



## INFORMATION CIRCULAR

### FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 27, 2019

This information is given as of February 12, 2019 (the “Record Date”) unless otherwise noted.

#### PERSONS MAKING THE SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of DEFIANCE SILVER CORP. (the “Company”) for use at the Annual General Meeting (the “Meeting”) of the shareholders of the Company, to be held on **Wednesday, March 27, 2019**, at the time and location and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof.

Except as noted below, the Company has distributed or made available for distribution, copies of the Notice, this Information Circular and form of proxy or voting instruction form (“VIF”) (if applicable) (the “Meeting Materials”) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “Intermediaries”) for distribution to Beneficial Shareholders (as defined below) whose common shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Company is sending proxy-related materials directly to NOBOs (as defined below), through the services of its transfer agent and registrar, TSX Trust Company. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Company if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Company will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Company is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered shareholders or Beneficial Shareholders.

#### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Company. **A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for such shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Company’s transfer agent and registrar, TSX Trust Company, Suite 301 - 100 Adelaide Street West, Toronto, Ontario, M5H 4H1, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment thereof, or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered shareholder or his, her or its attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the shareholder or by such shareholder’s attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

- (i) at the registered office, Suite 704 – 595 Howe Street, Vancouver, BC, V6C 2T5, at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, any reconvening thereof; or
  - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

### **EXERCISE OF DISCRETION BY PROXIES**

The persons named in the accompanying form of proxy will vote the common shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. The common shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted on, the common shares will be voted accordingly. **In the absence of such direction, where the management nominees are appointed as proxyholder, such common shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Information Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Company should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of common shares, or non-objecting beneficial owners (“NOBOs”) whose names has been provided to the Company’s registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of shareholders who do not hold their common shares in their own name (referred to in this section as “Beneficial Shareholders”). If common shares are listed in an account statement provided to a shareholder by an Intermediary, then in almost all cases those common shares will not be registered in such shareholder’s name on the records of the Company. Such common shares will more likely be registered under the name of the shareholder’s Intermediary or an agent of that Intermediary. In Canada, the vast majority of such common shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting common shares for their clients.

Applicable regulatory policy requires Intermediaries 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, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Company to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Services Inc. (“Broadridge”). Broadridge typically mails the VIFs or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the VIFs or proxy forms to Broadridge. 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. A Beneficial Shareholder receiving a proxy or VIF from Broadridge cannot use that proxy to vote common shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the common shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their common shares in that capacity.

Should a NOBO wish to attend and vote at the Meeting in person, the NOBO must insert his or her name (or the name of the person that the NOBO wants to attend and vote on the NOBO's behalf) in the space provided on the VIF and return it to the Company or its transfer agent. If the Company receives a written request that the NOBO or its nominee be appointed as proxyholder, if management is holding a proxy with respect to common shares beneficially owned by such NOBO, the Company will arrange, without expense to the NOBO, to appoint the NOBO or its nominee as proxyholder in respect of those common shares. Under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators ("NI 54-101"), unless corporate law does not allow it, if the NOBO or its nominee is appointed as proxyholder by the Company in this manner, the NOBO or its nominee, as applicable, must be given the authority to attend, vote and otherwise act for and on behalf of management in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. If the Company receives such instructions at least one business day before the deadline for submission of proxies, it is required to deposit the proxy within that deadline, in order to appoint the NOBO or its nominee as proxyholder. **If a NOBO requests that the NOBO or its nominee be appointed as proxyholder, the NOBO or its appointed nominee, as applicable, will need to attend the meeting in person in order for the NOBOs vote to be counted.**

**NOBOs that wish to change their vote must in sufficient time in advance of the Meeting contact their Intermediary to arrange to change their vote. NOBOs should carefully follow the instructions of their Intermediaries, including those regarding when and where to complete the VIF's that are to be returned to their Intermediaries.**

Should an objecting beneficial owner (an "OBO") wish to attend and vote at the Meeting in person, the OBO should insert his or her name (or the name of the person the OBO wants to attend and vote on the OBO's behalf) in the space provided for that purpose on the request for voting instructions form and return it to the OBO's Intermediary or send the Intermediary another written request that the OBO or its nominee be appointed as proxyholder. The Intermediary is required under NI 54-101 to arrange, without expense to the OBO, to appoint the OBO or its nominee as proxyholder in respect of the OBO's common shares. Under NI 54-101, unless corporate law does not allow it, if the Intermediary makes an appointment in this manner, the OBO or its nominee, as applicable, must be given authority to attend, vote and otherwise act for and on behalf of the Intermediary (who is the registered shareholder) in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. An Intermediary who receives such instructions at least one business day before the deadline for submission of proxies is required to deposit the proxy within that deadline, in order to appoint the OBO or its nominee as proxyholder. **If an OBO requests that an Intermediary appoint the OBO or its nominee as proxyholder, the OBO or its appointed nominee, as applicable, will need to attend the meeting in person in order for the OBOs vote to be counted.**

**OBOs should carefully follow the instructions of their Intermediary, including those regarding when and where the completed request for voting instructions is to be delivered. Only registered shareholders have the right to revoke a proxy. OBOs who wish to change their vote must in sufficient time in advance of the Meeting, arrange for their respective intermediaries to change their vote and if necessary revoke their proxy in accordance with the revocation procedures set out above.**

Shareholders with questions respecting the voting of shares held through an Intermediary should contact that Intermediary for assistance.

All references to shareholders in this Information Circular and the accompanying form of proxy and Notice are to shareholders of record unless specifically stated otherwise.

## **NOTE TO NON-OBJECTING BENEFICIAL OWNERS**

The Meeting Materials are being sent to both registered and NOBOs. If you are a NOBO, and the Company or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of common shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Company (and not the Intermediary holding 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.

### **United States Shareholders**

This solicitation of proxies involves securities of a corporation located in Canada and is being affected in accordance with the corporate and securities laws of the province of British Columbia, 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. Shareholders should be aware that disclosure and proxy solicitation requirements under the securities laws of British Columbia, Canada differ from the disclosure and proxy solicitation 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 incorporated under the *Business Corporations Act* (British Columbia), some of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign corporation 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 corporation and its officers and directors to subject themselves to a judgment by a United States court.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Company consists of an unlimited number of common shares without par value. As at the Record Date, 118,773,340 common shares were issued and outstanding.

The Company has fixed the close of business on the Record Date for the purposes of determining shareholders entitled to receive the Notice and vote at the Meeting. At a general meeting of the Company, on a show of hands, every shareholder present in person shall have one vote and, on a poll, every shareholder shall have one vote for each common share of which he, she or it is the holder. The Company has no other classes of voting securities.

In accordance with the provisions of the *Business Corporations Act* (British Columbia), the Company will prepare a list of the holders of common shares on the Record Date. Each holder of common shares named on the list will be entitled to vote the common shares shown opposite his, her or its name on the list at the Meeting.

To the knowledge of the directors and senior officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company except for Windermere Capital (Canada) Inc. (“Windermere”), of the Cayman Islands. Windermere holds, through segregated portfolios and directly, an aggregate of 45,950,000 common shares or 38.69% of the current issued and outstanding shares of the Company.

The above information was provided by management of the Company and the Company’s registrar and transfer agent as of the Record Date.

## **VOTES NECESSARY TO PASS RESOLUTIONS**

Under the Company’s Articles, the quorum for the transaction of business at a meeting of shareholders is one person who is, or who represents by proxy, one or more shareholders who, in the aggregate, hold at least 5% of the issued common shares entitled to be voted at the Meeting. A simple majority of the votes cast in respect of a motion is

required to pass an ordinary resolution. A majority of two-thirds of the votes cast in respect of a motion is required to pass a special resolution. There are no special resolutions proposed at this Meeting.

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

Other than as disclosed elsewhere in this Information Circular, none of the current directors or executive officers, no proposed nominee for election as a director, none of the persons who have been directors or executive officers since the commencement of the last completed financial year and no associate or affiliate of any of the foregoing persons 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, save and except for those matters pertaining to the election of directors and the Company's stock option plan (the "Option Plan").

### **STATEMENT OF EXECUTIVE COMPENSATION**

For the purpose of this Information Circular:

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

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

"Named Executive Officer" or "NEO" means:

- (a) a CEO;
- (b) a CFO;
- (c) the Company's most highly compensated executive officers, including any of the Company's subsidiaries, or the most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(5) of Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity at the end of the most recently completed financial year.

During the financial year ended June 30, 2018, the Company had four Named Executive Officers, namely

- Peter J. Hawley (CEO since February 15, 2018),
- Roy Bonnell (CEO from August 1, 2017 to December 31, 2017),
- W. D. Bruce Winfield (CEO from June 6, 2011 to July 26, 2017) and
- Michael W. Kinley (CFO from November 23, 2015 to December 31, 2018).

*All dollar amounts referenced herein are Canadian Dollars unless otherwise specified.*

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

The Company has a Compensation Committee comprising of Randy Smallwood (Chair), Darrell Rader and Ronald Sowerby.

The Compensation Committee is responsible for assisting the board of directors (the Board") in monitoring, reviewing and approving compensation policies and practices of the Company and its subsidiaries and administering the Option Plan. With regard to the CEO, the Compensation Committee is responsible for reviewing and approving corporate

goals and objectives relevant to the CEO's compensation, evaluating the CEO's performance in light of those goals and objectives and making recommendations to the Board with respect to the CEO's compensation level based on this evaluation. In consultation with the CEO, the Compensation Committee makes recommendations to the Board on the framework of executive remuneration and its cost and on specific remuneration packages for each of the directors and officers other than the CEO, including recommendations regarding awards under equity compensation plans.

The Compensation Committee has the authority to engage and compensate, at the expense of the Company, any outside advisor that it determines to be necessary to permit it to carry out its duties (including compensation consultants and advisers), but it did not retain any such outside consultants or advisers during the financial year ended June 30, 2018.

### *General Compensation Strategy*

The Company's compensation philosophy for executive officers follows three underlying principles:

- (a) to provide compensation packages that encourage and motivate performance;
- (b) to be competitive with other companies of similar size and scope of operations so as to attract and retain talented executives; and
- (c) to align the interests of its executive officers with the long-term interests of the Company and its shareholders through stock related programs.

When determining compensation policies and individual compensation levels for the Company's executive officers, the Company takes into consideration a variety of factors, including the overall financial and operating performance of the Company, and the Board's overall assessment of:

- (a) each executive officer's
  - (i) individual performance and contribution towards meeting corporate objectives,
  - (ii) level of responsibility,
  - (iii) length of service; and
- (b) industry comparables.

In keeping with the Company's philosophy to link senior executive compensation to corporate performance and to motivate senior executives to achieve exceptional levels of performance, the Company has adopted a model that includes both base salary or consulting fees and "at-risk" compensation, comprised of participation in the Option Plan. In addition, the Company may award performance bonuses based on executives meeting short and long term performance milestones.

### Base Salary - Fees

Base salary and consulting fee levels reflect the fixed component of pay that compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives. Base salaries are reviewed annually to ensure that they reflect each respective executive's performance and experience in fulfilling his or her role and to ensure executive retention. Currently base salaries and consulting fees are set at below industry standard levels to make more capital available for development of the Company's business. Compensation is made up with the provision of stock options (see below for description). Salary and consulting fee levels will be reviewed and revised as the Company grows.

## Stock Options

Performance-based incentives are granted by way of stock options. The awards are intended to align executive interests with those of shareholders by tying compensation to share performance and to assist in retention through vesting provisions.

In determining the terms of stock options to be granted to the executive officers and directors, the Board takes into account the terms of stock options, if any, previously granted to each executive officer and director and ensures that such grants are in accordance with the policies of the TSX Venture Exchange (the “TSXV”) and the Option Plan.

The terms of stock options granted to officers and directors is also dependent on each officer’s and director’s level of responsibility, authority and importance to the Company and to the degree to which such officer’s or director’s long term contribution to the Company will be key to its long term success.

In monitoring or adjusting the option allotments, the Board takes into account its own observations on individual performance (where possible), its assessment of individual contribution to shareholder value and previous option grants. The scale of option grants is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board will make these determinations subject to and in accordance with the provisions of the Option Plan.

See “Stock Options and Other Compensation Securities” below for details of the stock options granted to the Named Executive Officers for the financial year ended June 30, 2018.

## **Director and Named Executive Officer Compensation**

The following table (presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* of the Canadian Securities Administrators) sets forth all annual and long term compensation for services paid to or earned by each NEO and director for the two most recently completed financial years ended June 30, 2018, 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 (\$)
<b>Peter J. Hawley</b> <sup>1</sup> <i>President, CEO and Director</i>	2018	15,000	nil	nil	nil	nil	15,000
	2017	nil	nil	nil	nil	nil	nil
<b>Darrell A. Rader</b> <i>Director</i>	2018	nil	nil	nil	nil	42,500 <sup>2</sup>	42,500 <sup>2</sup>
	2017	nil	nil	nil	nil	30,000 <sup>2</sup>	30,000 <sup>2</sup>
<b>Paul A. Smith</b> <i>Director</i>	2018	nil	nil	nil	nil	nil	nil
	2017	nil	nil	nil	nil	nil	nil
<b>Ronald E. Sowerby</b> <i>Director</i>	2018	nil	nil	nil	nil	nil	nil
	2017	nil	nil	nil	nil	nil	nil
<b>W.D. Bruce Winfield</b> <sup>3</sup> <i>Former, CEO, President and Director</i>	2018	nil	nil	nil	nil	60,000 <sup>3</sup>	60,000 <sup>3</sup>
	2017	nil	nil	nil	nil	60,000 <sup>3</sup>	60,000 <sup>3</sup>
<b>George A. Gorzynski</b> <sup>4</sup> <i>Former Director</i>	2018	875	nil	nil	nil	nil	875
	2017	525	nil	nil	nil	nil	525
<b>Roy Bonnell</b> <sup>5</sup> <i>Former CEO and President</i>	2018	62,185	nil	nil	nil	nil	62,185 <sup>5</sup>
	2017	n/a	n/a	n/a	n/a	n/a	n/a

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 (\$)
<b>D. Roger Scammell</b> <sup>6</sup> <i>Former Director</i>	2018	nil	nil	nil	nil	nil	nil
	2017	nil	nil	nil	nil	nil	nil
<b>Michael W. Kinley</b> <sup>7</sup> <i>Former CFO</i>	2018	nil	nil	nil	nil	17,500 <sup>7</sup>	17,500 <sup>7</sup>
	2017	nil	nil	nil	nil	14,000 <sup>7</sup>	14,000 <sup>7</sup>

1. Peter Hawley was appointed as CEO and President on February 15, 2018 and a director on July 14, 2016.
2. Paid to 0872599 B.C. Ltd., a private company controlled by Darrell A. Rader.
3. W.D. Bruce Winfield served as CEO, President and director from June 6, 2011 to July 26, 2017. Paid to Winfield Consulting Ltd., a private company controlled by W.D. Bruce Winfield.
4. George A. Gorzinski served as a director of the Company from March 20, 2012 to December 8, 2017;
5. Roy Bonnell served as CEO and President of the Company from August 1, 2017 to December 31, 2017. Paid to Jemseg Partners S.E.C., a private company controlled by Roy Bonnell.
6. D. Roger Scammell served as a director of the Company from November 3, 2014 to March 4, 2018.
7. Michael W. Kinley served as CFO of the Company from November 23, 2015 to December 31, 2018. Paid to Winslow Associates Management and Communications Inc., a private company controlled by Michael W. Kinley.

### Stock Options and Other Compensation Securities

The following table sets forth all compensation securities granted or issued to each NEO and director by the Company in the financial year ended June 30, 2018 for services provided or to be provided, directly or indirectly, to the Company:

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class (#)	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
<b>Peter J. Hawley</b> <sup>1</sup> <i>President, CEO and Director</i>	Stock Options	135,000	Feb 15/18	0.35	0.335	0.29	Feb 15/23
<b>Darrell A. Rader</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Paul A. Smith</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Ronald E. Sowerby</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>W.D. Bruce Winfield</b> <sup>2</sup> <i>Former, CEO, President and Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a



Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class (#)	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
<b>George A. Gorzynski<sup>3</sup></b> <i>Former Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Roy Bonnell<sup>4</sup></b> <i>Former CEO and President</i>	Stock Options	300,000 <sup>7</sup>	July 26/17	0.31	0.31	0.29	July 26/22
<b>D. Roger Scammell<sup>5</sup></b> <i>Former Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Michael W. Kinley<sup>6</sup></b> <i>Former CFO</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a

1. Peter Hawley was appointed as CEO and President on February 15, 2018 and a director on July 14, 2016.
2. W.D. Bruce Winfield served as CEO, President and director from June 6, 2011 to July 26, 2017.
3. George A. Gorzynski served as a director of the Company from March 20, 2012 to December 8, 2017;
4. Roy Bonnell served as CEO and President of the Company from August 1, 2017 to December 31, 2017.
5. D. Roger Scammell served as a director of the Company from November 3, 2014 to March 4, 2018.
6. Michael W. Kinley served as CFO of the Company from November 23, 2015 to December 31, 2018.
7. Granted to Jemseg Partners S.E.C., a private company controlled by Roy Bonnell.

#### Exercise of Compensation Securities by Directors and NEOs

The following table discloses each exercise by a director or NEO of compensation securities during the financial year ended June 30, 2018:

Name and position	Type of compensation security	Number of underlying securities exercised (#)	Exercise price per security (\$)	Date of Exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
<b>Peter J. Hawley<sup>1</sup></b> <i>President, CEO and Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Darrell A. Rader</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Paul A. Smith</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Ronald E. Sowerby</b> <i>Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a

Name and position	Type of compensation security	Number of underlying securities exercised (#)	Exercise price per security (\$)	Date of Exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
<b>W.D. Bruce Winfield</b> <sup>2</sup> <i>Former, CEO, President and Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>George A. Gorzynski</b> <sup>3</sup> <i>Former Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Roy Bonnell</b> <sup>4</sup> <i>Former CEO and President</i>	Stock Options	100,000	\$0.31	Apr 18, 2018	\$0.42	\$0.11	\$11,000
<b>D. Roger Scammell</b> <sup>5</sup> <i>Former Director</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a
<b>Michael W. Kinley</b> <sup>6</sup> <i>Former CFO</i>	Stock Options	nil	n/a	n/a	n/a	n/a	n/a

1. Peter Hawley was appointed as CEO and President on February 15, 2018 and a director on July 14, 2016.
2. W.D. Bruce Winfield served as CEO, President and director from June 6, 2011 to July 26, 2017.
3. George A. Gorzynski served as a director of the Company from March 20, 2012 to December 8, 2017;
4. Roy Bonnell served as CEO and President of the Company from August 1, 2017 to December 31, 2017.
5. D. Roger Scammell served as a director of the Company from November 3, 2014 to March 4, 2018.
6. Michael W. Kinley served as CFO of the Company from November 23, 2015 to December 31, 2018.

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

The only stock option plan or other incentive plan the Company has is a 10% “rolling” stock option plan (the “Option Plan”), which authorizes the Board to grant options to directors, officers, employees and consultants to collectively acquire up to 10% of the issued and outstanding common shares of the Company, from time to time. The underlying purpose of the Option Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Option Plan.

The Option Plan was accepted for filing by the TSXV subsequent to its initial adoption and has been subsequently accepted following each yearly re-approval by the shareholders, as required under the policies of the TSXV. For details of the Option Plan, see “Particulars of Matters to be Acted Upon – Annual Approval of Stock Option Plan” below. The Company has no other form of compensation plan under which equity securities of the Company are authorized for issuance to employees or non-employees in exchange for consideration in the form of goods and services.

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

The material terms of each agreement or arrangement under which compensation was provided during the most recently completed financial year ended June 30, 2018 or is payable in respect of services provided to the Company or any of its subsidiaries that were: (a) performed by a director or NEO; or (b) performed by any other party but are services typically provided by a director or NEO are as follows:

*Darrell A. Rader*, a director of the Company, under a consulting contract which specifies:

- A consulting fee of \$2,500 per month, increased to \$5,000 per month effective January 2018.

- A term of one year which can be extended by mutual agreement by both parties.
- Termination by the Company of the contract at any time without cause by providing eight weeks written notice, or pay in lieu, at the Company's discretion.
- In the event of a change of control, the Company has 60 days to elect to have the contractor's contract terminated upon which the Company shall pay the amount of \$60,000.

*W.D. Bruce Winfield*, as President and CEO of the Company to July 26, 2017, and subsequently as a consultant under an agreement dated April 1, 2017 which specifies:

- A consulting fee of \$5,000 per month.
- Initial term of four months thereafter renewable on a monthly basis.
- Severance fee of two months consulting fee.

*Michael W. Kinley*, as CFO under an agreement dated November 23, 2015 which specifies:

- A consulting fee of \$3,500 per quarter.
- Terminated on December 31, 2018.

*Roy Bonnell*, as President and CFO of the Company under a contract dated August 1, 2017 to December 31, 2017 which specifies:

- A fixed one year term that can be renewed by mutual agreement of both parties.
- A consulting fee of \$10,000 per month.
- An initial grant of options plus annual bonus and option grant based on performance.
- A 90 day notice period for termination.

*Peter J. Hawley*, as President and CEO since February 15, 2018 under an agreement dated May 15, 2018 which specifies:

- A consulting fee of \$10,000 per month.
- May be terminated on reasonable notice by either party.

There are no other agreements or arrangements containing provisions with respect to change of control, severance, termination or constructive dismissal.

#### **Pension disclosure**

The Company does not provide any form of pension to any of its directors or Named Executive Officers.

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

The following table provides information regarding the number of common shares to be issued upon the exercise of outstanding options and the weighted-average exercise price of the outstanding options in connection with the Option Plan as at June 30, 2018:

<b>Plan Category</b>	<b>Number of Common Shares to be issued upon exercise of outstanding options #</b>	<b>Weighted-average exercise price of outstanding options \$</b>	<b>Number of Common Shares remaining available for future issuance under equity compensation plans<sup>1</sup> #</b>
Equity compensation plans approved by security holders	3,585,000	0.20	6,750,182
Equity compensation plans not approved by security holders	n/a	n/a	n/a
<b>Total</b>	3,585,000	0.20	6,750,182

1. Based on the total number of shares authorized for issuance under the Option Plan, less the number of stock options outstanding, as at June 30, 2018.

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

At no time during the last completed financial year was any current director, executive officer or employee or any former director, executive officer or employee of the Company, or any proposed nominee for election as a director of the Company:

- (a) indebted to the Company; or
- (b) indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company,

other than routine indebtedness.

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

The term “informed person” as defined in National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators means a director or executive officer of the Company, or any person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over voting securities of the Company carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company, other than voting securities held by the person or company as underwriter in the course of a distribution.

To the knowledge of management of the Company, no informed person or nominee for election as a director of the Company, or any associate or affiliate of an informed person or proposed director, has or had any material interest, direct or indirect, in any transaction or in any proposed transaction during the last financial year ended June 30, 2018 which has materially affected or will materially affect the Company or any of its subsidiaries, other than as set out below.

#### ***Non-Brokered Private Placements***

On September 19, 2017, the Company completed a non-brokered private placement of 5,750,001 units at a price of \$0.30 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share for \$0.45 until September 19, 2019. The following informed persons participated in the private placement upon terms and conditions identical to those upon which arm’s length third parties participated:

<b>Name of Informed Person</b>	<b>Units Purchased</b>	<b>Subscription Proceeds</b>
Ronald Sowerby	100,000	\$30,000
Kesa Capital Corp. (Darrell Rader)	35,000	\$10,500
Paul Smith	175,000	\$52,500
Windermere Capital Fund SPC/Navigator SP – Portfolio Manager (over 10% shareholder)	700,000	\$210,000
Roy Bonnell	80,000	\$30,000

#### ***Bonus Warrants***

Subsequent to June 30, 2018, the Company issued bonus warrants to Windermere Capital Fund SPC/Navigator SP (Portfolio Manager) as follows:

1. 1,618,500 bonus warrants in consideration of an additional \$420,810 loan advanced to the Company. Each warrant is exercisable into one common share of the Company at a price of \$0.26 until September 17, 2019.
2. 2,346,790 bonus warrants in consideration of an additional \$422,422 loan advanced to the Company. Each warrant is exercisable into one common share of the Company at a price of \$0.18 until December 21, 2019.

### **AUDIT COMMITTEE**

Pursuant to the *Business Corporations Act* (British Columbia), the Company is required to have an Audit Committee comprised of at least three directors, the majority of which must not be officers or employees of the Company.

The Company must also, pursuant to the provisions of National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (“NI 52-110”), have a written charter, which sets out the duties and responsibilities of its audit committee. In providing the following disclosure, the Company is relying on the exemption provided under NI 52-110, which allows for the short form disclosure of the audit committee procedures of venture issuers.

#### **Audit Committee’s Charter**

##### *Mandate*

The primary function of the audit committee (the “Committee”) is to assist in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting, and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company’s financial reporting and internal control systems and review the Company’s financial statements;
- review and appraise the performance of the Company’s external auditors; and
- provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board.

##### *Composition*

The Committee shall be comprised of such directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee. At least one member of the Committee should have accounting or related financial management expertise. All members of the Committee that are not financially literate must work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements. The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting.

##### *Meetings*

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Executive Officer and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

#### Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim filings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
- (c) Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;
  - (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

### Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

### Other

Review any related-party transactions.

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

The following are the members of the Committee and whether they are executive officers, employees, control persons "independent" or "financially literate":

<b>Name of Member</b>	<b>Independent <sup>(1)</sup></b>	<b>Financially Literate <sup>(2)</sup></b>
Ronald E. Sowerby (Chair)	Independent	Financially literate
Darrell A. Rader	Not Independent	Financially literate
Paul A. Smith	Independent	Financially literate

1. To be considered independent, a member of the Committee must not have any direct or indirect "material relationship" with the Company. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgement, including being or having been in the last three years an employee or full-time executive officer of the Company. Under NI 52-110, a part-time executive officer is deemed to be independent. In addition to the requirements of NI 52-110, the *Business Corporations Act* (British Columbia), requires the Audit Committee to have a majority of members who are not officers or employees of the Company or an affiliate of the Company.
2. To be considered financially literate, a member of the Committee must have 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.

## Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

**Ronald E. Sowerby** – Mr. Sowerby (former CFO of the Company) is a Chartered Professional Accountant (CA) and has acted as director, officer and audit committee member of a number of public companies, including Glentel, Inc. (TSX) of which he was a director from 1989 to 2015.

**Darrell A. Rader** – Mr. Rader holds a Bachelor of Business Administration and Finance designation from Simon Fraser University and has acted as a director and audit committee member for a number of public companies. He is currently a director and officer of Minaurum Gold Inc. (TSXV).

**Paul A. Smith** – Mr. Smith obtained an MA in Metallurgy and the Science of Materials from Oxford University in August 1979. He has spent most of his career working in the non-ferrous mining and smelting industry. He was a founding shareholder and Finance Director of Ocean Partners Holdings Limited, a global trader of copper, zinc and lead raw materials until May 2012. Mr. Smith's business knowledge and experience has provided him with an understanding of financial reporting sufficient to enable him to discharge his duties as a member of the Audit Committee.

## Audit Committee Oversight

At no time since the commencement of the Company's most recent completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

## Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

## Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

## External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees <sup>1</sup>	Tax Fees <sup>2</sup>	All Other Fees <sup>3</sup>
2018	\$27,846	nil	nil	nil
2017	\$23,970	nil	nil	nil

1. Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
2. Fees charged for tax compliance, tax advice and tax planning services.
3. Fees for services other than disclosed in any other column.



## CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. National Policy 58-201 *Corporate Governance Guidelines* of the Canadian Securities Administrators establishes corporate governance guidelines which apply to all public companies. These guidelines are not intended to be prescriptive but to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators (“NI 58-101”) the Company is required to disclose its corporate governance practices, as summarized below. The Board will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

### Board of Directors

The Board is currently composed of five directors, namely Peter Hawley, Darrell Rader, Paul Smith, Randy Smallwood and Ronald Sowerby. All of them will be standing for re-election as a director of the Company and a sixth person, Dunham Craig, will be nominated for election.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NP 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. All of the current and proposed members of the Board are considered “independent” within the meaning of NI 52-110, except for Peter J. Hawley and Darrell Rader. Mr. Hawley is not considered to be independent as he is the President and CEO of the Company, and therefore a member of management. Darrell Rader is compensated for providing consulting services to the Company. The independent directors will exercise their responsibility for independent oversight of management.

Board consideration and approval is required for all material contracts, business transactions and all debt and equity financing proposals. The Board delegates to management, through the CEO, responsibility for meeting defined corporate objectives, evaluating new business opportunities and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives.

The directors believe that, at this early stage of the Company’s development, the current composition of the Board adequately facilitates its exercise of independent supervision over management. The Board anticipates that as the Company matures as a business enterprise, it will identify additional qualified candidates that have experience relevant to the Company’s needs, who are independent of management applying the guidelines contained in applicable legislation.

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company’s internal control and management information systems and for the Company’s policies respecting corporate disclosure and communications.

Each member of the Board understands that he is entitled, at the cost of the Company, to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances. No director found it necessary to do so during the financial year ended June 30, 2018.

## Directorships

Certain of the Company's current and proposed directors are also directors of other reporting (public) companies, as follows:

Name	Other Reporting Issuer(s)	Exchange or Market
Peter J. Hawley	Americas Silver Corp. Scorpio Gold Corporation Fabled Copper and Gold Ltd.	TSX TSXV TSXV
Darrell A. Rader	Minaurum Gold Inc.	TSXV
Paul A. Smith	Megastar Development Corp.	TSXV
Randy V. J. Smallwood	Wheaton Precious Metals Corp.	TSX and NYSE
Ronald E. Sowerby	None	-
Dunham L. Craig	None	-

## Orientation and Continuing Education

New directors are briefed on the Company's overall strategic plans, short, medium and long term corporate objectives, financials status, general business risks and mitigation strategies, and existing company policies. There is no formal orientation for new members of the Board. This is considered to be appropriate, given the Company's size and current level of operations, the ongoing interaction amongst the directors and the low director turn-over. However, if the growth of the Company's operations warrants it, it is possible that a formal orientation process would be implemented.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies, particularly in the natural resource sector. Board members are encouraged to communicate with management and auditors to keep themselves current with industry trends and developments and changes in legislation, with management's assistance. The directors are advised that, if a director believes that it would be appropriate to attend any continuing education event for corporate directors, the Company will pay for the cost thereof. Board members have full access to the Company's records. Reference is made to the table under the heading "Election of Directors" for a description of the current principal occupations of the members of the Board.

## Ethical Business Conduct

The Board has not adopted a written Code of Ethical Conduct for its directors, officers and employees at this time. The Board monitors the ethical conduct of the Company and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates in the best interests of the Company and its shareholders.

In addition, some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities. As such, the Board must comply with the conflict of interest provisions of the *Business Corporations Act* (British Columbia), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

## **Nomination of Directors**

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required and a willingness to serve. As the Company progresses as a business enterprise, the Board will consider its size on an annual basis when it considers the number of directors to recommend to shareholders for election at annual general meetings, taking into account the number required to carry out the Board's duties effectively and to maintain diversity of view and experience.

## **Compensation**

The directors decide as a Board the compensation for the Company's officers, based on industry standards and the Company's financial situation. The directors currently do not receive any remuneration for their acting in such capacity.

## **Board Committees**

The Company has established two committees, presently being the Audit Committee and a Compensation Committee. All Board decisions are made by full board of director meetings or consent resolutions.

## **Assessments**

Neither the Company nor the Board has determined formal means or methods to regularly assess the Board, its committees or the individual directors with respect to their effectiveness and contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director is informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

## **MANAGEMENT CONTRACTS**

Management functions of the Company are generally performed by directors and senior officers of the Company and not, to any substantial degree, by any other person to whom the Company has contracted.

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

### **A. Setting the Number of Directors**

#### *Board Size*

The Board of Directors of the Company (the "Board") presently consists of five directors. It is proposed to set the number of directors for the following year at six. This requires the approval of the shareholders by an ordinary resolution, which approval will be sought at the Meeting.

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.

#### *Director Term Limits*

The directors of the Company are elected annually. The Company's management proposes to nominate the persons named in the following table for election to the Board. Each director elected will hold office until the next Annual General Meeting or the director resigns, the director's office is otherwise vacated in accordance with the Company's Articles or the director becomes disqualified to act as a director.

## B. Election of Directors

Although Management is only nominating six individuals to stand for election, the names of further nominees for directors may come from the floor at the Meeting.

Management proposes to nominate the persons listed below for election as directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by Management will be voted for the nominees listed in this Information Circular. **Management does not contemplate that any of the nominees will be unable to serve as a director.**

The following table sets out the names of the persons to be nominated for election as directors, the positions and offices which they presently hold with the Company, their respective principal occupations or employments during the past five years if such nominee is not presently an elected director and the number of shares of the Company which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Information Circular:

<b>Name, Province/State and Country of Residence and Other Positions, if any, held with the Company</b>	<b>Date First Became a Director</b>	<b>Principal Occupation</b>	<b>Number of Shares<sup>1</sup></b>
<b>Peter J. Hawley</b> Quebec, Canada <i>President, CEO and Director</i>	July 14, 2016	President and CEO of the Company since February 15, 2018; Chairman of Scorpio Gold Corporation.	-
<b>Darrell A. Rader<sup>2,3</sup></b> British Columbia, Canada <i>Director</i>	July 19, 2007	CEO, President and director of Minaurum Gold Inc. (TSXV).	2,453,550 <sup>4</sup>
<b>Randy V. J. Smallwood<sup>3</sup></b> British Columbia, Canada <i>Director</i>	December 31, 2018	President and CEO of Wheaton Precious Metals Corp. (TSX and NYSE)	488,251
<b>Paul A. Smith<sup>2</sup></b> Bristol, United Kingdom <i>Director</i>	November 4, 2014	Self-employed consultant. Founding shareholder and Finance Director of Ocean Partners Holdings Limited (July 1996 to May 2012), a global trader of copper, zinc and lead concentrates.	1,150,000
<b>Ronald E. Sowerby<sup>2,3</sup></b> British Columbia, Canada <i>Director</i>	December 10, 2012	Chief Financial Officer of the Company from July 31, 2007 until October 26, 2012. Secretary for the Company from July 20, 2009 until October 26, 2012.	1,903,751
<b>Dunham L. Craig</b> British Columbia, Canada	Nominee	President, CEO and director of ValOro Resources Inc. from 2006 to December 31, 2018.	272,377

- Information as to voting shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- Member of Audit Committee.
- Member of Compensation Committee.
- Of these shares, 1,653,050 are registered in the name of Kesa Capital Corp., a private company controlled by Darrell Rader.

No proposed director is being elected under any arrangement or understanding between the proposed director and any other person or company.

***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

Except as disclosed herein, no proposed director is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes hereof, the term “order” means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for more than 30 consecutive days.

No proposed director:

- (a) is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while such person was acting in such capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets; or
- (b) has, within 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 has a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Except as disclosed herein, no proposed director has been subject to:

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

**C. Appointment of Auditors**

Management proposes to nominate Davidson & Company LLP, Chartered Professional Accountants, for re-election as the Company’s auditors for the ensuing year. Accordingly, unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the re-appointment of Davidson & Company LLP as auditors of the Company for the financial year ending June 30, 2019 and to authorize the directors to fix the auditors’ remuneration.

## **D. Annual Approval of Stock Option Plan**

### ***Background***

The Option Plan is a “rolling” stock option plan whereby the Company is authorized to grant stock options to purchase that number of shares equal up to 10% of its issued and outstanding shares, from time to time (calculated at the time of any particular grant). The TSXV requires listed companies who have “rolling” stock option plans in place to receive shareholder approval to such plan on a yearly basis at the Company’s annual general meeting. Accordingly, the Board wishes to ratify and approve the Option Plan at the Meeting.

The Option Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Option Plan is administered by the Board and provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

### ***Material Terms of the Stock Option Plan***

The Option Plan provides that the terms of the options and the option price may be fixed by the Board subject to the price restrictions and other requirements of the TSXV. The Option Plan also provides that no option may be granted to any person except upon the recommendation of the Board, and only directors, officers, employees, consultants and other key personnel of the Company or any subsidiary may receive options. Options granted under the Option Plan may not be exercisable for a period longer than ten years and the exercise price must be paid in full upon exercise of the option.

The Option Plan is subject to the additional following restrictions:

- (a) the Company shall not grant options to any one person in any 12 month period which could, when exercised, result in the issuance of common shares exceeding 5% of the issued and outstanding common shares of the Company;
- (b) the Company shall not grant options to any one consultant in any 12 month period which could, when exercised, result in the issuance of common shares exceeding 2% of the issued and outstanding common shares of the Company;
- (c) the Company shall not grant options in any 12 month period, to persons employed or engaged by the Company to perform investor relations activities which could, when exercised, result in the issuance of common shares exceeding, in the aggregate, 2% of the issued and outstanding common shares of the Company;
- (d) if any option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares in respect of which the option expired or terminated shall again be available for the purposes of the Option Plan;
- (e) if an option holder dies, any vested option held by him or her at the date of death will become exercisable by the optionee’s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such optionee and the date of expiration of the term otherwise applicable to such option;
- (f) if an option holder ceases to be a director, officer or employed by or provide services to the Company, other than by reason of death, the options granted will expire on the 90th day following the date the option holder ceases to be affiliated with the Company, subject to any regulatory requirements;
- (g) all options granted to consultants performing investor relations activities will vest in stages over 12 months with no more than one-quarter of the options vesting in any three month period; and
- (h) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Option Plan with respect to all common shares under the Option Plan in respect of options which have not yet been granted under the Option Plan, subject to regulatory approval.

A four month hold period (commencing on the date the stock options are granted) is required for options granted to insiders of the Company or granted at any discount to the Market Price (as defined in TSXV Policy 1.1). Notice of options granted under the Option Plan must be given to the TSXV at the end of each calendar month in which stock options are granted. Any amendments to the Option Plan must also be approved by the TSXV and, if necessary, by the shareholders of the Company prior to becoming effective.

A copy of the Option Plan may be inspected at the Company's offices until the business day immediately preceding the date of the Meeting.

### *Outstanding Options*

As at the Record Date, the Company has options outstanding under the Option Plan to purchase 4,756,011 common shares, representing 40% of the shares available for option, and 4.0% of the issued common shares, as at that date. Accordingly, options on 7,121,323 shares remain available for grant under the Option Plan.

### *Annual Shareholder Approval of the Stock Option Plan*

Shareholders will be asked at the Meeting to consider and, if thought fit, pass an ordinary resolution in substantially the following form:

“RESOLVED, as an ordinary resolution, that the Company's Stock Option Plan, as described in the Company's Information Circular dated February 19, 2019, and the grant of options thereunder in accordance therewith, be approved.”

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

Disinterested shareholder approval of the foregoing resolution is not required because the Option Plan cannot result at any time in: (i) the number of common shares reserved for issuance under stock options granted to insiders exceeding 10% of the issued common shares; (ii) the grant to insiders, within a 12 month period, of a number of options exceeding 10% of the issued common shares; or (iii) the issuance to any one optionee, within a 12 month period, of a number of common shares exceeding 5% of the issued common shares.

The Board considers that the ability to grant incentive stock options is an important component of its compensation strategy and is necessary to enable the Company to attract and retain qualified directors, officers, employees and consultants. **The Board therefore recommends that shareholders vote “For” the resolution re-approving the Option Plan.** Unless otherwise instructed, the persons named in the enclosed form of Proxy will vote “IN FAVOUR” of the above resolution. If the Option Plan is not re-approved by the shareholders, existing options will not be affected, but new options granted by the Company will be required to be approved by the shareholders before they can be exercised by the holders thereof.

## **OTHER MATTERS**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting by proxy.

## **ADDITIONAL INFORMATION**

Additional information regarding the Company and its business activities is available on the SEDAR website located at [www.sedar.com](http://www.sedar.com) under “Company Profiles – Defiance Silver Corp.”. The Company's audited financial statements and management discussion and analysis (“MD&A”) for the financial year ended June 30, 2018 are available for review under the Company's profile on SEDAR. Shareholders that wish to receive a copy of the Company's financial statements and MD&A may do so by signing the enclosed financial statement request form and returning it to TSX Trust Company, 301 - 100 Adelaide Street West, Toronto, Ontario M5H 4H1.

**BOARD APPROVAL**

The contents of this Information Circular have been approved and its mailing authorized by the directors of the Company.

**DATED** at Vancouver, British Columbia, this 19<sup>th</sup> day of February, 2019.

ON BEHALF OF THE BOARD

*"Peter J. Hawley"*

Peter J. Hawley  
President and Chief Executive Officer





