

**KOOTENAY ZINC CORP.**

**NOTICE OF ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 16, 2016**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED NOVEMBER 16, 2016**

**KOOTENAY ZINC CORP.**

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**NOTICE OF ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 16, 2016**

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**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the “**Meeting**”) of Shareholders of Kootenay Zinc Corp. (the “**Corporation**”) will be held at Farris Vaughan Wills & Murphy LLP, 25TH Floor 700 West Georgia Street, Vancouver, BC, Canada on Friday, December 16, 2016 at 2:00 p.m. (Vancouver Time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended February 29, 2016, together with the report of the auditors thereon;
2. to fix the number of directors of the Corporation at four (4);
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint the auditors for the ensuing year and to authorize the directors of the Corporation to determine the remuneration to be paid to the auditors;
5. to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution affirming, ratifying and approving the Corporation’s 10% rolling stock option plan, the full form of which is attached as Schedule “B” to the accompanying management information circular (the “**Circular**”); and
6. to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

This notice of Meeting is accompanied by: (a) the Circular; and (b) either a form of proxy for registered Shareholders or a voting instruction form for beneficial Shareholders. **The Circular accompanying this notice of Meeting is incorporated into and shall be deemed to form part of this notice of Meeting.**

The record date for the determination of Shareholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof is November 7, 2016 (the “**Record Date**”). Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of, and to vote, at the Meeting or any adjournments or postponements thereof.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournments or postponements thereof in person are requested to complete, date, sign and return the accompanying form of proxy for use at the Meeting or any adjournments or postponements thereof.** As a shareholder, you can choose from three different ways to vote your shares by proxy: (a) by mail or delivery in the addressed envelope provided or deposited at the offices of Computershare Investor Services Inc. (“**Computershare**”), Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, on behalf of the Corporation, so as to arrive not later than 2:00 p.m. (Vancouver time) on December 14, 2016, or if the Meeting is adjourned, at the latest 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy is to be used; (b) by telephone (toll free) at 1-866-732-VOTE (8683); or (c) on the internet at [www.investorvote.com](http://www.investorvote.com), unless the chair of the Meeting elects to exercise his or her discretion to accept proxies received subsequently.

The above time limit for deposit of proxies may be waived or extended by the chair of the Meeting at his or her discretion without notice.

DATED this 16<sup>th</sup> day of November, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*“David Schmidt”*

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David Schmidt

President and Chief Executive Officer

**KOOTENAY ZINC CORP.  
MANAGEMENT INFORMATION CIRCULAR**

(As at November 16, 2016, except as otherwise indicated)

**SOLICITATION OF PROXIES**

**This management information circular (“Circular”) is provided in connection with the solicitation of proxies by management of Kootenay Zinc Corp. (the “Corporation”) for use at an annual general and special meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Common Shares”) in the capital of the Corporation.** The Meeting will be held on Friday, December 16, 2016 at 2:00 p.m. (Vancouver time) at Farris Vaughan Wills & Murphy LLP, 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, BC, Canada or at such other time or place to which the Meeting may be adjourned, for the purposes set forth in the notice of annual general and special meeting accompanying this Circular (the “Notice”).

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other means of electronic communication. In accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

These securityholder materials are being sent to both registered and non-registered owners of Common Shares. If you are a non-registered owner of Common Shares, and the Corporation or its agent has sent these 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 Common Shares on your behalf.

Accompanying this Circular (and filed with applicable securities regulatory authorities) is a form of proxy for use at the Meeting (a “Proxy”). Each Shareholder who is entitled to attend at meetings of Shareholders is encouraged to participate in the Meeting and all Shareholders are urged to vote on matters to be considered in person or by proxy.

All time references in this Circular are references to Vancouver, British Columbia, Canada time.

**APPOINTMENT AND REVOCATION OF PROXIES**

**Appointment of a Proxy**

**Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper Proxy to Computershare Investor Services Ltd. (the “Transfer Agent”), at 100 University Avenue, 8th Floor, Toronto, ON, M5J 2Y1.**

**The persons named as proxyholders in the Proxy accompanying this Circular are directors or officers of the Corporation, or persons designated by management of the Corporation, and are representatives of the Corporation’s management for the Meeting. A Shareholder who wishes to appoint some other person (who need not be a Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Meeting other than the management nominee designated in the Proxy may do so by either: (i) crossing out the names of the management nominees AND legibly printing the other person’s name in the blank space provided in the accompanying Proxy; or (ii) completing another valid form of proxy. In either case, the completed form of proxy must be delivered to the Transfer Agent, at the place and within the time specified herein for the deposit of proxies.** A Shareholder who appoints a proxy who is someone other than the management representatives named in the Proxy should notify such alternative nominee of the appointment, obtain the nominee’s consent to act as proxy, and provide instructions on how the Common Shares are to be voted. The nominee should bring personal identification to the Meeting. In any case, the Proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the Proxy).

**In order to validly appoint a proxy, Proxies must be received by the Transfer Agent, at 100 University Avenue, 8th Floor, Toronto, ON, M5J 2Y1, at least 48 hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment or postponement thereof.** After such time, the chairman of the Meeting may accept or reject a Proxy delivered to him in his discretion but is under no obligation to accept or reject any particular late Proxy.

## Revoking a Proxy

A Shareholder who has validly given a proxy may revoke it for any matter upon which a vote has not already been cast by the proxyholder appointed therein. In addition to revocation in any other manner permitted by law, a proxy may be revoked with an instrument in writing signed and delivered to either the registered office of the Corporation or the Transfer Agent at 100 University Avenue, 8th Floor, Toronto, ON, M5J 2Y1, at any time up to and including the last business day preceding the date of the Meeting, or any postponement or adjournment thereof at which the proxy is to be used, or deposited with the chairman of such Meeting on the day of the Meeting, or any postponement or adjournment thereof. The document used to revoke a proxy must be in writing and completed and signed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

Also, a Shareholder who has given a proxy may attend the Meeting in person (or where the Shareholder is a corporation, its authorized representative may attend), revoke the proxy (by indicating such intention to the chairman before the proxy is exercised) and vote in person (or withhold from voting).

## Signature on Proxies

The Proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. A Proxy signed by a person acting as attorney or in some other representative capacity should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

## Voting of Proxies

Each Shareholder may instruct his, her or its proxy how to vote his, her or its Common Shares by completing the blanks on the Proxy.

**The Common Shares represented by the enclosed Proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. If a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such direction, such Common Shares will be voted FOR THE RESOLUTIONS DESCRIBED IN THE PROXY AND BELOW.** If any amendment or variation to the matters identified in the Notice is proposed at the Meeting or any adjournment or postponement thereof, or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the accompanying Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxyholder. Unless otherwise stated, the Common Shares represented by a valid Proxy will be voted in favour of the election of nominees set forth in this Circular except where a vacancy among such nominees occurs prior to the Meeting, in which case, such Common Shares may be voted in favour of another nominee in the proxyholder's discretion. As at the date of this Circular, management of the Corporation knows of no such amendments or variations or other matters to come before the Meeting.

## Advice to Beneficial Shareholders

**The information set forth in this section is of significant importance to a substantial number of the Shareholders who do not hold their Common Shares in their own names.** Shareholders who do not hold their Common Shares in their own names (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. **Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. or other brokers/agents are held.** Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person well in advance of the Meeting.

Non-registered holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as “non-objecting beneficial owners (“**NOBOs**”). Those non-registered holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as “objecting beneficial owners” (“**OBOs**”).

The Corporation does not intend to pay for Intermediaries to deliver the Meeting materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary to OBOs. As a result, OBOs will not receive the Meeting materials unless their Intermediary assumes the costs of delivery.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker 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. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically provides a scannable voting instruction form in lieu of the Instrument of Proxy, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Alternatively, Beneficial Shareholders sometimes are provided with a toll-free telephone number or website information to deliver the Beneficial Shareholder’s voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed voting instruction form as directed by Broadridge well in advance of the Meeting.**

**All references to Shareholders in this Circular, the Instrument of Proxy and the Notice are to Shareholders of record unless specifically stated otherwise. Where documents are stated to be available for review or inspection, such items will be made available upon request to registered Shareholders who produce proof of their identity.**

#### NOTICE-AND-ACCESS

The Corporation is not sending the Meeting materials to Shareholders using “notice-and-access”, as defined under NI 54-101—*Communication with Beneficial Owners of Securities of a Reporting Issuer*.

#### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Shareholders of record as of November 7, 2016 (the “**Record Date**”) are entitled to receive notice and attend and vote at the Meeting, either in person or by proxy. As at the date of this Circular, the Corporation had 22,064,294 Common Shares issued and outstanding. Each Common Share entitles the holder to one vote in respect of any matter that may come before the Meeting. The outstanding Common Shares are listed on the Canadian Securities Exchange under the symbol “ZNK”.

To the knowledge of the directors of the Corporation (the “**Directors**”) and executive officers of the Corporation, as of the date of this Circular, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding Common Shares.

#### PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board, the only matters to be brought before the Meeting are set forth in the accompanying Notice. These matters are described in more detail under the headings below.

#### FINANCIAL STATEMENTS AND AUDITORS’ REPORT

Pursuant to the provisions of the *Business Corporations Act* (British Columbia) and of the Corporation’s Articles, the Corporation will submit to the Shareholders at the Meeting the financial statements of the Corporation for the year ended February 29, 2016 and the auditors’ report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken. The Board, upon the recommendation of the Audit Committee of the Corporation, approved the financial statements prior to their disclosure on SEDAR.

## APPOINTMENT OF AUDITORS

The persons named in the enclosed instrument of proxy intend to vote for the re-appointment of **Smythe LLP, Chartered Professional Accountants** as the Corporation's auditors until the next annual general meeting of Shareholders at remuneration to be fixed by the Board. **Smythe LLP, Chartered Professional Accountants** have been the Corporation's auditors since incorporation. At the Meeting, the Shareholders will be asked to vote for the re-appointment of **Smythe LLP, Chartered Professional Accountants** as the auditors of the Corporation, to hold office until the next annual general meeting of the Shareholders, or until their successors are duly appointed, and to authorize the Board to fix their remuneration.

## ELECTION OF DIRECTORS

Each director elected will hold office until the next annual general meeting of the Corporation or until his successor is duly elected or appointed, unless the office is earlier vacated in accordance with the Articles of the Corporation or the *Business Corporations Act* (British Columbia) or he becomes disqualified to act as a director. In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed. Shareholder approval will be sought to fix the number of directors of the Corporation at four (4), subject to such increases as may be permitted by the Corporation's Articles and the *Business Corporations Act* (British Columbia). If before the Meeting any vacancies occur in the slate of nominees listed below, the person named in the Proxy will exercise his or her discretionary authority to vote the shares represented by the Proxy for the election of any other person or persons as directors. Management of the Corporation proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows:

Name and Jurisdiction of Residence	Present Position(s) with the Corporation	Present Principal Occupation and Principal Occupation for the Five Preceding Years <sup>(3)</sup>	Director Since	No. of Common Shares Beneficially Owned, Controlled or Directed <sup>(1)</sup>
<b>Anthony Jackson</b> <sup>(2)</sup> Vancouver, British Columbia, Canada	Chief Financial Officer and Director	Principal of Jackson & Company (a private accounting services company) from 2009 to Present	March 23, 2015	8,333
<b>David Schmidt</b> Vancouver, British Columbia, Canada	Chief Executive Officer and Director	Self Employed Consultant from May 2000 to Present	March 23, 2015	75,000
<b>Hugh Rogers</b> <sup>(2)</sup> Vancouver, British Columbia, Canada	Director	Corporate Finance Consultant - Self Employed; Presently is Vice President, Corporate Finance - 3D Signatures Inc., and CEO and director - Coronado Resources; previously Corporate Counsel - Zimtu Capital Corp.; previously Business Development - Huldra Silver Inc.	September 7, 2016	225,000
<b>Jay Sujir</b> <sup>(2)</sup> Vancouver, British Columbia, Canada	Director	Partner at the law firm of Farris, Vaughan, Wills & Murphy LLP since May 2015; Former partner at the law firm of Anfield Sujir Kennedy & Durno LLP from 1991 to May 2015	September 30, 2016	500,000

- (1) The number of shares held includes shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the proposed nominee.
- (2) Member of the Audit Committee.
- (3) The information as to principal occupation, business or employment and common shares beneficially owned or controlled is not within the knowledge of management of the Corporation and has been furnished by the respective nominees.

## Corporate Cease Trade Orders

Except as described below, to the best of management's knowledge, no proposed director of the Corporation is, or within the ten (10) years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any company that: 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 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.

Jay Sujir was previously a director of Rio Silver Inc. (formerly, Escape Gold Inc., formerly, Escape Group Inc.) ("Rio") which has been subject to cease-trade orders in Alberta and British Columbia for extended periods of time for failure to file financial statements. Mr. Sujir had no association with Rio at the time the financial statements became overdue or when the cease trade orders were made, and he became a director solely to assist in the resurrection of the Corporation.

### **Bankruptcies**

Except as described below, to the best of management's knowledge, no proposed director of the Corporation has, within 10 years before the date of this Circular, been a director or officer of any 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.

Jay Sujir, was an independent director of Norwood Resources Ltd. from May 2008 until January 2011. In the last quarter of 2010, the board of directors of Norwood Resources Ltd. determined that the delays through the last quarter of 2010 had made the Corporation insolvent and believed that the Corporation was not financeable, and determined that the interests of all stakeholders would best be protected by an assignment into bankruptcy. Norwood Resources Ltd. declared bankruptcy on January 19, 2011. Mr. Sujir resigned as a director on January 19, 2011.

### **Penalties and Sanctions**

To the best of management's knowledge, no proposed director of the Corporation 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 security holder in deciding whether to vote for a proposed director.

## **RATIFICATION AND APPROVAL OF STOCK OPTION PLAN**

The Corporation adopted a stock option plan dated November 1, 2016 (the "**Option Plan**") for certain of the Corporation's directors, officers, employees and consultants (collectively, the "**Participants**"), approved by the Board on November 1, 2016. The Option Plan provides that Options may be granted to eligible persons on terms determined within the limitations set out in the Option Plan. The maximum number of common shares to be reserved for issuance at any one time under the Option Plan is 10% of the issued and outstanding common shares of the Corporation. The full form of the Option Plan is set forth at Schedule "B" to this Circular.

Under the terms of the Option Plan, the maximum number of common shares that may be: (i) reserved for issuance to a Participant within any 12 month period shall not exceed 5% of the number of common shares then outstanding unless the Corporation obtains disinterested Shareholder approval; (ii) issued to a consultant during any 12 month period shall not exceed 2% of the number of common shares then outstanding; and (iii) issued to any employee engaged in investor relations activities within any 12 month period must not exceed 2% of the number of shares outstanding. Subject to applicable discount market price rules, if any, of the principal stock exchange which the common shares are then listed (the "**Exchange**"), the exercise price for an option granted under the Option Plan may not be less than the closing price of the common shares on the Exchange on the trading day immediately preceding the date of grant. Options granted may be subject to vesting requirements. Options will be granted for a period which may not exceed ten years from the date of grant but will expire within 60 days of a Participant ceasing to be a director, officer, employee of or consultant to the Corporation in most circumstances. In the case of an employee or consultant engaged by the Corporation primarily for the purpose of providing investor relations services, any Options held by them shall expire on the thirtieth day following the day the employee or consultant ceases to be engaged in such capacity, unless he or she is still engaged as a director or employee of the Corporation in some other capacity. In cases of death, options granted shall be exercisable by the Participant or by the Participant's personal representative within one year of the Participant's death. In certain other cases, including but not limited to, termination for cause of an employee or consultant, or upon receipt of an order from a regulatory authority removing a director, officer, employee or consultant from their position, the options granted to such person expire immediately. No rights under the Option Plan and no option awarded pursuant to the provisions of the Option Plan are assignable or transferable by any Participant. Subject to certain regulatory and Shareholder approvals, the Board may from time to time in its absolute discretion amend, modify and change certain provisions of an option or the Option Plan. The Option Plan is administered by the Board. The Option Plan is subject to the rules and policies of the Exchange. **Unless instructed otherwise, the management designees in the accompanying instrument of proxy intend to vote FOR the resolution to ratify, adopt and approve the Option Plan.**

The purpose of the Option Plan is to allow the Corporation to grant options to directors, officers, employees, and consultants, as additional compensation, and as an opportunity to participate in the success of the Corporation. The granting of such options is intended to align the interests of such persons with that of the Shareholders.

The text of the ordinary resolution regarding this matter is as follows:

“BE IT RESOLVED THAT:

1. the 10% rolling stock option plan (the "**Option Plan**") of the Corporation dated effective November 1, 2016, as described in the management information circular and proxy statement of the Corporation dated November 16, 2016, the full form of which is attached thereto at Schedule “B”, as may be amended by the board of directors as required by applicable securities regulatory authorities or stock exchanges, is hereby ratified, adopted and approved;
2. the form of the Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;
3. the shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
4. any one director or officer of the Corporation is authorized, on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution.”

### **EXECUTIVE COMPENSATION**

Under this heading, the Corporation is including the disclosure required by Form 51-102F6 Statement of Executive Compensation.

For the purposes of this section, named executive officers of the Corporation means the following individuals (the “Named Executive Officers”):

- (a) the Company’s Chief Executive Officer or an individual who acted in a similar capacity for any part of the most recently completed financial year (the “CEO”);
- (b) the Company’s Chief Financial Officer or an individual who acted in a similar capacity for any part of the most recently completed financial year (the “CFO”);
- (c) each of the Company’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation (see “Summary of Compensation”) was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 – Statement of Executive Compensation for that financial year; and
- (d) each individual who would be a Named Executive Officer 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.

As at February 29, 2016, the end of the most recently completed financial year of the Company, the Corporation had two Named Executive Officers, David Schmidt, President and CEO, and Anthony Jackson, CFO.

### **Compensation Discussion and Analysis**

Remuneration plays an important role in helping the Corporation attract, motivate, reward and retain knowledgeable and skilled individuals to its management team. The Corporation does not have a formal compensation policy and relies solely on the board of directors (the “**Board**”) discussion with respect to compensation of its directors and officers. The main objectives the Corporation hopes to achieve through its compensation are:

- to attract and retain executives critical to the Corporation’s success, who will be key in helping the Corporation achieve its corporate objectives and increase shareholder value;



- to motivate the Corporation’s management team to meet or exceed targets;
- to recognize the contribution of the Corporation’s executive officers and directors to the overall success and strategic growth of the Corporation; and
- to align the interests of management and the Corporation’s shareholders.

The Board has not proceeded to a formal evaluation of the implications of the risks associated with the Corporation’s compensation policies and practices. The Board does not believe that the Corporation’s compensation program results in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Corporation. The key elements of the executive compensation program are: (i) fees or salary; and (ii) incentive stock options. The directors are of the view that all elements of the total program should be considered, rather than any single element.

In light of the Corporation’s size and limited elements of executive compensation, the Board does not have a compensation committee and does not deem it necessary to consider at this time the implications of the risks associated with the Corporation’s compensation policies and practices. Also, there are no risks which have been identified in the Corporation’s practices to date which would reasonably be likely to have a material adverse effect on the Corporation.

The Corporation’s Named Executive Officers and directors are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors.

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

The Board believes that eligible persons working with the Corporation as Named Executive Officers, directors, or consultants should have a stake in the Corporation’s future and that their interests should be aligned with the interests of the shareholders. To this end, the Board determines the overall amount of stock option grants and reviews and recommends to the Corporation the allocation of such grants to directors, officers and consultants, primarily based on whose decisions and actions can have the greatest impact on the Corporation’s performance.

These option-based awards are granted under the Option Plan. The Corporation considers previous grants of stock options when considering new grants. Additional factors necessary to understand the information disclosed above include the terms of the Option Plan, the full form of which is attached to this Circular at Schedule “B”.

The Corporation has not at any time granted any share-based awards nor has it provided any awards pursuant to a non-equity incentive plan.

#### Summary Compensation Table

The following table is a summary of compensation paid to the Named Executive Officers for the financial year ended February 29, 2016 (from the date of incorporation of March 23, 2015 to February 29, 2016):

Name and principal position	Year Ended <sup>(1)</sup>	Salary (\$) <sup>(1)</sup>	Share-based awards (\$)	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans <sup>(3)</sup>			
David Schmidt CEO	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Anthony Jackson CFO	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

<sup>(1)</sup> From incorporation on March 23, 2015 to the year ended February 29, 2016.

## Incentive Option-Based Awards for Named Executive Officers

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

There are no outstanding share or option based awards outstanding as at February 29, 2016 nor have any share or option based awards been issued or granted to Named Executive Person since the date of incorporation of the Corporation.

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

There are no outstanding share or option based awards outstanding as at February 29, 2016 nor have any share or option based awards been issued or granted to any Named Executive Person since the date of incorporation of the Corporation.

### Pension Plan Benefits

The Corporation does not provide a defined benefit plan or a defined contribution plan for any of its executive officers, nor does it have a deferred compensation plan for any of its executive officers.

### Termination and Change of Control Benefits

The Corporation has not entered into any plans or arrangements in respect of remuneration received or that may be received by the Named Executive Officers in the Corporation's most recently completed financial year or current financial year in respect of compensating such officers or directors in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control.

Other than as disclosed elsewhere in this Circular, no director of the Corporation who is not a Named Executive Officer has received, during the most recently completed financial year, compensation pursuant to:

- (a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors except for the granting of stock options; or
- (c) any arrangement for the compensation of directors for services as consultants or experts.

## Management Contracts

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

## Compensation of Directors

### *Director Compensation Table*

The following table (presented in accordance with Form 51-102F6) sets forth all amounts of compensation provided to the non-executive directors, other than NEOs, for the financial year ended February 29, 2016.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Sean Charland	Nil	Nil	Nil	Nil	Nil	Nil	Nil
John Walther	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Adam Cegielski	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### *Narrative Discussion*

The Corporation currently does not pay directors who are not employees or officers of the Corporation for attending directors' meetings or for serving on committees. The Corporation has no arrangements, standard or otherwise, pursuant to which directors are compensated by the Corporation for their services as directors, for committee participation, or for involvement in special assignments during the most recently completed financial year. None of the Corporation's directors have received any cash compensation for services provided in their capacity as directors during the Corporation's most recently completed financial year. The Corporation has a stock option plan for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Issuer in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such persons to that of the shareholders.

***Outstanding Share-Based Awards and Option-Based Awards***

The following table (presented in accordance with Form 51-102F6) sets forth for each non-executive director all awards outstanding as at the financial year ended February 29, 2016.

Name	Option-Based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Adam Cegielski	Nil	N/A	N/A	Nil	N/A	N/A	N/A
John Walther	Nil	N/A	N/A	Nil	N/A	N/A	N/A
Sean Charland	Nil	N/A	N/A	Nil	N/A	N/A	N/A

***Outstanding Share-Based Awards and Option-Based Awards***

There are no outstanding share or option based awards outstanding as at February 29, 2016 nor have any share or option based awards been issued or granted to any director since the date of incorporation of the Corporation.

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

There are no outstanding share or option based awards outstanding as at February 29, 2016 nor have any share or option based awards been issued or granted to any director since the date of incorporation of the Corporation.

***Securities Authorized for Issuance under Equity Compensation Plans***

The following table (presented in accordance with Form 51-102F5) sets forth all compensation plans under which equity securities of the Corporation are authorized for issuance as of the end of the financial year ended February 29, 2016.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Plan Category	N/A	N/A	N/A
Equity compensation plans approved by securityholders – (the Option Plan)	N/A	N/A	1,206,450 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	N/A	N/A	N/A

(1) The Option Plan provides that the aggregate number of securities reserved for issuance under the Option Plan may not exceed 10% of the issued and outstanding shares of the Corporation at the time of granting of options. As at the Record Date, there were 22,064,294

Common Shares issued and outstanding and 1,000,000 options to purchase Common Shares outstanding such that a further 1,206,450 options were available to the Corporation to be granted.

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

None of the Directors or officers of the Corporation nor any of their associates or affiliates is now or has been indebted to the Corporation since the commencement of the last completed fiscal year, nor has any indebtedness of any such person been subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

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

No Director or executive officer of the Corporation, nor any proposed nominee for election as a Director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has had, at any time since the commencement of the Corporation's last financial year, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

### **CORPORATE GOVERNANCE DISCLOSURE**

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 Corporation. 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.

National Policy 58-201 – *Corporate Governance Guidelines* establishes corporate governance guidelines which apply to all public companies. The Corporation has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Corporation's practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Corporation at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices, which disclosure is set out below.

#### **Board of Directors**

##### *Independence of Members of Board*

The Board is currently composed of four Directors. The two independent Directors are Jay Sujir and Hugh Rogers. David Schmidt is not independent as he is the President and CEO of the Corporation and Anthony Jackson is not independent as he is CFO and Corporate Secretary of the Corporation.

##### *Management Supervision by Board*

The operations of the Corporation do not support a large Board and the Board has determined that the current constitution of the Board is appropriate for the Corporation's current stage of development. Independent supervision of management is accomplished by choosing management that demonstrates a high level of integrity and ability and strong independent Board members.

*Participation of Directors in other Reporting Issuer*

The following Directors presently hold directorships in other reporting issuers as set out below.

<b>Name</b>	<b>Name of Reporting Issuer</b>
<b>Hugh Rogers</b>	Coronado Resources Ltd.
	MCorpCX, Inc.
<b>Jay Sujir</b>	CB Gold Inc.
	Leagold Mining Corporation
	Excelsior Mining Corp.
	Carlin Gold Corporation
	Libero Mining Corporation
	NEMI Northern Energy & Mining Inc.
	Red Eagle Mining Corporation
	Roughrider Exploration Limited
	Uracan Resources Ltd.
	<b>Anthony Jackson</b>
Altan Rio Minerals Ltd.	
American Potash Corp.	
Tiller Resources Ltd.	
Eyecarrot Innovations Inc.	
Intact Gold Corp.	
Montego Resources Inc.	
Kaneh Bosm Biotechnology Inc.	
Kincora Copper Limited	
SVT Capital Corp.	
Prospector Resources Corp.	
<b>David Schmidt</b>	Eyecarrot Innovations Corp.
	G4G Capital Corp.
	Boss Minerals Corp.

**Orientation and Continuing Education**

While the Corporation does not have formal orientation and training programs, new Board members will be provided with:

- a) Information respecting the functioning of the Board, committees and copies of the Corporation’s corporate governance policies;
- b) Access to recent, publicly filed documents of the Corporation; and
- c) Access to management.

Board members are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management’s assistance; and to attend related industry seminars and visit the Corporation’s operations. Board members have full access to the Corporation’s records.

**Ethical Business Conduct**

The Board views good corporate governance and ethical business conduct as an integral component to the success of the Corporation and to meet responsibilities to its Shareholders. Due to the size of the Corporation and its present level of activity, the Corporation has not adopted a Code of Conduct or taken formal steps to encourage or promote a culture of ethical business conduct.

**Nomination of Directors**

The Board has assumed responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill the perceived need on the Board based on the industry sector the Corporation intends to enter for required skills, expertise, independence and other factors complementing the industry sector pursued.

## Board Committees

The Board currently has no standing committees other than the audit committee (“**Audit Committee**”) of the Board. The Audit Committee is appointed by the Board to assist in monitoring: (i) the integrity of the financial statements of the Corporation; (ii) the compliance by the Corporation with the legal and regulatory requirements; and (iii) the qualification, appointment, independence and performance of the Corporation’s external auditors and senior financial executives.

## Assessments

The Board monitors the adequacy of information given to Directors, the communications between the Board and management and the strategic direction and processes of the Board and its Audit Committee, to satisfy itself that the Board, its Audit Committee and its individual Directors are performing effectively.

## AUDIT COMMITTEE

### Mandate

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

- Serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control system and review the Corporation’s financial statements.
- Review and appraise the performance of the Corporation’s external auditors.
- Provide an open avenue of communication among the Corporation’s auditors, financial and senior management and the Board.

The Audit Committee Charter sets out the responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Board. A copy of the Terms of Reference for the Audit Committee is attached hereto as Schedule “A”.

### Composition of the Audit Committee

The Audit Committee shall be comprised of three Directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

The following are the members of the Audit Committee:

Anthony Jackson	Management	Financially literate <sup>1</sup>
Hugh Rogers	Independent <sup>(1)</sup>	Financially literate <sup>1</sup>
Jay Sujir	Independent <sup>(1)</sup>	Financially literate <sup>1</sup>

<sup>1</sup> As defined by National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

The members of the Audit Committee shall be elected or appointed by the Board at its first Director’s meeting following the Meeting. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

### Relevant education and experience

All members of the Audit Committee have:

- a) an understanding of the accounting principles used the Corporation to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breath and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- c) an understanding of internal controls and procedures for financial reporting.

The relevant education and/or experience of each member of the Audit Committee is as follows:

Mr. Jackson

Mr. Jackson served as a Director and CFO of the Corporation since its inception. Mr. Jackson is a Principal at BridgeMark Financial Corp. providing administration, corporate compliance, and financial reporting activities to public and private companies. Mr. Jackson is also founder of Jackson & Company Chartered Accountants assisting private and public companies with full service accounting and tax functions. Prior to his time at BridgeMark, Mr. Jackson spent a number of years working at Ernst & Young LLP while obtaining his CA designation before moving onto work as a senior analyst at a boutique investment banking firm. Most recently Mr. Jackson has had extensive experience as a Director and CFO of numerous publicly traded corporations in the metals and mining industry. Mr. Jackson holds a Bachelor of Business Administration degree from the University of Simon Fraser University, and a professional designation of Chartered Accountant (CA), where he is a member of the BC and Canadian Institute of Chartered Accountants.

Mr. Rogers

Mr. Rogers is a Director of the Corporation. He is a lawyer and businessman with broad private and public company experience. In the past several years, he has focused on corporate restructuring, distressed asset transactions, and early stage venture financing in a number of industries including mineral exploration, power generation, digital technology and biotechnology. He is a member in good standing of the Law Society of British Columbia and a director of Coronado Resources Ltd. and MCorpCx, Inc. and VP-Finance of 3D Signatures Inc.

Mr. Sujir

Mr. Sujir is a Director of the Corporation. Mr. Sujir is a securities and natural resources lawyer who has extensive experience in advising and assisting public companies. He has been a partner with Farris, Vaughan, Wills & Murphy LLP since May 2015. He was previously a partner with Anfield Sujir Kennedy & Durno LLP and its predecessor firms from 1991 to May 2015. Mr. Sujir obtained his Bachelor of Arts degree from the University of Victoria in 1981 with a double major in Economics and Philosophy and obtained his Bachelor of Law degree from the University of Victoria in 1985. He is a member of the Law Society of British Columbia and the Canadian Bar Association,

**Meetings**

The Audit Committee shall meet at least annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the external auditors.

**Responsibilities and Duties**

To fulfill its responsibilities and duties, the Audit Committee shall:

**Documents/Reports Review**

- (a) Review and update this Charter annually.
- (b) Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation 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.

### **External Auditors**

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Audit Committee as representatives of the Shareholders.
- (b) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation.
- (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 take, appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (g) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto.

### **Financial Reporting Processes**

- (a) In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Corporation'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.

### **Other**

Review any related-party transactions.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently 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 Corporation's most recently completed financial year has the Corporation 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 National Instrument 52-110.

The Corporation is relying on the exemption provided by Section 6.1 of NI-52-110 by virtue of the fact that it is a venture issuer. Section 6.1 exempts the Corporation from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) of NI 52-110 and allows for the short form of disclosure of audit committee procedures set out in form 52-110F2 and disclosed in this Circular.

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but will not review the engagement of all such services.

### External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation'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	Tax Fees	All Other Fees
February 29, 2016	\$3,060	Nil	Nil	Nil
February 28, 2015 (not applicable)	N/A	N/A	N/A	N/A

### AUDITOR

The current auditor of the Corporation, Smythe LLP, Chartered Professional Accountants at 700 – 355 Burrard Street, Vancouver, B.C., V6C 2G8 has been the Corporation's auditor since its incorporation.

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

No Director or executive officer of the Corporation, nor any proposed nominee for election as a Director of the Corporation, nor any of the persons who have been Directors or executive officers of the Corporation since the commencement of the Corporation's 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 on at the Meeting (other than the election of directors).

### Other Matters

Management knows of no other matters to come before the Meeting of Shareholders other than referred to in the notice of Meeting. However, if any other matters which are not known to the management of the Corporation shall properly come before the said Meeting, the form of proxy given pursuant to the solicitation by management of the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

### Additional Information

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis by sending a written request to Suite 800 – 1199 West Hastings Street, Vancouver, British Columbia V6E 3T5, Attention: Chief Financial Officer. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for its fiscal year ended February 29, 2016, which are also available on SEDAR.

**Approval of the Directors**

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been approved by the Board.

**November 16, 2016**

**BY ORDER OF THE BOARD OF DIRECTORS**

*“David Schmidt”*

\_\_\_\_\_  
David Schmidt

President and Chief Executive Officer

## SCHEDULE “A”

### KOOTENAY ZINC CORP. (the “Company”)

### AUDIT COMMITTEE CHARTER (the “Charter”)

#### *Mandate*

The primary function of the audit committee (“**Committee**”) is to assist the board of directors in fulfilling its financial oversight responsibilities by reviewing the following: (a) the financial reports and other financial information provided by the Company to regulatory authorities and Shareholders; (b) the Company’s systems of internal controls regarding finance, accounting and auditing; and (c) the Company’s 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 (i) serve as an independent and objective party to monitor the Company’s financial reporting and internal control system and review the Company’s financial statements; (ii) review and appraise the performance of the Company’s external auditors; (iii) provide an open avenue of communication among the Company’s auditors, financial and senior management and the board of directors; and (iv) to ensure the highest standards of business conduct and ethics.

#### *Composition*

The Committee’s composition shall be determined by the Board of Directors. Ideally, all members of the Committee shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of their independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company’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 issues that can presumably be expected to be raised by the Company’s financial statements. The Committee must comply with the requirements of National Instrument 52-110 Audit Committees.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual Shareholders’ meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

#### *Meetings*

The Committee shall meet at least one (1) time annually, or more frequently as circumstances dictate, in person or by telephone conference call. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

#### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

##### Documents/Reports Review

- (a) Review and, as necessary or appropriate, update the Charter annually.
- (b) Review the Company’s annual and interim financial statements, MD&A, any earning statements, and press releases before the Company publicly discloses this information as well as any reports or other financial information to be submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

##### External Auditors

- (a) Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the Shareholders of the Company.
- (b) Obtain annually a formal written statement of external auditors setting forth all relationships between the external auditors and the Company.
- (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 of directors the selection 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 5% of the total amount of revenues 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 of directors 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 auditor's 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 the 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 certification process for certificates required under National Instrument 52-109.

(i) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

(a) Review any related party transactions.

(b) Review reports from persons regarding any questionable accounting, internal accounting controls or auditing matters ("Concerns") relating to the Company such that:

i) an individual may confidentially and anonymously submit their Concerns to the Chairman of the Committee in writing, by telephone, or by e-mail;

ii) the Committee reviews as soon as possible all Concerns and addresses same as they deem necessary; and

iii) the Committee retains all records relating to any Concerns reported by an individual for a period the Committee judges to be appropriate.

All of the foregoing in a manner that the individual submitting such Concerns shall have no fear of adverse consequences.

**SCHEDULE “B”**

**KOOTENAY ZINC CORP.**

**STOCK OPTION PLAN**

**ARTICLE 1**

**DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

As used herein, unless anything in the subject matter or context is inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) “**Administrator**” means, initially, the secretary of the Company and thereafter shall mean such director or other senior officer or employee of the Company as may be designated as Administrator by the Board from time to time;
- (b) “**affiliate**” has the meaning ascribed to that term by the Securities Act;
- (c) “**associate**” has the meaning ascribed thereto in the Securities Act;
- (d) “**Award Date**” means the date on which the Board grants a particular Option;
- (e) “**Board**” means the board of directors of the Company;
- (f) “**Change of Control**” means the acquisition by any person or by any person and a joint actor, whether directly or indirectly, of voting securities of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a joint actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board;
- (g) “**Company**” means Kootenay Zinc Corp.;
- (h) “**Consultant**” means an individual or Consultant Company, other than an Employee or a Director, that:
  - (i) is engaged to provide on an ongoing *bona fide* basis consulting, technical, management or other services to the Company or to an affiliate of the Company, other than services provided in relation to a distribution,
  - (ii) provides the services under a written contract between the Company or the affiliate and the individual or a Consultant Company,
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an affiliate of the Company, and
  - (iv) has a relationship with the Company or an affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company;
- (i) “**Consultant Company**” means, for an individual consultant, a company or partnership of which the individual consultant is an employee or shareholder or partner;

- (j) **“Director”** means a director, officer, Management Company Employee of the Company or an affiliate of the Company to whom Options can be granted in reliance on a prospectus exemption under applicable securities laws;
- (k) **“Disinterested Shareholder Approval”** means approval by a majority of the votes cast by all the Company’s shareholders at a duly constituted shareholders’ meeting, excluding votes attached to shares of the Company beneficially owned by insiders to whom options may be granted under the Plan and their associates and affiliates;
- (l) **“Employee”** means:
  - (i) an individual who is considered an employee of the Company or its subsidiary under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
  - (ii) an individual who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work, as an employee of the Company, but for whom income tax deductions are not made at source, or
  - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source;
- (m) **“Exchange”** means the principal stock exchange or quotation system on which the Shares are listed or quoted for trading;
- (n) **“Exercise Notice”** means the notice respecting the exercise of an Option in the form set out as Schedule “B” hereto, duly executed by the Option Holder;
- (o) **“Exercise Period”** means the period during which a particular Option may be exercised and is the period from and including the Award Date through to and including the Expiry Date, subject to the provisions of the Plan relating to the vesting of Options;
- (p) **“Exercise Price”** means the price at which an Option may be exercised as determined in accordance with paragraph 3.3;
- (q) **“Expiry Date”** means the date determined in accordance with paragraphs 3.4 and 3.8 and after which a particular Option cannot be exercised;
- (r) **“insider”** has the meaning ascribed thereto in the Securities Act;
- (s) **“Investor Relations Activities”** has the meaning ascribed thereto in the Securities Act;
- (t) **“Management Company Employee”** means an individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person involved in Investor Relations Activities;
- (u) **“Market Price”** means the market value of the Shares for a particular Award Date determined as follows:

- (i) for each organized trading facility on which the Shares are listed, Market Price will be the closing trading price of the Shares on the last trading day immediately preceding the Award Date;
- (ii) if the Shares are listed on more than one organized trading facility, then Market Price will be the greatest of the Market Prices determined for each organized trading facility on which those Shares are listed as determined for each organized trading facility in accordance with subparagraph (a) above;
- (iii) if the Shares are listed on one or more organized trading facility but have not traded during the ten trading day period immediately preceding the Award Date, then the Market Price will be, subject to the necessary approvals of the applicable regulatory bodies having authority over the Company, such value as is determined by resolution of the Board;
- (v) **“Option”** means an option to acquire Shares, awarded to a Director, Employee or Consultant pursuant to the Plan;
- (w) **“Option Certificate”** means the certificate, substantially in the form set out as Schedule “A” hereto, evidencing an Option;
- (x) **“Option Holder”** means a Director, Employee or Consultant, or a former Director, Employee or Consultant, who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person;
- (y) **“Plan”** means this stock option plan;
- (z) **“Personal Representative”** means:
  - (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so, and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder;
- (aa) **“Securities Act”** means the *Securities Act*, R.S.B.C. 1996, c.418, as amended, as at the date hereof; and
- (bb) **“Share”** or **“Shares”** means, as the case may be, one or more common shares without par value in the capital of the Company.

## 1.2 Choice of Law

The Plan is established under and the provisions of the Plan are to be interpreted and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

## 1.3 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.



## **ARTICLE 2 PURPOSE AND PARTICIPATION**

### **2.1 Purpose**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants, to reward such of those Directors, Employees and Consultants as may be awarded Options under the Plan by the Board from time to time for their contributions toward the long term goals of the Company and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments.

### **2.2 Participation**

The Board shall, from time to time, in its sole discretion determine those Directors, Employees and Consultants, if any, to whom Options are to be awarded. If the Board elects to award an Option to a Director, the Board shall, in its sole discretion but subject to paragraph 3.2, determine the number of Shares to be acquired on the exercise of such Option. A Director of the Company to whom an Option may be granted shall not participate in the decision of the Board to grant such Option. If the Board elects to award an Option to an Employee or Consultant, the number of Shares to be acquired on the exercise of such Option shall be determined by the Board in its sole discretion, and in so doing the Board may take into account the following criteria:

- (a) the remuneration paid to the Employee or Consultant as at the Award Date in relation to the total remuneration payable by the Company to all of its Employees and Consultants as at the Award Date;
- (b) the length of time that the Employee or Consultant has been employed or engaged by the Company;
- (c) the quality of work performed by the Employee or Consultant; and
- (d) any other factors which it may deem proper and relevant.

### **2.3 Notification of Award**

Following the approval by the Board of the awarding of an Option, the Administrator shall notify the Option Holder in writing of the award and shall enclose with such notice the Option Certificate representing the Option so awarded.

### **2.4 Copy of Plan**

Each Option Holder, concurrently with the notice of the award of the Option, shall be provided with a copy of the Plan, unless a copy has been previously provided to the Option Holder. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

### **2.5 Limitation**

The Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Company nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company. Participation in the Plan by an Option Holder is voluntary.

## **ARTICLE 3 TERMS AND CONDITIONS OF OPTIONS**

### **3.1 Board to Allot Shares**

The Shares to be issued to Option Holders upon the exercise of Options shall be allotted and authorized for issuance by the Board prior to the exercise thereof.

### **3.2 Number of Shares**

The maximum number of Shares issuable under the Plan, together with the number of Shares issuable under outstanding options granted otherwise than under the Plan, shall not exceed 10% of the Shares outstanding from time to time. Additionally, subject to applicable Exchange rules and policies, the Company shall not grant Options:

- (a) to any one person in any 12 month period which could, when exercised, result in the issuance of Shares exceeding five percent (5%) of the issued and outstanding Shares of the Company unless the Company has obtained the requisite Disinterested Shareholder Approval to the grant; or
- (b) to any one Consultant in any 12 month period which could, when exercised, result in the issuance of Shares exceeding 2% of the issued and outstanding Shares of the Company; or
- (c) 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 Shares exceeding, in aggregate, 2% of the issued and outstanding Shares of the Company.

If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of which Option expired or terminated shall again be available for the purposes of the Plan.

### **3.3 Exercise Price**

The Exercise Price shall be that price per share, as determined by the Board in its sole discretion as of the Award Date, at which an Option Holder may purchase a Share upon the exercise of an Option, and shall not be less than the Market Price, unless otherwise permitted by the Exchange, if applicable, or such other price as may be required by the Exchange and/or applicable laws. Any reduction in the exercise price of an Option held by an Option Holder who is an insider of the Company at the time of the proposed reduction will require Disinterested Shareholder Approval.

### **3.4 Term of Option**

Subject to paragraph 3.5, the Expiry Date of an Option shall be the date so fixed by the Board at the time the particular Option is awarded, provided that such date shall not be later than the tenth anniversary of the Award Date of the Option.

### **3.5 Termination of Option**

An Option Holder may, subject to any vesting provisions applicable to Options hereunder, exercise an Option in whole or in part at any time or from time to time during the Exercise Period provided that, with respect to the exercise of part of an Option, the Board may at any time and from time to time fix a minimum or maximum number of Shares in respect of which an Option Holder may exercise part of any Option held by such Option Holder. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of 5:00 p.m. local time in Vancouver, British Columbia, on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Board at the time the Option is awarded and the date established, if applicable, in sub-paragraphs (a) to (c) below (the "Early Termination Date"):

#### **(a) Death**

In the event that the Option Holder should die while he or she is still a Director (if he or she holds his or her Option as Director) or Employee or Consultant (if he or she holds his or her Option as

Employee or Consultant), the Early Termination Date shall be twelve (12) months from the date of death of the Option Holder; or

**(b) Ceasing to Hold Office**

In the event that the Option Holder holds his or her Option as Director of the Company and such Option Holder ceases to be a Director of the Company other than by reason of death, the Early Termination Date of the Option shall be the 60th day following the date the Option Holder ceases to be a Director of the Company unless the Option Holder ceases to be a Director of the Company but continues to be engaged by the Company as an Employee or a Consultant, in which case the Expiry Date shall remain unchanged, or unless the Option Holder ceases to be a Director of the Company as a result of:

- (i) ceasing to meet the qualifications set forth in the *Business Corporations Act* (British Columbia), or
- (ii) a resolution having been passed by the shareholders of the Company pursuant to the *Business Corporations Act* (British Columbia) removing the Director as such, or
- (iii) by order of Industry Canada, the British Columbia Securities Commission, the Exchange or any other regulatory body having jurisdiction to so order,

in which case the Early Termination Date shall be the date the Option Holder ceases to be a Director of the Company.

**(c) Ceasing to be an Employee or a Consultant**

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Company and such Option Holder ceases to be an Employee or Consultant of the Company other than by reason of death, the Early Termination Date of the Option shall be the 60th day following the date the Option Holder ceases to be an Employee or Consultant of the Company unless the Option Holder ceases to be an Employee or Consultant of the Company as a result of:

- (i) termination for cause or, in the case of a Consultant, breach of contract, or
- (ii) by order of Industry Canada, the British Columbia Securities Commission, the Exchange or any other regulatory body having jurisdiction to so order,

in which case the Early Termination Date shall be the date the Option Holder ceases to be an Employee or Consultant of the Company.

Notwithstanding the foregoing, the Early Termination Date for Options granted to any Option Holder engaged primarily to provide Investor Relations Activities shall be the 30th day following the date that the Option Holder ceases to be employed in such capacity, unless the Option Holder continues to be engaged by the Company as an Employee or Director, in which case the Early Termination Date shall be determined as set forth above.

**3.6 Hold Period and Vesting Requirements**

Shares issued upon exercise of an Option may be subject to a hold period and/or may bear a legend in accordance with applicable securities laws and/or Exchange requirements.

All Options granted pursuant to the Plan will be subject to such vesting requirements as may be prescribed by the Exchange, if applicable, or as may be imposed by the Board.

The Option Certificate representing any such Option will disclose any vesting conditions.

### **3.7 Effect of a Take-Over Bid**

If a *bona fide* offer (an “**Offer**”) for Shares is made to an Option Holder or to shareholders of the Company generally or to a class of shareholders which includes the Option Holder, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Option Holder of the full particulars of the Offer, whereupon all Shares subject to Options will become vested and the Options may be exercised in whole or in part by each Option Holder so as to permit each Option Holder to tender the Shares received upon exercise of his Options, pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Shares acquired by the Option Holder on the exercise of his Option and tendered pursuant to the Offer are not taken up or paid for by the offeror in respect thereof;

then the Shares received upon the exercise of such Options, or in the case of clause (b) above, the Shares that are not taken up and paid for, may be returned by each Option Holder to the Company and reinstated as authorized but unissued Shares and with respect to such returned Shares, the Options shall be reinstated as if they had not been exercised and the terms upon which such Shares were to become vested pursuant to paragraph 3.6 shall be reinstated. If any Shares are returned to Company under this paragraph 3.7, the Company shall immediately refund the exercise price to the Option Holder for such Shares.

### **3.8 Acceleration of Expiry Date**

If at any time when an Option granted under the Plan remains unexercised an Offer is made by an offeror, the Board may, upon notifying each Option Holder of full particulars of the Offer, declare vested all Shares issuable upon the exercise of Options granted under the Plan, and, notwithstanding paragraphs 3.4 and 3.5, declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer.

### **3.9 Effect of Reorganization, Amalgamation or Merger**

If the Company is reorganized, amalgamated or merges with or into another Company, at the discretion of the Board, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Option Holder would have received upon such reorganization, amalgamation or merger if the Option Holder had exercised his Option immediately prior to the record date applicable to such reorganization, amalgamation or merger, and the exercise price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Plan.

### **3.10 Effect of Change of Control**

If a Change of Control occurs, all Shares subject to each outstanding Option will become vested, subject to any required approval of the Exchange, whereupon all Options may be exercised in whole or in part by the Option Holder.

### **3.11 Assignment of Options**

Options may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by paragraph 4.1, exercise the Option within the Exercise Period.

### **3.12 Adjustments**

If, prior to the complete exercise of any Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively the “**Event**”) other shares of the Company, an Option, to the extent that it has not been exercised, shall be adjusted by the Board in accordance with such Event in the manner the Board deems appropriate. No fractional Shares shall be issued upon the exercise of any Option and accordingly, if

as a result of the Event, an Option Holder would become entitled to a fractional Share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded. Additionally, no lots of Shares in an amount less than 500 Shares shall be issued upon the exercise of the Option unless such amount of Shares represents the balance left to be exercised under the Option.

### **3.13 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement**

If an Option Holder retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, pursuant to the Option Certificate with respect to the right to purchase Shares which were not vested at the time or which, if vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Option Holder.

## **ARTICLE 4 EXERCISE OF OPTION**

### **4.1 Exercise of Option**

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Certificate, accompanied by cash payment, certified cheque or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option.

### **4.2 Issue of Share Certificates**

As soon as practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares purchased pursuant to the exercise of the Option. If the number of Shares purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall forward a new Option Certificate to the Option Holder concurrently with delivery of the aforesaid share certificate for the balance of Shares available under the Option.

### **4.3 Condition of Issue**

The issue of Shares by the Company pursuant to the exercise of an Option is subject to this Plan and compliance with the laws, rules and regulations of all regulatory bodies applicable to the issuance and distribution of such Shares and to the listing requirements of the Exchange or any stock exchange on which the Shares may be listed. The Option Holder agrees to comply with all such laws, rules and regulations and agrees to furnish to the Company any information, report and/or undertakings required to comply with and to fully co-operate with the Company in complying with such laws, rules and regulations.

The Company or any subsidiary of the Company may take such steps as are considered necessary or appropriate for the withholding and/or remittance of any taxes which the Company or any subsidiary of the Company is required by any law or regulation of any governmental authority whatsoever to withhold and/or remit in connection with any Option or Option exercise including, without limiting the generality of the foregoing, the withholding and/or remitting of all or any portion of the payment or the withholding of the issue of Shares to be issued upon the exercise of any Option until such time as the Option Holder has paid the Company or any subsidiary of the Company (in addition to the exercise price payable for the exercise of Options) the amount which the Company or subsidiary of the Company reasonably determines is required to be withheld and/or remitted with respect to such taxes.

## **ARTICLE 5 ADMINISTRATION**

## **5.1 Administration**

The Plan shall be administered by the Administrator on the instructions of the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan and such regulations shall form part of the Plan. The Board may delegate to the Administrator or any Director or Employee of the Company such administrative duties and powers as it may see fit.

## **5. Interpretation**

The interpretation by the Board of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

# **ARTICLE 6 AMENDMENT AND TERMINATION**

## **6.1 Prospective Amendment**

Subject to applicable regulatory and, if required by any relevant law, rule or regulation applicable to the Plan, to shareholder approval, the Board may from time to time amend the Plan and the terms and conditions of any Option thereafter to be granted and, without limiting the generality of the foregoing, may make such amendment for the purpose of meeting any changes in any relevant law, rule or regulation applicable to the Plan, any Option or the Shares or for any other purpose which may be permitted by all relevant laws, rules and regulations, provided always that any such amendment shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to such amendment. Notwithstanding the foregoing, the Board may, subject to the requirements of the Exchange, amend the terms upon which each Option shall become vested with respect to Shares without further approval of the Exchange, other regulatory bodies having authority over the Company, the Plan or the shareholders.

## **6.2 Retrospective Amendment**

Subject to applicable regulatory and, if required by any relevant law, rule or regulation applicable to the Plan, to shareholder approval, the Board may from time to time retrospectively amend the Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options which have been previously granted.

## **6.3 Termination**

The Board may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination. Notwithstanding the termination of the Plan, the Company, Options awarded under the Plan, Option Holders and Shares issuable under Options awarded under the Plan shall continue to be governed by the provisions of the Plan.

## **6.4 Agreement**

The Company and every person to whom an Option is awarded hereunder shall be bound by and subject to the terms and conditions of the Plan.

## **6.5 No Shareholder Rights**

An Option Holder shall not have any rights as a shareholder of the Company with respect to any of the Shares covered by an Option until the Option Holder exercises such Option in accordance with the terms of the Plan and the issuance of the Shares by the Company.

**6.6 Record Keeping**

The Company shall maintain a register in which shall be recorded the name and address of each Option Holder, the number of Options granted to an Option Holder, the details thereof and the number of Options outstanding.

**6.7 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

**6.8 Option Holder Status**

For stock options granted to Employees, Consultants or Management Company Employees, the Company represents that each such Option Holder will be a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

**ARTICLE 7  
APPROVALS REQUIRED FOR PLAN**

**7.1 Approvals Required for Plan**

The Plan has been adopted by the Board and is subject to the approval of the Exchange, if applicable, and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained. The Company will obtain disinterested shareholder approval of Options if the Plan, together with all of the Company's previously established and outstanding stock option plans or grants, could result at any time in the grant to insiders, within a 12 month period, of a number of Options exceeding 10% of the issued shares of the Company.

**7.2 Substantive Amendments to Plan**

Any substantive amendments to the Plan shall be subject to the Company first obtaining the approvals of:

- (a) the shareholders or disinterested shareholders, as the case may be, of the Company at a general meeting where required by the rules and policies of the Exchange; and
- (b) the Exchange.