6.50	May 1, 2019				
	3,000	5.00	April 7, 2020				
	2,000	5.00	June 22, 2020				
	10,000	2.00	June 2, 2021				
Masa Igata ⁽²⁾	5,000	6.50	May 1, 2019	\$36,000	Nil	Nil	Nil
	3,000	5.00	April 7, 2020				
	2,000	5.00	June 22, 2020				
	12,000	2.00	June 2, 2021				

Notes:

- (1) The value at December 31, 2016 is calculated by determining the difference between the closing price on the TSX of the Common Shares at December 31, 2016 (\$5.00 per Common Share) and the exercise price of the options.
- (2) 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

The following table sets out the value vested or earned as at the year ended December 31, 2016, for incentive plan awards outstanding for each director:

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Greg Hall	\$6,075	Nil	Nil
Harald Batista	\$5,062	Nil	Nil
Masa Igata	\$6,075	Nil	Nil

Note:

(1) The only “in-the-money” options held by any directors at December 31, 2016, were those that expire on June 2, 2021 which are 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 value at December 31, 2016 is calculated by determining the difference between the closing price on the TSX of the Common Shares as of the vesting date for each of the first two quarters, September 2 and December 2, 2016 (being \$4.25 and \$3.80 per Common Share, respectively), and the exercise price of the options.

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 Mau Agreement). On April 7, 2015 the 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 regular 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 regular 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 regular 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 2016 Plan, a 20% fixed share-based compensation plan was approved by shareholders at the Company's annual general meeting on June 2, 2016.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2016.

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	460,814	\$6.42	256,533
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	460,814		256,533

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, 2016, 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 WARRANTS EXTENSION

On February 21, 2017, the TSX advised the Company that it had conditionally accepted notice of the Company's proposal to amend the terms of the equivalent of 114,768 issued and outstanding Common Share purchase warrants (the "**Warrants**") that were attached to the equivalent of 114,768 debt settlement units issued predominantly to insiders of the Company on June 24, 2015, by extending the expiry date of the Warrants. The Board resolved on February 8, 2017, to extend the original expiry date of the Warrants, which were previously set to expire on June 24, 2017, by three years to June 24, 2020. Of the 114,768 Warrants, 113,768 are held by insiders of the Company. The TSX's acceptance of the Company's notice to amend the terms of the Warrants is conditional upon the Company obtaining shareholder approval (excluding the votes of those insiders who hold the Warrants) to extend the expiry date of the Warrants. The exercise price of the Warrants is the equivalent of \$6.00 per Common Share.

The Board believes that the proposed extension of the expiry date of the Warrants is fair and in the best interests of the Company to encourage the possibility that the Warrants will be exercised, thereby providing the Company with potentially low cost access to additional capital funds. Accordingly, at the Meeting, disinterested shareholders (meaning shareholders other than those insiders who hold the Warrants, and also in aggregate approximately 1,195,237 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:

1. the amendment to the terms of the equivalent of 114,768 outstanding Common share purchase warrants of the Company dated June 24, 2015, held predominantly by insiders of the Company, extending the expiry date of such warrants to June 24, 2020 be approved; and
2. any one director or officer of the Company be and is hereby authorized for and on behalf of and in the name of the Company, to do all such acts and things and to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to carry out the foregoing resolution."

Management of the Company recommends that you vote IN FAVOUR of the Warrants Extension 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 Warrants Extension.

B. APPROVAL OF DEBT SETTLEMENT UNITS

On February 28, 2017, the Board resolved to issue units as payment for outstanding debt owing by the Company to some of the Company’s directors and officers (the “**Creditors**”), subject to TSX and disinterested shareholder approval (the “**Debt Settlement Units**”). It is proposed that an aggregate of 59,659 Debt Settlement Units be issued at a price of \$4.00 per Debt Settlement Unit (being 10.91% below the market price for the Company’s Common Shares as of February 28, 2017, 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 “**Debt Settlement Warrant**”) of the Company entitling the holder thereof to purchase, upon exercise of a Debt Settlement Warrant, one additional Common Share at a price of \$5.00 per Common Share for a period of five years from the date of issuance of the Debt Settlement Units. As a result, up to a total of 119,318 Common Shares may ultimately be issued in connection with the Debt Settlement Units if all of their underlying Debt Settlement Warrants are exercised.

Name of Creditor	Position	Nature of Debt	Number of Units
John Lee	Interim CEO and Executive Chairman	Accrued and Deferred Consulting Fees	30,628
Greg Hall	Director	Accrued and Deferred Directors Fees and Expenses	3,360
Harald Batista	Director	Accrued and Deferred Directors Fees	2,375
Sophir Asia Limited ⁽¹⁾	Director	Accrued and Deferred Directors Fees and Expenses	2,625
Irina Plavutska	Chief Financial Officer	Accrued and Deferred Salary and Vacation Pay	4,368
Tony Wong	General Counsel & Corporate Secretary	Accrued and Deferred Salary and Vacation Pay	8,803
Bekzod Kasimov	Vice-President, Operations	Partial Repayment of Personal Loan	7,500
TOTAL:			59,659

Notes:

(1) 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 5, 2017 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. John Lee, Interim CEO, Executive Chairman and a director of the Company will hold approximately 19.61% of the issued and outstanding shares of the Company following the transaction (in the unlikely event that Mr. Lee were to exercise all of the options and warrants he holds, post-transaction, including those that are “out of the money”, Mr. Lee could potentially hold up to 34.80% of the issued and outstanding shares of the Company on a fully-diluted basis). The Board believes that the equity dilution to shareholders of up to 2.24% (assuming all of the Debt Settlement Warrants are also exercised) is outweighed by the benefits to the Company which will be received from conserving cash, and 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 in aggregate approximately 1,195,237 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:

1. the allotment and issuance by the Board of 59,659 Debt Settlement Units to be granted as payment for outstanding debt owing to certain directors and officers of the Company as set out in the Information Circular dated April 27, 2017 be approved; and
2. any one director or officer of the Company be and is hereby authorized for and on behalf of and in the name of the Company, to do all such acts and things and to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to carry out the foregoing resolution.”

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.

C. APPROVAL OF AMENDMENTS TO SHARE-BASED COMPENSATION PLAN

Shareholders of the Company are requested at the Meeting to consider and, if thought fit, to approve an ordinary resolution to implement amendments to the 2016 Plan in order to (a) replenish an aggregate of 218,383 Common Shares issued under the 2016 Plan (upon exercises of 9,687 stock options, issuances of 39,000 bonus shares, and issuances of 169,696 shares for debt) after the 2016 Plan was adopted on June 2, 2016; and (b) increase the number of Common Shares issuable under the 2016 Plan by 190,805 Common Shares in the event the previous Debt Settlement Units resolution is approved, or 178,874 Common Shares in the event the previous Debt Settlement Units resolution is not approved, so that a maximum of 1,077,849 or 1,065,917 Common Shares, as the case may be (representing approximately 20% of the outstanding Common Shares) are reserved for issuance under the 2016 Plan (excluding Common Shares reserved for issuance upon exercises of stock options previously issued under the 2016 Plan) (the “**Amendments**”). As of the date hereof, there are currently 542,126 stock options, representing 10.17% of the total issued and outstanding Common Shares of the Company, outstanding under the 2016 Plan. See *Statement of Executive Compensation – Equity Participation – Share-Based and Option-Based Awards* above. A copy of the 2016 Plan has been filed as Schedule “A” to the Company’s 2016 Management Information Circular under the Company’s SEDAR profile and may be viewed by interested shareholders by visiting www.SEDAR.com.

The Amendments are proposed because the CGCC and Board consider it important to have a sufficient number of Common Shares available for Awards for new and existing eligible employees, officers and directors. Historically, the 2016 Plan has been a fixed share-based compensation plan providing for the number of Common Shares authorized for issuance to be approximately 20% of the Company’s issued and outstanding Common Shares. Given the increases in the Company’s outstanding Common Shares since the 2016 Plan was adopted, the Board determined to reserve a maximum number of Common Shares for the 2016 Plan in order to maintain it at approximately 20% of the outstanding Common Shares. All other terms of the 2016 Plan and Awards granted thereunder will remain the same. The Amendments are subject to the approval of the TSX and disinterested shareholders of the Company in accordance with the requirements of the TSX. Disinterested shareholder approval is the approval by a majority of the votes cast by all shareholders excluding votes attached to Common Shares beneficially owned by insiders of the Company who are eligible to participate in

the 2016 Plan. The number of Common Shares held by interested parties and thus, excluded from voting on this particular resolution is 1,196,487.

If the TSX and shareholder approvals are not obtained, the Amendments will be terminated, and the maximum number of Common Shares issuable pursuant to Awards under the 2016 Plan will revert to 887,043 Common Shares (including 542,126 Common Shares previously issued under the 2016 Plan upon exercises of stock options).

At the Meeting, disinterested shareholders will be asked to consider, and if deemed advisable, to pass the following ordinary resolution, with or without variation:

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

1. the amendments to the Company’s existing 20% fixed share-based compensation plan (the **“2016 Plan”**), as approved by the Corporate Governance and Compensation Committee of the Directors of the Company on February 28, 2017, in order to (a) replenish an aggregate of 218,383 Common Shares issued under the 2016 Plan (upon exercises of 9,687 stock options, issuances of 39,000 bonus shares, and issuances of 169,696 shares for debt) after the 2016 Plan was adopted on June 2, 2016; and (b) increase the number of Common Shares issuable under the 2016 Plan by 190,805/178,874 Common Shares, so that a maximum of 1,077,849/1,065,917 Common Shares (representing approximately 20% of the outstanding Common Shares) are reserved for issuance under the 2016 Plan (excluding Common Shares reserved for issuance upon exercises of stock options previously issued under the 2016 Plan) (the **“Amendments”**), is hereby approved, ratified and confirmed;
2. the Company is hereby authorized to file the Amendments with the Toronto Stock Exchange and to make any revision to the text of the Amendments if and as required by the Toronto Stock Exchange prior to its approval of the Amendments; and
3. any one director or officer of the Company be and is hereby authorized for and on behalf of and in the name of the Company, to do all such acts and things and to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances as such director or officer may determine to be necessary or desirable to carry out the foregoing resolution.”

Management of the Company believes that the Amendments to the Share-Based Compensation Plan are in the Company’s best interests and recommends that disinterested shareholders vote IN FAVOUR of approving the Amendments. 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 Amendments to the Share-Based Compensation 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, 2016 and 2015, auditor’s report, and related management discussion and analysis for 2016 filed under the Company’s SEDAR profile at 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 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 27th day of April, 2017.

BY ORDER OF THE BOARD

"John Lee"

John Lee
Interim Chief Executive Officer

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