

## **PACIFIC RIDGE EXPLORATION LTD.**

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### **MANAGEMENT INFORMATION CIRCULAR AS AT AND DATED MAY 19, 2020 (unless otherwise noted)**

This Management Information Circular ("**Information Circular**") accompanies the Notice of the 2020 Annual General Meeting ("**Notice of Meeting**") of holders of common shares ("**shareholders**") of Pacific Ridge Exploration Ltd. (the "**Company**") scheduled to be held on June 25, 2020 (the "**Meeting**") and is furnished in connection with a solicitation of proxies for use at that Meeting and at any adjournment or postponement thereof.

#### **PERSONS OR COMPANIES MAKING THE SOLICITATION**

THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR  
IS BEING SOLICITED BY MANAGEMENT OF THE COMPANY

Solicitations will be made by mail and possibly supplemented by telephone, electronic means or other personal contact to be made without special compensation by directors, officers and employees of the Company. The Company may reimburse shareholders' nominees or agents for the cost incurred in obtaining from their principal's authorization to execute forms of proxy. It is not anticipated that any solicitation will be made by specially engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

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

#### **APPOINTMENT OF PROXYHOLDER**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** Those shareholders so desiring may be represented by proxy at the Meeting. The persons named in the form of proxy accompanying this Information Circular are directors and/or officers of the Company ("**Management Appointees**"). **A shareholder has the right to appoint a person or company (who need not be a shareholder) to attend and act on the shareholder's behalf at the Meeting other than the Management Appointees.** To exercise this right, the shareholder must either insert the name of the desired person in the blank space provided in the form of proxy accompanying this Information Circular and strike out the names of the Management Appointees or submit another proper form of proxy.

## NON-REGISTERED SHAREHOLDERS

Only shareholders whose names appear on the records of the Company (“registered shareholders”) or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are not registered shareholders because the shares they own are not registered in their names. More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the “Non-Registered Holder”) but which are registered either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP’s, RRIF’s, RESP’s and similar plans; or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant. In accordance with current securities regulatory policy, the Company has distributed proxy-related materials for the Meeting (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries.

Current securities regulatory policy requires Intermediaries to forward the Meeting Materials to, and to seek voting instructions from, Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Intermediaries will often use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete this form of proxy and **submit it to the Company, c/o Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, fax number: (416) 263-9261;** or
- (b) more typically, be given a voting instruction or proxy authorization form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company** (such as Broadridge Financial Solutions Inc.), will constitute voting instructions (often called a “**proxy authorization form**”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label containing a bar-code and other information. In order for this proxy form to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the proxy form, properly complete and sign the proxy form and return it to the Intermediary or its service company, or otherwise communicate voting instructions to the Intermediary or its service company (by way of telephone or the Internet, for example) in accordance with the instructions of the Intermediary or its service company. **A Non-Registered Holder cannot use a proxy authorization form to vote shares directly at the Meeting.**

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own.

The Meeting Materials are being sent to both registered and non-registered owners of shares. If you are a Non-Registered Holder and the Company or its agent has sent the Meeting Materials directly to you as a non-objecting beneficial owner under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), your

name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding shares on your behalf. By choosing to send the Meeting Materials to you directly, the Company (and not the Intermediary holding shares on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Management of the Company intends to pay for Intermediaries to forward to objecting beneficial owners under NI 54-101 the Meeting Materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*.

**Non-Registered Holders cannot be recognized at the Meeting for purposes of voting their shares in person or by way of depositing a form of proxy.** If you are a Non-Registered Holder and wish to vote in person at the Meeting, please see the voting instructions you received or contact your Intermediary well in advance of the Meeting to determine how you can do so.

**Non-Registered Holders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their shares voted at the Meeting.**

### **DEPOSIT AND VOTING OF PROXIES**

To be effective, the instrument of proxy must be dated and signed and, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, deposited either at the office of Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, or at the Head Office of the Company at 11<sup>th</sup> Floor, 1111 Melville Street, Vancouver, British Columbia V6E 3V6, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the holding of the Meeting or any adjournment or postponement thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in the Chairman's discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

THE SHARES REPRESENTED BY A PROPERLY EXECUTED AND DEPOSITED PROXY WILL BE VOTED OR WITHHELD FROM VOTING ON EACH MATTER REFERRED TO IN THE NOTICE OF MEETING IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN (PROVIDED SUCH INSTRUCTIONS ARE CERTAIN) ON ANY BALLOT THAT MAY BE CALLED FOR AND, IF A CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER TO BE ACTED UPON AT THE MEETING, THE SHARES SHALL BE VOTED OR WITHHELD FROM VOTING ACCORDINGLY. **WHERE NO CHOICE IS SPECIFIED IN RESPECT OF ANY MATTER TO BE ACTED UPON AND ONE OF THE MANAGEMENT APPOINTEES IS NAMED IN THE FORM OF PROXY TO ACT AS THE SHAREHOLDER'S PROXYHOLDER, THE SHARES REPRESENTED BY THE PROXY WILL BE VOTED IN FAVOUR OF ALL SUCH MATTERS.** THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR GIVES THE PERSON OR COMPANY NAMED AS PROXYHOLDER DISCRETIONARY AUTHORITY REGARDING AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING. IN THE EVENT THAT AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING ARE PROPERLY BROUGHT BEFORE THE MEETING OR ANY OTHER BUSINESS IS PROPERLY BROUGHT BEFORE THE MEETING, IT IS THE INTENTION OF THE MANAGEMENT APPOINTEES TO VOTE IN ACCORDANCE WITH THEIR BEST JUDGMENT ON SUCH MATTERS OR BUSINESS ON ANY BALLOT THAT MAY BE CALLED FOR. AT THE TIME OF PRINTING THIS INFORMATION CIRCULAR, MANAGEMENT KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH MAY BE BROUGHT BEFORE THE MEETING.

## REVOCABILITY OF PROXY

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the registered shareholder or the registered shareholder's attorney authorized in writing, or if the registered shareholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof, and upon either of such deposits the proxy is revoked.

Only registered shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must arrange for their Intermediaries to revoke the proxy on their behalf.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company's authorized share structure consists of an unlimited number of common shares without par value. There is one class of shares only and there are 31,729,009 common shares issued and outstanding. The directors have determined that all shareholders of record as of the 19<sup>th</sup> day of May, 2020 will be entitled to receive notice of and to vote at the Meeting.

At a General Meeting of the Company, on a show of hands, every registered shareholder present in person and entitled to vote and every proxyholder duly appointed by a registered shareholder who would have been entitled to vote shall have one vote and, on a poll, every registered shareholder present in person or represented by proxy or other proper authority and entitled to vote shall have one vote for each share of which such shareholder is the registered holder. Shares represented by proxy will only be voted as to the number of shares represented if a poll or ballot is called for. A poll or ballot may be requested by a registered shareholder or proxyholder present and entitled to vote at the Meeting or required because the number of votes attached to shares represented by proxies that are to be voted against a matter is greater than 5% of the votes attached to all shares that are entitled to be voted and to be represented at the Meeting.

To the knowledge of the directors and executive officers of the Company, as at the date of this Information Circular, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the outstanding voting rights of the Company.

## STATEMENT OF EXECUTIVE COMPENSATION

**"Named executive officer"** or **"NEO"** means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer ("**CEO**");
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer ("**CFO**");
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the

most recently completed financial year whose total compensation was more than \$150,000 for that financial year;

- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year;

During the year ended December 31, 2019, the Company had two NEOs: Gerald G. Carlson, CEO, and Salvador Miranda, CFO.

**Director and Named Executive Officer Compensation, Excluding Compensation Securities**

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation payable by the Company to each NEO and director of the Company for the two most recently completed financial years ended December 31, 2019 and December 31, 2018:

| Table of compensation excluding compensation securities |      |   |            |                                |                           |                                      |                         |
|---|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Name and position                                       | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of perquisites (\$) | Value of all other compensation (\$) | Total compensation (\$) |
| Gerald G. Carlson <sup>(1)</sup><br>CEO & Director      | 2019 | 96,000  | Nil        | Nil                            | Nil                       | Nil                                  | 96,000                  |
|   | 2018 | 96,000  | Nil        | Nil                            | Nil                       | Nil                                  | 96,000                  |
| Salvador Miranda<br>CFO                                 | 2019 | 36,000  | Nil        | Nil                            | Nil                       | Nil                                  | 36,000                  |
|   | 2018 | 30,700  | Nil        | Nil                            | Nil                       | Nil                                  | 30,700                  |
| R.E. Gordon Davis <sup>(2)</sup><br>Director            | 2019 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|   | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
| Bruce Youngman<br>Director                              | 2019 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|   | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
| Blaine Monaghan<br>Director                             | 2019 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|   | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |

(1) All compensation received by Gerald G. Carlson was for his position as CEO.

(2) R.E. Gordon Davis passed away on July 19, 2019.

**Stock Options and Other Compensation Securities**

The following table sets out all compensation securities granted to each NEO and director by the Company for services provided, directly or indirectly, to the Company during the financial year ended December 31, 2019.

| Compensation Securities                            |                               |   |                        |  |   |   |                 |
|--|-------------------------------|---|------------------------|--|---|---|-----------------|
| Name and position                                  | Type of Compensation security | Number of compensation securities, number of underlying securities <sup>(1)</sup> , and percentage of class | Date of issue or grant | Issue, conversion or exercise price (\$) | Closing price of security or underlying security on day prior to the date of grant (\$) | Closing price of security or underlying security at year end (\$) | Expiry date     |
| Gerald G. Carlson <sup>(2)</sup><br>CEO & Director | stock options                 | 350,000<br>11.4%  | January 4, 2019        | 0.05                                     | 0.05  | 0.045   | January 4, 2024 |
| Salvador Miranda <sup>(3)</sup><br>CFO             | stock options                 | 100,000<br>3.3%   | January 4, 2019        | 0.05                                     | 0.05  | 0.045   | January 4, 2024 |
| R.E. Gordon Davis <sup>(4)</sup><br>Director       | stock options                 | 150,000<br>4.9%   | January 4, 2019        | 0.05                                     | 0.05  | 0.045   | January 4, 2024 |

|  |               |                 |                    |      |      |       |                    |
|--|---------------|-----------------|--------------------|------|------|-------|--------------------|
| <b>Bruce Youngman</b> <sup>(5)</sup><br><i>Director</i>  | stock options | 150,000<br>4.9% | January 4,<br>2019 | 0.05 | 0.05 | 0.045 | January<br>4, 2024 |
| <b>Blaine Monaghan</b> <sup>(6)</sup><br><i>Director</i> | stock options | 50,000<br>1.6%  | January 4,<br>2019 | 0.05 | 0.05 | 0.045 | January<br>4, 2024 |

- (1) Each outstanding stock option of the Company entitles the holder thereof to acquire, upon exercise, one common share in the capital of the Company.
- (2) As at December 31, 2019, Gerald G. Carlson held 900,000 stock options of the Company entitling him to acquire, upon exercise, 900,000 common shares in the capital of the Company.
- (3) As at December 31, 2019, Salvador Miranda held 200,000 stock options of the Company entitling him to acquire, upon exercise, 200,000 common shares in the capital of the Company.
- (4) As at December 31, 2019, the Estate of R.E. Gordon Davis held 365,000 stock options of the Company entitling it to acquire, upon exercise, 365,000 common shares in the capital of the Company.
- (5) As at December 31, 2019, Bruce Youngman held 430,000 stock options of the Company entitling him to acquire, upon exercise, 430,000 common shares in the capital of the Company.
- (6) As at December 31, 2019, Blaine Monaghan held 350,000 stock options of the Company entitling him to acquire, upon exercise, 350,000 common shares in the capital of the Company.

No compensation securities were exercised by the NEOs and directors of the Company during the financial year ended December 31, 2019.

### **Stock Option Plans and Other Incentive Plans**

The Company has adopted a stock option plan for the purpose of attracting and motivating directors, officers, employees and consultants of the Company and advancing the interests of the Company by affording such persons the opportunity to acquire an equity interest in the Company through rights granted under the stock option plan. "Rolling" stock option plans must receive annual shareholder approval in accordance with the policies of the TSX Venture Exchange and, accordingly, the Company's stock option plan was ratified by shareholders at the Company's last annual general meeting held on June 20, 2019. A summary of the stock option plan is included under "Particulars of Matters to be Acted Upon – Annual Ratification of Stock Option Plan" herein.

### **Employment, Consulting and Management Agreements**

Management functions of the Company are not, to any substantial degree, performed by anyone other than by directors or NEOs of the Company.

Gerald G. Carlson was paid \$8,000 per month for his services as President and CEO of the Company.

Salvador Miranda was paid a \$3,000 per month for his services as CFO for a total fee of \$36,000 for the year.

The Company has no agreement or arrangement in place that provides for payments to an NEO or director that are triggered by, or result from, a change of control, severance, termination or constructive dismissal.

### **Oversight and Description of Director and Named Executive Officer Compensation**

The Company's Compensation Committee assesses the compensation of directors and officers on an ongoing basis taking into account the responsibilities and obligations involved with such positions as well as the financial status of the Company and makes recommendations to the Board of Directors ("**Board**") in this regard.

The Company is an exploration stage company engaged in the acquisition and exploration of mineral natural resource properties. The Company has no revenues from operations and often operates with limited financial resources to ensure that funds are available to complete scheduled programs. Accordingly, the granting of stock options is an important element of executive compensation which does not require cash disbursement by the Company. In determining compensation with respect to stock option grants, however, the Company is

cognizant of the Exchange statement in its Policy 4.4 that: “Incentive stock options are a means of rewarding optionees for future services provided to the Issuer. They are not intended as a substitute for salaries or wages, or as a means of compensation for past services rendered.” Based on the recommendations of the Company’s Compensation Committee, the Board determines the compensation in the form of stock options to its NEOs, as well as to its directors and certain consultants.

No compensation is tied to one or more performance criteria or goals. No significant events have occurred during the most recently completed financial year that have significantly affected compensation, and no peer group analysis has been conducted in determining NEOs compensation.

### **Pension Disclosure**

The Company does not have any defined benefit plans, defined contribution plans, deferred compensation plans or any other benefit plans in place that provide for payments or benefits at, following, or in connection with retirement.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets out the number of the Company’s shares to be issued and remaining available for future issuance under the Company’s Stock Option Plan at the end of the Company’s most recently completed financial year:

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 3,060,000  | \$0.06 per share   | 112,901  |
| Equity compensation plans not approved by security holders | N/A  | N/A  | N/A  |
| Total  | 3,060,000  | \$0.06 per share   | 112,901  |

On May 12, 2003, the Company established a Stock Option Plan under which the maximum number of Common shares reserved for issuance is 10% of the issued and outstanding common shares of the Company on a rolling basis. See “Particulars of Matters to be Acted Upon - Annual Ratification of Stock Option Plan” below for a general description of the Company’s Stock Option Plan.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the current or former directors, executive officers or employees of the Company or any of its subsidiaries, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of them is or has been indebted to the Company or any of its subsidiaries at any time since the beginning of the Company’s most recently completed financial

year nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

## **CORPORATE GOVERNANCE**

National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines (the “**Guidelines**”) which apply to all public companies in Canada. National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) requires issuers to disclose their governance practices in accordance with NI 58-101. The Company is a “venture issuer” within the meaning of NI 58-101. The Company has reviewed its own corporate governance practices in light of the Guidelines and, as prescribed in NI 58-101 discloses below its corporate governance practices.

The board of directors of the Company (the “**Board**”) believes that good corporate governance improves corporate performance and benefits all shareholders. This section sets out the Company’s approach to corporate governance.

### **1. Board of Directors**

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying out the Company’s business in the ordinary course, evaluating business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board facilitates its supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions and all financing transactions. Through its Audit Committee, the Board examines the effectiveness of the Company’s internal control processes. Upon the recommendations of its Compensation Committee, the Board reviews executive compensation and determines grants of incentive stock options.

The independent directors of the Company are Bruce Youngman and Blaine Monaghan, based upon the tests for independence set forth in National Instrument 52-110 *Audit Committees*. Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgment or is otherwise considered to exist under National Instrument 52-110. Gerald G. Carlson is not an independent director of the Company because he is a member of management and he is considered to be in a material relationship with the Company.

### **2. Directorships**

The following directors of the Company are currently also directors of other reporting issuers as listed:

Bruce Youngman: ATAC Resources Ltd. (TSXV), Rockhaven Resources Ltd. (TSXV), Silver Range Resources Ltd. (TSXV), Strategic Metals Ltd. (TSXV)

Gerald Carlson: Almaden Minerals Ltd. (TSX)

Blaine Monaghan: Fremont Gold Ltd. (TSXV)

### **3. Orientation and Continuing Education**

The CEO and/or the CFO is responsible for providing an orientation for new directors. Director orientation and on-going training will include presentations by senior



management to familiarize directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its principal officers and its internal and independent auditors.

**4. Ethical Business Conduct**

The Company does not have a written code of ethical business conduct for its directors, officers and employees. Each director, officer and employee is expected to comply with relevant corporate and securities laws and, where applicable, the terms of their employment agreements. In addition, each director, officer and employee is expected to comply with the Company's Corporate Disclosure Policy, Insider Trading Policy and Whistle Blower Policy.

**5. Nomination of Directors**

When a Board vacancy occurs or is contemplated, any director may make recommendations to the Board as to qualified individuals for nomination to the Board. In identifying new candidates, the directors will take into account the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company at that time.

**6. Compensation**

The Company's Compensation Committee is responsible for reviewing all compensation strategies, objectives and policies; annually reviewing and assessing the performance of the executive officers; reviewing executive officer appointments and recommending the compensation of executive officers and directors to the Board. The Compensation Committee reviews and makes recommendations to the Board regarding compensation in the form of stock option grants to its directors and executive officers as well as director's fees, if any, from time to time. Executive officers and directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Company. The form and amount of such compensation will be evaluated by the Compensation Committee, which will be guided by the following goals:

- (i) compensation should be commensurate with the time spent by executive officers and directors in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the Company, and
- (ii) the structure of the compensation should be simple, transparent and easy for shareholders to understand. Shareholders will be given the opportunity to vote on all new or substantially revised equity compensation plans for directors as required by regulatory policies.

**7. Other Board Committees**

Other than the Audit Committee (discussed below) and Compensation Committee, the Board has no other standing committees.

**8. Assessments**

The Board does not have a formal process to assess its effectiveness and the Board does not formally assess the performance of its committees or individual Board members.

## AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is comprised of Blaine Monaghan (Chair), Bruce Youngman and Gerald Carlson, all of whom are considered to be “financially literate” and the majority of whom are “independent”, as those terms are defined in National Instrument 52-110 *Audit Committees*. The education and experience of each member relevant to the performance of such member’s responsibilities as an Audit Committee member are as follows:

Blaine Monaghan: Mr. Monaghan is the CEO of Fremont Gold Ltd. (FRE: TSX-V) and has a proven track record of creating shareholder value in the mining industry. He has been involved in capital raises totaling more than \$100 million for exploration projects around the globe and has worked with a number of companies that were subject to M&A, including True Gold Mining Inc. (acquired by Endeavour Mining Corp.), Canplats Resources Corp. (acquired by Goldcorp Inc.), Western Prospector Group Ltd. (acquired by a subsidiary of China Nuclear National Corp.), Nu Energy Uranium Corp. (acquired by Mega Uranium) and Wheaton River Minerals Ltd. (which merged with Goldcorp in 2005). Mr. Monaghan holds an MBA from Royal Roads University, a Bachelor of Arts degree from Simon Fraser University and a diploma in public relations from the Public Relations Institute of Ireland.

Bruce Youngman: Mr. Youngman has over thirty-five years of experience in the minerals industry. From 2008 to 2010, he was President and COO of Canplats Resources Corporation, during which time the Camino Rojo gold deposit in Mexico was outlined and the company acquired by Goldcorp Inc. for \$300 million. Mr. Youngman previously held senior positions with Northern Dynasty Minerals Ltd., including President, Vice-President and Director, and was closely involved in the acquisition and expansion of the Pebble Gold-Copper Porphyry Project in Alaska. Mr. Youngman graduated with a Bachelor of Science degree in geology from the University of British Columbia.

Gerald Carlson: Dr. Carlson has over 40 years of international experience in managing mineral exploration and mining development companies with a focus on precious and base metal deposits. His career has included independent consulting assignments and management of exploration programs for both junior and major mining companies. He is a past President of AMEBC (formerly the British Columbia and Yukon Chamber of Mines). He is a recipient of the SEG’s Ralph Marsden Award for distinguished service and CIM’s J.C. Sproule Award for the advancement of geology and mineral exploration in the Yukon.

A copy of the Audit Committee Charter is attached hereto as Schedule “A”.

The Audit Committee provides review and oversight of the Company’s accounting and financial reporting process, and the audit process, including the selection, oversight and compensation of the Company’s external auditor. Since the commencement of the Company’s most recently completed financial year, the Company’s Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### *Audit Fees*

The fees paid by the Company to its auditors in each of the last two years ended December 31, by category, are as follows:

|      | <u>Audit Fees</u> | <u>Audit Related Fees</u> | <u>Tax Fees</u>        | <u>All Other Fees</u> |
|------|-------------------|---------------------------|------------------------|-----------------------|
| 2019 | \$18,900          | \$231                     | \$3,465 <sup>(1)</sup> | Nil                   |
| 2018 | \$18,900          | \$360                     | N/A                    | Nil                   |

(1) Represents fees for services provided in relation to the Canada Revenue Agency’s assessment of the Company’s British Columbia Mining and Exploration Tax Credit.

The Company, as a “venture issuer”, is relying on the exemption in section 6.1 of National Instrument 52-110 *Audit Committees* which provides that the Company is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of National Instrument 52-110.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no: (a) director, proposed director or executive officer of the Company; (b) person or company who beneficially owns, or controls or directs, directly or indirectly, or a combination of both, common shares of the Company, carrying more than ten percent of the voting rights attached to the outstanding common shares of the Company (an “**Insider**”); (c) director or executive officer of a person or company that is itself an Insider or subsidiary of the Company; or (d) any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the commencement of the Company’s most recently completed financial year, or in any proposed transaction that has materially affected or would materially affect the Company, except with respect to an interest arising from the ownership of common shares of the Company where such person or company will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of common shares of the Company.

### **MANAGEMENT CONTRACTS**

There are no management functions of the Company, which are, to any substantial degree, performed by a person other than the directors or executive officers of the Company.

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

Except as otherwise set out herein, none of the directors or executive officers of the Company, no management proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company since the commencement of the Company's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **1. APPOINTMENT OF AUDITOR**

It has been proposed that PricewaterhouseCoopers, LLP, Chartered Professional Accountants be appointed as Auditor of the Company for the ensuing year.

#### **2. ELECTION OF DIRECTORS**

Each director of the Company is elected annually and holds office until the next Annual General Meeting of the shareholders unless that person ceases to be a director before then. **Unless such authority is withheld, the Management Appointees intend to vote the shares represented by proxy for the election of the nominees herein listed on any poll or ballot that may be called for.**

MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES HEREIN LISTED WILL BE UNABLE TO SERVE AS A DIRECTOR. IN THE EVENT THAT PRIOR TO THE MEETING ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES HEREIN LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY THE

MANAGEMENT APPOINTEES, IF NAMED IN THE PROXY, TO VOTE THE SHARES REPRESENTED BY PROXY FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTORS UNLESS THE SHAREHOLDER HAS SPECIFIED THAT THE SHARES REPRESENTED BY PROXY ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

Management proposes that the number of directors for the Company be determined at three (3) for the ensuing year, subject to such increases as may be permitted by the Articles of the Company, and that each of the following persons be nominated for election as a director of the Company for the ensuing year. Information concerning these persons, as furnished by the individual nominees, is as follows:

| Name, Jurisdiction of Residence <sup>(1)</sup> and Position Held  | Director Since | Number Of Shares Beneficially Owned, Or Controlled Or Directed, Directly Or Indirectly <sup>(1) (2)</sup> , At May 19, 2020 | Principal Occupation And If Not At Present An Elected Director, Occupation During The Past Five (5) Years <sup>(1)</sup> |
|---|----------------|---|--|
| <b>Gerald Carlson</b> <sup>(4)</sup><br><i>Director, President &amp; CEO<br/>British Columbia, Canada</i> | June 17, 2014  | 1,830,800 <sup>(3)</sup>  | President & CEO of the Company   |
| <b>Bruce Youngman</b> <sup>(4) (5)</sup><br><i>Director<br/>British Columbia, Canada</i>                  | July 22, 2011  | 239,000   | Corporate director   |
| <b>Blaine Monaghan</b> <sup>(4) (5)</sup><br><i>Director<br/>British Columbia, Canada</i>                 | June 15, 2017  | Nil   | CEO of Fremont Gold Ltd.   |

Notes:

- (1) The information as to jurisdiction of residence, present principal occupation or employment and the number of common shares beneficially owned or controlled or directed, is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
- (2) Does not include stock options held by the directors as follows:

| <u>Directors</u> | <u>Type of Security</u> | <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|------------------|-------------------------|-------------------------|-----------------------|--------------------|
| Gerald Carlson   | options                 | 100,000                 | \$0.08                | November 30, 2021  |
|                  | options                 | 100,000                 | \$0.06                | January 12, 2023   |
|                  | options                 | 350,000                 | \$0.05                | January 4, 2024    |
|                  | options                 | 350,000                 | \$0.05                | March 16, 2025     |
| Bruce Youngman   | options                 | 100,000                 | \$0.08                | July 21, 2021      |
|                  | options                 | 40,000                  | \$0.08                | August 12, 2021    |
|                  | options                 | 50,000                  | \$0.08                | November 30, 2021  |
|                  | options                 | 40,000                  | \$0.06                | June 16, 2022      |
|                  | options                 | 150,000                 | \$0.05                | January 4, 2024    |
|                  | options                 | 50,000                  | \$0.05                | March 16, 2025     |
| Blaine Monaghan  | options                 | 300,000                 | \$0.06                | June 16, 2022      |
|                  | options                 | 50,000                  | \$0.05                | January 4, 2024    |
|                  | options                 | 50,000                  | \$0.05                | March 16, 2025     |

- (3) Of these 1,830,800 common shares, 830,800 are owned directly by Gerald Carlson and 1,000,000 are owned by KGE Management Ltd., a company which is controlled by Gerald Carlson.
- (4) Member of the Audit Committee.
- (5) Member of the Compensation Committee.

To the knowledge of management of the Company, no proposed director (including any personal holding company of a proposed director):

- (a) is, as at the date of this Information Circular, or has been, within the preceding 10 years, a director, chief executive officer or chief financial officer of any company (including the Company) that:
  - (i) was subject to a cease trade or similar order (including a management cease trade order whether or not such person was named in the order) or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “**Order**”) while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date of this Information Circular, or has been, within the preceding 10 years, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- (d) has been subject to:
  - (i) since December 31, 2000, any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or before December 31, 2000, the disclosure of which would likely be important to a reasonable securityholder in deciding whether to vote for a proposed director; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director; or
- (e) is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the Company acting solely in such capacity.

### **3. Annual Ratification of Stock Option Plan**

The Company has a “rolling” Incentive Stock Option Plan (the “**Plan**”) in place which provides that 10% of the issued and outstanding common shares of the Company on a “rolling” basis are reserved for issuance pursuant to the exercise of options granted under the Plan.

The purpose of the Plan is to provide an incentive to the Company’s directors, senior officers, employees and consultants to continue their involvement with the Company, to increase their efforts on the Company’s behalf and to attract qualified new directors, senior officers and employees.

The Plan is administered by the Board of Directors of the Company (the “**Board**”) or, if applicable, by the Compensation Committee (the “**Committee**”) appointed for such purpose by the Board. A full copy of the Plan is available to shareholders of the Company upon request and will be available at the Meeting.

The following is a brief description of the principal terms of the Plan, which description is qualified in its entirety by the terms of the Plan:

1. The maximum number of common shares of the Company that may be reserved for issuance pursuant to stock options granted under the Plan shall not exceed 10% of the issued capital of the Company as at the date of the grant of any stock option under the Plan.
2. The exercise price of the stock options, as determined by the Board or the Compensation Committee in its sole discretion, shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange (the “**Exchange**”).
3. The granting of stock options under the Plan is restricted as follows:
  - (a) The aggregate number of common shares that may be reserved for issuance for a stock option to any one individual in a 12 month period must not exceed 5% of the issued shares of the Company at the time of grant of the stock option;
  - (b) The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Company at the time of grant of the stock option; and
  - (c) The aggregate number of options granted to employees involved in investor relations activities must not exceed 2% of the issued shares of the Company in any 12 month period, at the time of grant of the stock option.
4. The term of exercise of stock options under the Plan is a maximum of five years from the date of grant provided that in the event of the optionee’s death, the exercise period shall not exceed the lesser of one year from the date of the optionee’s death and the expiry date of the stock option. In addition, stock options may only be exercised until the earlier of the expiry date and a period of not more than 90 days after the optionee ceases to be a qualified optionee, except in the case of persons providing investor relations activities to the Company where it is limited to the earlier of the expiry date and a period of not more than 30 days after such optionee ceases to be a qualified optionee.
5. All options shall be non-assignable and non-transferable except as between an optionee and a wholly owned personal corporation, with the consent of the Exchange.
6. A “disinterested shareholder vote” is required to approve the decrease in the exercise price of stock options previously granted to insiders prior to the exercise of such repriced stock options, or to approve the grant to insiders, within a 12 month period, of a number of options exceeding 10% of the issued common shares of the Company.

Under the policies of the Exchange, “rolling” stock option plans are required to be approved by the shareholders at each annual general meeting. Accordingly, the Company is seeking annual approval by the shareholders of the Plan at the Meeting pursuant to the policies of the Exchange.

At the Meeting therefore, the shareholders of the Company will be asked to pass an ordinary resolution to approve the Plan and the granting of stock options to insiders under the Plan in substantially the following form:

**“RESOLVED, AS AN ORDINARY RESOLUTION, THAT:**

- (a) the Stock Option Plan adopted by the Company be and is hereby approved, ratified and confirmed;
- (b) the Company's directors be and they are hereby authorized until the date of the next annual general meeting to grant stock options pursuant to the terms and conditions of the Stock Option Plan entitling the holders to purchase such number of common shares as is equal to up to a maximum of 10% of the issued and outstanding common shares of the Company determined at the time of each grant of stock options;
- (c) the granting of stock options to insiders of the Company under the Stock Option Plan be and it is hereby approved; and
- (d) any director or officer of the Company be and is hereby authorized, for and on behalf of the Company, to execute and deliver all documents and instruments and to take such other actions as such director or officer may determine to be necessary or desirable to implement this ordinary resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.”

In accordance with the terms of the Plan and the policies of the Exchange, amendments to the Plan are subject to acceptance for filing by the Exchange and may be subject to the approval of the Company's shareholders. Under the policies of the Exchange, if the grants of options under the Plan, together with all of the Company's outstanding stock options, could result at any time in:

- a) the number of shares reserved for issuance pursuant to stock options granted to insiders of the Company exceeding 10% of the issued common shares of the Company;
- b) the grant to insiders of the Company, within a 12-month period, of a number of options exceeding 10% of the issued common shares of the Company; or
- c) the issuance to any one optionee, within a 12-month period, of a number of shares exceeding 5% of the issued common shares of the Company;

such shareholder approval must be “disinterested shareholder approval”.

The policies of the Exchange and the terms of the Plan also provide that “disinterested shareholder approval” will be required for any agreement to decrease the exercise price of options previously granted to insiders of the Company – no such agreements are being brought before the Meeting.

The term “disinterested shareholder approval” means approval by a majority of the votes cast at the Meeting other than votes attaching to shares of the Company beneficially owned by insiders of the Company to whom options may be granted under the proposed amendment to the Plan and associates of such persons. The term “insiders” is defined in the policies of the Exchange and generally includes directors and senior officers of the Company and its subsidiaries and holders of greater than 10% of the voting securities of the Company. The term “associates” is also defined in the policies of the Exchange.

**Unless otherwise directed, it is the intention of the Management Appointees, if named as proxy, to vote in favour of this ordinary resolution.** If the Plan is not approved, ratified and

confirmed by the shareholders, the Company will not be in a position to offer increased incentives to its directors, officers, employees and independent consultants.

MANAGEMENT IS NOT AWARE OF ANY OTHER MATTER TO COME BEFORE THE MEETING OTHER THAN AS SET FORTH IN THE NOTICE OF MEETING. IF ANY OTHER MATTER PROPERLY COMES BEFORE THE MEETING, IT IS THE INTENTION OF THE MANAGEMENT APPOINTEES TO VOTE THE SHARES REPRESENTED BY THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR ON ANY BALLOT THAT MAY BE CALLED FOR IN ACCORDANCE WITH THEIR BEST JUDGMENT ON SUCH MATTER.

### **GENERAL**

**Unless otherwise directed, it is the intention of the Management Appointees to vote proxies in favour of the resolutions set forth herein.** All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the shareholders. All special resolutions require, for the passing of the same, a 2/3 majority of the votes cast at the Meeting by the shareholders.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.pacificridgeexploration.com](http://www.pacificridgeexploration.com). A copy of the following documents may be obtained, without charge, upon request to the Chief Executive Officer of the Company 11<sup>th</sup> Floor, 1111 Melville Street, Vancouver, B.C. V6E 3V6, Phone: (604) 687-4951:

- (a) the comparative financial statements of the Company for the financial year ended December 31, 2019 together with the accompanying report of the auditor thereon and related Management Discussion and Analysis; and
- (b) this Information Circular.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF PACIFIC RIDGE EXPLORATION LTD.**

"GERALD G. CARLSON"

Gerald G. Carlson  
President and Chief Executive Officer



## SCHEDULE A

### PACIFIC RIDGE EXPLORATION LTD. (the "Company")

#### AUDIT COMMITTEE CHARTER

#### 1. PURPOSE

- 1.1** The primary functions of the Audit Committee are to fulfill its responsibilities in relation to reviewing the integrity of the Company's financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company's compliance with legal and regulatory requirements; selecting the external auditors for shareholder approval; and reviewing the qualifications, independence and performance of the external auditors.

#### 2. MEMBERSHIP AND ORGANIZATION

- 2.1 Composition** - The Audit Committee shall consist of not less than three independent members of the Board. At the invitation of the Audit Committee, members of the Company's management and others may attend Audit Committee meetings as the Audit Committee considers necessary or desirable.
- 2.2 Appointment and Removal of Audit Committee Members** - Each member of the Audit Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of shareholders of the Company at which the member's term of office expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.
- 2.3 Chair** - At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this mandate, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.
- 2.4 Independence** - Each member of the Audit Committee shall be an "unrelated director" (as that term is used in the Report of the Toronto Stock Exchange on Corporate Governance in Canada) and "independent" (as such term is used in National Instrument 52-110 - Audit Committees ("NI 52-110")).
- 2.5 Financial Literacy** - Members of the Audit Committee shall be financially literate or agree to become financially literate within a reasonable period of time following the member's appointment. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

**2.6 Venture Issuer** - For so long as the Company is a "venture issuer" as defined in NI 52-110, it is not required to comply with the provisions of paragraph 2.1 "Composition", 2.4 "Independence" or 2.4 "Financial Literacy" above. In the event the Company cannot comply with all or a part of these provisions, then the Committee shall be comprised of not less than three members of the Board, a majority of whom are not officers or employees of the Company or a subsidiary of the Company.

### **3. MEETINGS**

**3.1 Meetings** - The members of the Audit Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external auditors are entitled to attend and be heard at each Audit Committee meeting. The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board or the President and Chief Executive Officer may call a meeting of the Audit Committee.

The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a Chair from their number for a meeting.

**3.2 Secretary and Minutes** - The Corporate Secretary, his or her designate or any other person the Audit Committee requests, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

**3.3 Quorum** - A majority of the members of the Audit Committee shall constitute a quorum. If a quorum cannot be obtained for an Audit Committee meeting, members of the Board who would qualify as members of the Audit Committee may, at the request of the Chair or the Chairman of the Board, serve as members of the Audit Committee for that meeting.

**3.4 Access to Management and Outside Advisors** - The Audit Committee shall have unrestricted access to management and employees of the Company, and, from time to time may hold meetings with the external auditor, the Chief Financial Officer or the President and Chief Executive Officer. The Audit Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Company. The Company shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

**3.5 Meetings Without Management** - The Audit Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which management is not present.

### **4. FUNCTIONS AND RESPONSIBILITIES**

The Audit Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Audit Committee by the Board. In addition to these functions and responsibilities, the Audit Committee shall perform the duties required of an audit committee by applicable corporate securities laws, the binding requirements of the stock exchanges on which the securities of the Company are listed, and all other applicable laws.

#### 4.1 Financial Reports

- (a) **General** - The Audit Committee is responsible for reviewing the integrity of the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company's annual financial statements and, if requested by the Company, for reviewing the Company's unaudited interim financial statements.
- (b) **Review of Annual Financial Reports** - The Audit Committee shall review the annual audited financial statements of the Company, the external auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation to determine whether they present fairly, in all material respects in accordance with IFRS, the financial condition, results of operations and cash flows of the Company. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.
- (c) **Review of Interim Financial Reports** - The Audit Committee shall review the interim financial statements of the Company, the external auditors review report thereon, if applicable, and the related MD&A to determine whether they present fairly, in all material respects in accordance with IFRS, the financial condition, results of operations and cash flows of the Company. After completing its review, if advisable, the Audit Committee shall, if so authorized by the Board, approve the interim financial statements and the related MD&A, or if not authorized by the Board, then approve and recommend for Board approval.
- (d) **Review Considerations** - In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:
  - (i) meet with management and the external auditors to discuss the financial statements and MD&A;
  - (ii) review the disclosures in the financial statements;
  - (iii) review the audit report or review report prepared by the external auditors;
  - (iv) discuss with management, the external auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
  - (v) review critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
  - (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;

- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting; and
- (ix) review any other matters, related to the financial statements, that are brought forward by the external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or applicable law.

**4.2 Approval of Other Financial Disclosures** - The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing financial results of the Company and any other material financial disclosure, including in Management Information Circulars and Annual Information Forms.

#### **4.3 External Auditors**

- (a) **General** - The Audit Committee shall be responsible for oversight of the work of the external auditors in auditing and reviewing the Company's financial statements and internal controls over financial reporting.
- (b) **Appointment and Compensation** - The Audit Committee shall review and, if advisable, select and recommend (i) for shareholder approval, the appointment of the external auditors and (ii) for shareholder or Board approval, as applicable, the compensation of the external auditors.
- (c) **Annual Review Report** - At least annually, the Audit Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.
- (d) **Audit Plan** - At least annually, the Audit Committee shall review a summary of the external auditors' annual audit plan. The Audit Committee shall consider and review with the external auditors any material changes to the scope of the plan.
- (e) **Quarterly Review Report** - If the external auditors review the Company's unaudited interim financial statements, then the Audit Committee shall review a quarterly review report prepared by the external auditors in respect of each of the interim financial statements of the Company.
- (f) **Independence of External Auditors** - At least annually, and before the external auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company, discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of

the external auditors, and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs.

- (g) Evaluation and Rotation of Lead Partner** - At least annually, the Audit Committee shall review the qualifications and performance of the lead partners of the external auditors. The Audit Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.
- (h) Pre-Approval of Non-Audit Services** - The Audit Committee shall pre-approve any retainer of the external auditors for any non-audit service to the Company in accordance with applicable law and Board approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.
- (i) Hiring Practices** - The Audit Committee shall review and approve guidelines regarding the hiring of employees or former employees of the external auditors.

#### 4.4 Internal Controls

- (a) General** - The Audit Committee shall monitor the system of internal control.
- (b) Establishment, Review and Approval** - The Audit Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the external auditors:

  - (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions.
  - (ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
  - (iii) any material issues raised by any inquiry or investigation by the Company's regulators;

- (iv) any related significant issues and recommendations of the external auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

**4.5 Whistleblowing Procedures** - The Audit Committee shall review and approve the establishment by management of procedures for the receipt, retention and treatment of complaints received by the Company from employees or others, regarding accounting, internal accounting controls, or auditing matters.

**4.6 Succession Planning** - In consultation with the Board, the Audit Committee shall review succession plans for the Chief Financial Officer of the Company. The Audit Committee shall review candidates for the position of Chief Financial Officer of the Company and make recommendations to the Board with respect to the appointment of a Chief Financial Officer.

**4.7 Adverse Investments and Transactions** - The Audit Committee shall review any investments and transactions that could adversely affect the well-being of the Company.

**4.8 Audit Committee Disclosure** - The Audit Committee shall review and approve any audit committee disclosures required by securities regulators in the Company's disclosure documents.

**4.9 Assessment of Regulatory Compliance** - The Audit Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report its findings to the Board and recommend changes it considers appropriate.

**4.10 Delegation** - The Audit Committee may designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

## **5. REPORTING TO THE BOARD**

**5.1** The Chair shall report to the Board, as required by applicable law or as deemed necessary by the Audit Committee or as requested by the Board, on matters arising at Audit Committee meetings and, where applicable, shall present the Audit Committee's recommendation to the Board for its approval.

## **6. CURRENCY OF THE AUDIT COMMITTEE MANDATE**

**6.1** This Audit Committee Charter was first approved by the Board on April 22, 2005.