

**BQE WATER INC.**

**Annual General Meeting  
to be held on May 22, 2019**

**Notice of Annual General Meeting  
and  
Information Circular**

**April 15, 2019**

**BQE WATER INC.**  
250-900 Howe St. Vancouver, British Columbia, V6Z 2M4

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual general meeting of the shareholders of BQE Water Inc. (the "Company") will be held at the Company's board room, Suite 250-900 Howe Street, Vancouver, BC, on Wednesday, May 22, 2019 at 9:00 a.m. (Vancouver, British Columbia time). At the meeting, the shareholders will receive and consider resolutions to:

1. receive and consider the financial statements of the Company for the financial year ended December 31, 2018 and the report of the auditor thereon;
2. elect directors for the Company for the ensuing year;
3. appoint the auditor of the Company for the ensuing year and authorize the directors to fix the remuneration paid to the auditor;
4. re-approve the Company's incentive stock option plan (the "Option Plan"), as described in the information circular that accompanies this notice (the "Circular") under the heading "Business of the Meeting – Re-Approval of Stock Option Plan";
5. transact such other business as may properly be put before the meeting.

All shareholders are entitled to attend and vote at the meeting in person or by proxy. The Board of Directors requests all shareholders who will not be attending the meeting in person to read, date and sign the accompanying proxy and deliver it to Computershare Trust Company of Canada ("Computershare"). If a shareholder does not deliver a proxy to Computershare, Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 by 9:00 a.m. (Vancouver, British Columbia time) on Friday, May 17, 2019 (or, if the meeting is adjourned or postponed, 48 hours prior to such adjourned or postponed meeting, excluding Saturdays, Sundays and holidays), then the shareholder will not be entitled to vote at the meeting by proxy. Only shareholders of record at the close of business on April 15, 2019 will be entitled to vote at the meeting.

An information circular and a form of proxy accompany this notice.

DATED at Vancouver, British Columbia, the 15th day of April, 2019.

**ON BEHALF OF THE BOARD**

*"Heman Wong"*

Heman Wong

Chief Financial Officer and Corporate Secretary

**BQE WATER INC.**  
250-900 Howe St,  
Vancouver, British Columbia  
V6Z 2M4

## **INFORMATION CIRCULAR**

(as at April 15, 2019 except as otherwise indicated)

### **SOLICITATION OF PROXIES**

This information circular (the “Circular”) is provided in connection with the solicitation of proxies by the management of BQE Water Inc. (the “Company”). The form of proxy that accompanies this Circular (the “Proxy”) is for use at the annual general meeting of the shareholders of the Company to be held on May 22, 2019 (the “Meeting”), at the time and place set out in the accompanying notice of meeting (the “Notice of Meeting”). The Company will bear the cost of this solicitation. The solicitation will be made by mail, but may also be made by telephone.

### **APPOINTMENT AND REVOCATION OF PROXY**

The persons named in the Proxy are directors or officers of the Company. **A shareholder who wishes to appoint some other person to serve as his, her, or its representative at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided.** The completed Proxy must be delivered to Computershare Trust Company of Canada (“Computershare”) by 9:00 a.m. (Vancouver time) on May 17, 2019 or, if the Meeting is adjourned or postponed, 48 hours prior to such adjourned or postponed Meeting (excluding Saturdays, Sundays and holidays).

The Proxy may be revoked by:

- (a) signing a proxy with a later date and delivering it by the time and to the place noted above;
- (b) signing and dating a written notice of revocation and delivering it by the time and to the place noted above;
- (c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person; or
- (d) any other manner permitted by applicable law.

### **Provisions Relating to Voting of Proxies**

**The shares represented by a proxy in the enclosed form will be voted by the designated proxyholder in accordance with the direction of the shareholder appointing such proxyholder. If there is no direction by the shareholder, those shares will be voted FOR all resolutions and FOR all nominees for director proposed by management, as set out in the Proxy and in this Circular. The Proxy gives the person named in it the discretion to vote as they see fit on any amendments or variations to matters identified in the Notice of Meeting, or any other matters which may properly come before the Meeting. At the time of printing of this Circular, the management of the Company knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.**

## Non-Registered Holders

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold shares in their own name.** Shareholders who hold their shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their shares in their own name (referred to in this Circular as “Non-Registered Holders”) should note that only proxies deposited by shareholders who appear on the records maintained by Computershare, as registered holders of shares, will be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Non-Registered Holder by a broker, those shares will, in all likelihood, not be registered in the shareholder’s name. Such 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 shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Non-Registered Holder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Non-Registered Holder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Non-Registered Holders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Non-Registered Holders in order to ensure that their shares are voted at the Meeting. The form of proxy supplied to a Non-Registered Holder by its broker or the agent of the broker is substantially similar to the Proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Non-Registered Holder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“Broadridge”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Holders and asks Non-Registered Holders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Non-Registered Holder who receives a Broadridge voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Non-Registered Holder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his, her or its broker, a Non-Registered Holder may attend the Meeting as proxyholder for the registered shareholder and vote the shares in that capacity. **Non-Registered Holders who wish to attend the Meeting and indirectly vote their shares as proxyholder for the registered shareholder, should enter their names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date of this Circular, the Company's authorized capital consists of an unlimited number of common shares without par value ("Common Shares"), of which 1,208,435 are issued and outstanding. All Common Shares carry the right to one vote.

Shareholders registered as at April 15, 2019 (the record date for the Meeting) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

To the knowledge of the directors and executive officers of the Company, as of the date of this Circular, the following shareholders beneficially own or control, or direct, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

Name	Number of Shares	Percentage of Issued and Outstanding Shares
Hall Tingley	198,746	16.4%
Richard Hubbard	206,459	17.1%

As at the date of this Circular, the total number of Common Shares owned or controlled by management and the directors of the Company and their associates or affiliates was 111,663 Common Shares, representing approximately 9.2% of the total issued and outstanding Common Shares.

On November 20, 2018, the shareholders of the Company approved a consolidation of the issued and outstanding Common Shares on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares (the "Consolidation"). The Consolidation was effected March 5, 2019. Unless otherwise noted, all references in this Circular to equity securities of the Company as at December 31, 2018, reflect pre-Consolidation figures, and all references in this Circular to equity securities of the Company as at the date of this Circular reflect post-Consolidation figures.

## BUSINESS OF THE MEETING

### I. Financial Statements

The audited financial statements of the Company for the year ended December 31, 2018, together with the auditor's report on those statements, will be presented to the shareholders at the Meeting. These documents are available upon request, on the Company's website at [www.bqewater.com](http://www.bqewater.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### II. Election of Directors

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed in accordance with applicable laws. The number of directors of the Company is currently set at five. Management of the Company proposes to nominate the five persons listed below for election to the board of directors of the Company (the "Board") to serve until the next annual general meeting of the shareholders or until their successors are elected or appointed in accordance with applicable laws.

In the absence of instructions to the contrary, Proxies given pursuant to the solicitation of proxies by management of the Company will be voted for the nominees listed in this Circular. Management does not contemplate that any of the nominees will be unable to serve as a director.

### **Majority Voting**

The Board believes that each of its members should carry the confidence and support of the shareholders. To this end, the directors have unanimously adopted a majority voting policy. This policy requires any nominee for election to the Board for which the number of shares withheld was greater than the number of shares voted in favour of the nominee to submit his or her resignation promptly after the annual general meeting of the shareholders of the Company to the corporate governance, compensation and human resources committee of the Board (the “Corporate Governance, Compensation and Human Resources Committee”) for its consideration. The Corporate Governance, Compensation and Human Resources Committee will make a recommendation to the Board after reviewing the matter and the Board’s decision to accept or reject the resignation will be publicly disclosed. The nominee will not participate in any Corporate Governance, Compensation and Human Resources Committee or Board deliberations in considering the resignation. This policy does not apply in circumstances involving contested director elections. Future nominees for election to the Board will be asked to subscribe to this statement before their names are put forward.

### **Board Nominees**

The following table sets out the names of the nominees for election as directors, the offices they hold within the Company, their principal occupations for the last five years, the length of time they have served as directors of the Company, and the number of Common Shares beneficially owned, directly or indirectly, or controlled or directed by each nominee as of the date of this Circular:

<b>Name, Residence and Positions with the Company</b>	<b>Principal Occupation for Last Five Years</b>	<b>Director or Officer Since</b>	<b>Ownership <sup>(1)</sup></b>
Peter Gleeson Seattle, Washington United States <i>Executive Chairman</i>	Independent businessman; Director, Cadillac Ventures Inc., Oct 2011 to Dec 2014; Executive Chairman of the Company, Feb 2014 to Jun 2016 and Aug 2018 to present.	May 10, 2012	44,456
Clement A. Pelletier, BSc, ICD.D North Vancouver, B.C. Canada <i>Director</i>	Process Chemist; Director, Seabridge Gold Inc., June 2018 to present; Tailing Advisory Board Member, BHP Island Copper, Sept 2018 to present; Technical Advisor, Black & Veatch, Kansas City (engineering, procurement and construction services), 2016 to present; Technical Consultant, 2014 to present; Director, Goldcorp Inc., May 2014 to present; Founder and President, Rescan Group, 1981 to 2014.	June 16, 2000	32,481
Christopher A. Fleming, PhD Lakefield, Ontario Canada <i>Director</i>	Metallurgical Consultant, SGS Minerals – Lakefield Division (mining and minerals services), 2009 to present; Director, Cambium Environmental, 2005 to present.	May 6, 2010	16,601
Robert D. Henderson, P.Eng Vancouver, B.C. Canada <i>Director</i>	President and Chief Executive Officer, Amerigo Resources Ltd. (copper producer), 2012 to present.	August 14, 2018	3,333

Name, Residence and Positions with the Company	Principal Occupation for Last Five Years	Director or Officer Since	Ownership <sup>(1)</sup>
David Kratochvil, PhD, P.Eng Vancouver, B.C. Canada <i>CEO, Director</i>	President and Chief Executive Officer of the Company.	March 1, 2014	13,126

Note:

- (1) Number of Common Shares beneficially, owned or controlled or directed, directly or indirectly, as at the date of this Circular. The information as to Common Shares beneficially owned or controlled or directed by the directors has been provided by the directors themselves. Ownership totals do not include any DSUs granted to directors (see “Compensation of Directors”).

No proposed director is being nominated under any arrangement or understanding between the proposed director and any other person or company except the directors and executive officers of the Company acting solely in such capacity.

### ***Committee Memberships***

The members of the Company’s audit committee (the “Audit Committee”) are Robert D. Henderson (Chair), Clement A. Pelletier, and Christopher A. Fleming, each of whom is financially literate in accordance with National Instrument 52-110 – *Audit Committees* (“NI 52-110”). In addition, each member of the Audit Committee is considered to be independent within the meaning of NI 52-110. The text of the Audit Committee's Charter is attached as Schedule “A” to this Circular.

The current members of the Corporate Governance, Compensation and Human Resources Committee are Christopher A. Fleming (Chair), Clement A. Pelletier and Peter Gleeson. Mr. Fleming and Mr. Pelletier are each independent within the meaning of NI 52-110.

The Company has a health, safety, environment and technical committee (the “Health, Safety, Environment and Technical Committee”), the current members of which are Clement A. Pelletier (Chair), Christopher A. Fleming and David Kratochvil. Mr. Pelletier and Mr. Fleming are each independent within the meaning of NI 52-110.

### ***Corporate Cease Trade Orders or Bankruptcies***

To the knowledge of the Company, no person nominated for election as a director of the Company is, or within the ten years prior to the date of this Circular has been, a director, chief executive officer or chief financial officer of any company, including the Company, that:

- (a) while the nominee was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days;
- (b) after the nominee ceased to act in that capacity, was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and which resulted from an event that occurred while the nominee was acting in that; or
- (c) while the nominee was acting in that capacity or within a year of the nominee 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.

### ***Individual Bankruptcies***

To the knowledge of the Company, no person proposed for election as a director of the Company has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### ***Penalties or Sanctions***

To the knowledge of the Company, no person proposed for election as a director of the Company has been subject to 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 has had 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 the proposed director.

## **III. Appointment of Auditor**

The management of the Company intends to nominate MNP LLP, Chartered Professional Accountants (“MNP”) for appointment as auditor of the Company. MNP was first appointed as auditor of the Company on December 2, 2015.

The resolution with respect to the appointment of the auditor must be passed by a simple majority of the votes cast either in person or by proxy at the Meeting. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation of proxies by management of the Company will be voted in favour of the resolution appointing MNP as auditor of the Company for the ensuing year and authorizing the directors to fix the remuneration paid to the auditor.

For the financial years ended December 31, 2018 and 2017, the Company was billed the following fees by MNP:

	2018	2017
Audit fees	139,650	129,150
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
<b>Total</b>	<b>139,650</b>	<b>129,150</b>

## **IV. Re-Approval of Stock Option Plan**

The Company has an amended stock option plan (the “Option Plan”) approved by the shareholders of the Company on June 21, 2016 and re-approved by the shareholders of the Company December 7, 2017 and November 20, 2018. On November 20, 2018, the shareholders of the Company approved a further amendment to the Option Plan (the “2018 Amendment”). A copy of the Option Plan is attached as Schedule “C” to the Company’s Notice of Annual General and Special Meeting and Information Circular dated May 11, 2016, and the 2018 Amendment is set out under the heading “Amendment of Stock Option Plan” in the Information Circular dated October 16, 2018, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, a copy of the Option Plan

and 2018 Amendment can be obtained by any security holder of the Company free of charge by contacting the Company at 604-685-1243.

### ***Material Terms***

The Option Plan is administered by the Board or, if appointed, by a special committee of directors appointed from time to time by the Board.

### ***Eligible Participants***

The Option Plan provides that stock options may be granted to directors, officers, employees, management company employees or consultants of the Company or its affiliates.

### ***Shares Available for Issuance***

The aggregate number of Common Shares that may be reserved for issuance under the Option Plan shall not exceed 10% of the Company's issued and outstanding Common Shares. The Option Plan is considered a "rolling" stock option plan as the number of shares available for issue increases with the number of the Company's issued and outstanding shares. When a stock option expires or otherwise terminates for any reason without having been exercised in full, the number of underlying shares which have not been issued pursuant to that expired or terminated stock option again become available for the purposes of the Option Plan.

### ***Limitations on the Grant of Stock Options***

The number of Common Shares subject to an option granted to a participant shall be determined by the Board, but no participant shall be granted an option that exceeds the maximum number of shares permitted by any stock exchange on which the Common Shares are then listed or any other regulatory body having jurisdiction.

The Option Plan contains the following limitations on grants of stock options:

- (a) the number of shares reserved for issuance under stock options granted to any one person in any 12 month period may not exceed five percent (5%) of the number of issued and outstanding shares at the time of any grant;
- (b) the aggregate number of shares reserved for issuance under stock options granted to "Insiders" (as such term is defined in the policies of any stock exchange upon which the Company's shares may then be listed) in any 12 month period may not exceed ten percent (10%) of the number of issued and outstanding shares at the time of any grant;
- (c) the aggregate number of shares reserved for issuance under stock options granted to "Insiders" may not at any time exceed ten percent (10%) of the number of issued and outstanding Shares;
- (d) the number of shares reserved for issuance under stock options granted to any one consultant in any 12 month period may not exceed two percent (2%) of the number of issued and outstanding shares at the time of any grant; and
- (e) the aggregate number of shares reserved for issuance under stock options granted to persons providing Investor Relations Activities (as such term is defined in the policies of the TSX Venture Exchange Inc.; the "Exchange") in any 12 month period may not exceed two percent (2%) of the number of issued and outstanding Shares at the time of any grant.

### *Exercise Price*

The exercise price of the Common Shares covered by each option shall be determined by the Board, provided, however, that the exercise price shall not be less than the price permitted by any stock exchange on which the Common Shares are then listed or any other regulatory body having jurisdiction.

### *Maximum Term*

The maximum term of any option shall not exceed five (5) years from the date the option is granted.

### *Expiration or Termination*

Under the Option Plan, a stock option will expire immediately in the event an employee, management company employee or consultant ceases to be an employee, management company employee or consultant of the Company as a result of termination for cause or as the result of an order of the British Columbia Securities Commission or Exchange. In the event an employee, management company employee or consultant ceases to be an employee, management company employee or consultant of the Company as a result of termination without cause or resigns, his, her or its stock option will expire 30 days following the date the employee, management company employee or consultant ceases to be employed or engaged by the Company. The Option Plan provides that a stock option will expire 30 days after a director ceases to be a director unless the director continues to be an employee of the Company, in which case the expiry date of such stock option will remain unchanged. If a director ceases to be a director of the Company as the result of: (a) ceasing to meet the qualifications contained in the *Business Corporations Act* (British Columbia); (b) a special resolution having been passed by the members of the Company; or (c) an order of the British Columbia Securities Commission or Exchange, the expiry date of such stock option will be the date the director ceases to be a director of the Company. In the event of the death of an option holder, such option holder's stock option will expire on the first anniversary of the option holder's death. Notwithstanding any of the foregoing, if the termination of a stock option occurs during a blackout period, the expiry date of such stock option will be the 10<sup>th</sup> day following the end of such blackout period.

Notwithstanding the foregoing, pursuant to the 2018 Amendment, the Board has the discretion, exercisable at any time with 30 days after an option holder ceases to be a director, employee or consultant of the Company, to extend the expiry of the stock options granted to such option holder to a maximum of one year from the date the option holder ceased to be a director, employee or consultant of the Company, provided that such discretion shall not apply in the case of (a) the death of an option holder prior to the expiry of an option; (b) in the case of a director, if such director ceases to be a director of the Company as the result of: (i) ceasing to meet the qualifications contained in the *Business Corporations Act* (British Columbia); (ii) a special resolution having been passed by the members of the Company; or (iii) an order of the British Columbia Securities Commission or Exchange; or (c) in the case of an employee or consultant, in the event such option holder is terminated for cause or is removed or terminated by order of the British Columbia Securities Commission, the Exchange, or any other stock exchange or regulatory body having jurisdiction to so order.

### *Vesting*

Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the vesting conditions that will apply to a stock option granted under the Option Plan. Stock options granted to parties retained to provide Investor Relations Activities must vest in stages over a period of no less than 12 months, with no more than twenty-five percent (25%) of such stock options vesting in any three month period.

*Assignability*

The stock options may not be assigned or transferred provided that a personal representative may exercise a stock option on behalf of an option holder.

***Re-approval of the Option Plan***

Policy 4.4 of the Exchange requires that rolling stock option plans must be approved by shareholders on an annual basis. Accordingly, shareholders will be asked at the Meeting to consider and, if thought fit, approve an ordinary resolution re-approving the Option Plan.

The resolution with respect to the re-approval of the Option Plan must be passed by a simple majority of the votes cast either in person or by proxy at the Meeting. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation of proxies by management of the Company will be voted in favour of the resolution re-approving the Option Plan.

The text of the ordinary resolution to be considered at the Meeting will be substantially as follows:

**“Be it resolved as an ordinary resolution of the Company that:**

1. the Company’s stock option plan, as approved by the shareholders of the Company on June 21, 2016 (the “Option Plan”) and as amended pursuant to an amendment approved by the shareholders of the Company on November 20, 2018, be re-approved;
2. the Company be authorized to grant stock options, pursuant and subject to the terms and conditions of the Option Plan, such that the aggregate number of common shares in the capital of the Company (“Common Shares”) issuable upon the exercise of outstanding options at the time of grant shall not exceed 10% of the number of issued and outstanding Common Shares as at the time of the grant; and
3. any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to the foregoing resolutions.”

**V. Other Matters**

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting. If any other matters do arise, the person named in the Proxy intends to vote on any poll in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment or postponement of the Meeting.

## STATEMENT OF EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion and Analysis

#### *Executive Compensation*

##### *Discussion and Analysis*

The Company's compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance, and contribution to increasing shareholder value. The Company recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive's level of responsibility. The objectives of the base salary are to recognize market pay, and acknowledge competencies and skills of individuals. The objectives of the annual incentive plan are to reward achievement of short-term financial and operating performance, and focus on key activities and achievements critical to the ongoing success of the Company. Long-term incentive plans focus executives on sustained shareholder value creation.

The objectives of executive compensation practices at the Company are specifically designed to:

1. attract and gain sustainable commitment from senior management;
2. motivate performance by tying incentive compensation to financial and operating results;
3. foster identification with shareholder interest through equity-based compensation; and
4. recognize other multiple stakeholder interests including those of customers and employees.

##### *Competitive Positioning*

As a general policy, the Board establishes base compensation targets so as to compensate executives and, in particular, each person who served as an executive officer during the most recently completed financial year at a level commensurate with each individual's skills and experience, level of responsibility, as well as the financial and operating performance of the Company. For the 2018 financial year, the executive officers included the following positions: Chief Executive Officer (David Kratochvil), Vice President and Chief Financial Officer (Wylie Hui, from January 1, 2018 to August 31, 2018, and Heman Wong, from September 1, 2018 onward).

##### *Elements of Compensation*

Each executive officer is rewarded for performance through the following elements of compensation:

- a) *Base salary:* The Corporate Governance, Compensation and Human Resources Committee recognizes that the Company must maintain base compensation levels commensurate with general market conditions. However, the Company does not currently benchmark base salaries against other specific peer groups. The Company also believes that performance based pay elements should be an important element in the compensation packages for its executive officers. In setting base compensation levels, consideration is given to such factors as level of responsibility, experience and expertise. Subjective factors such as leadership, commitment, attitude and the ability to motivate others are also considered.

During the year ended December 31, 2018, The Corporate Governance, Compensation and Human Resources Committee determined that the base salary for the Company's Chief Executive Officer should be increased to \$268,000, effective January 1, 2018.

- b) *Annual bonus:* In 2010, the Company established the Executive Incentive Bonus Plan (the “Bonus Program”) to which all of the executive officers are participants. The Bonus Program consists of cash compensation based on the attainment of performance targets in respect of selected corporate performance criteria for the relevant fiscal year (“Corporate Targets”). Performance targets in respect of any selected performance criteria are approved by the Board and may have regard to such matters as the Board considers appropriate. The Board establishes: (i) the percentage of the annual salary of each participant subject to a bonus award; (ii) the Corporate Target that must be attained prior to any bonus award being made; (iii) the Corporate Target that must be attained to yield full payment of the bonus award being made; and (iv) the amount of the bonus award if the performance attained is between the minimum and maximum Corporate Targets.

Under the Bonus Program, any awards are paid in a combination of cash and Restricted Share Units (“RSUs”). One-half of the bonuses payable to each participant are paid in cash, with the balance paid by the issuance of RSUs. Earned RSUs will be issued after the public announcement of the year-end results of the Company, and the number of RSUs granted will equal one-half of the bonus payable divided by the five-day volume weighted average trading price of the Common Shares on the trading days immediately preceding the date of grant. Each RSU is entitled to be exchanged for one Common Share of the Company. One-third of the RSUs will be exchanged for Common Shares on the first anniversary date from the date of grant. 50% of the remaining RSUs will be exchanged for Common Shares on the second anniversary date, and the remaining RSUs will be exchanged on the third anniversary of the date of grant. The Company will purchase any Common Shares to be exchanged for RSUs on the open market.

For the year ended December 31, 2018, executive officers of the Company were not awarded any RSUs.

- c) *Option-based awards:* Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company’s future success and the individual’s ability to influence corporate and business performance. The purpose of granting stock options is to assist the Company in compensating, attracting, retaining and motivating the officers of the Company and to closely align the personal interests of such persons to the interests of the shareholders. The recipients of stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is determined by the market price at the time of grant.

For the year ended December 31, 2018, executive officers of the Company were not awarded any stock options.

- d) *Deferred Share Unit (“DSU”) awards:* Effective October 1, 2013, executive officers and other named employees became eligible for awards under the Company’s existing DSU plan.

For the year ended December 31, 2018, executive officers of the Company were not awarded any DSUs.

- e) *Other cash-based items:* Certain benefits and perquisites are provided based on their cost effectiveness and their value in assisting the executive officers to carry out their duties effectively. Currently, the Company offers to match contributions made by an executive officer to an eligible Registered Retirement Savings Plan (“RRSP”) up to 5% of base salary. There are no additional pension plans for executives or directors of the Company. The Company also pays for government health premiums on behalf of each executive officer as required. The terms of all such benefit and retirement plans are subject to modification from time to time by the Board in its sole discretion.

- f) *Group Benefit Plan:* The Company offers medical, dental, life, accidental death and dismemberment and long-term disability coverage for all employees pursuant to a corporate benefits plan. Executive officers are eligible to participate in these programs on the same basis as all other employees.

***Compensation of Directors***

Director compensation is reviewed by the Corporate Governance, Compensation and Human Resources Committee periodically. The Corporate Governance, Compensation and Human Resources Committee reviews the adequacy and form of the compensation of directors that realistically reflect the responsibilities and risks involved in being an effective director. The following table presents 2018 and 2017 director fees for comparison:

	<b>2018</b>	<b>2017</b>
	(\$)	(\$)
Board member retainer (annual total)	12,000	12,000
Board member meeting fees	600 to 1,200	600 to 1,200
Chair retainers (annual total):		
Board	4,000	4,000
Audit Committee	6,000	6,000
Compensation Committee <sup>(1)</sup>	--	4,000
Corporate Governance & Nominating Committee <sup>(1)</sup>	--	4,000
Corporate Governance, Compensation and Human Resources Committee <sup>(1)</sup>	4,000	--
Health, Safety, Environment and Technical Committee	4,000	4,000
Special Committee	--	10,000
Committee member meeting fees	400 to 800	400 to 1,000

Note:

- (1) The Compensation Committee and the Corporate Governance and Nominating Committee were combined to form a single committee (the Corporate Governance, Compensation and Human Resources Committee) commencing in calendar year 2018.

The Company reimburses directors for all travelling and other expenses actually, properly and necessarily incurred by the directors in connection with the performance of the directors' duties in accordance with the policies set from time to time by the Company, in its sole discretion. The directors are required to furnish such receipts, vouchers or other evidence as are required by the Company to substantiate such expenses.

## Director and Named Executive Officer Compensation

### *Compensation Excluding Compensation Securities*

The following table sets forth the compensation for (i) the Chief Executive Officer (“CEO”) of the Company, (ii) each person who served as Chief Financial Officer (“CFO”) of the Company during the year ended December 31, 2018 and (iii) the directors of the Company. The executive officers listed in (i) and (ii) are referred to herein collectively as the “Named Executive Officers” or “NEOs”. During the year ended December 31, 2018, no other executive officers of the Company earned compensation in excess of \$150,000.

Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$) <sup>(7)</sup>	Total compensation (\$)
<b>NEOs</b>							
David Kratochvil, CEO & Director <sup>(1)</sup>	2018	268,000	--	--	--	14,844	282,844
	2017	232,000	--	--	--	13,872	245,872
Heman Wong, Vice President & CFO <sup>(2)</sup>	2018	43,333	--	--	--	2,240	45,573
	2017	--	--	--	--	--	--
Wylie Hui, Vice President & CFO <sup>(3)</sup>	2018	22,000	--	--	--	--	22,000
	2017	9,000	--	--	--	--	9,000
<b>Directors</b>							
George W. Poling, Director, Chairman <sup>(4)</sup>	2018	--	--	17,900	--	--	17,900
	2017	--	--	37,600	--	--	37,600
Clement A. Pelletier, Director	2018	--	--	19,900	--	--	19,900
	2017	--	--	23,400	--	--	23,400
Christopher A. Fleming, Director	2018	--	--	20,900	--	--	20,900
	2017	--	--	22,900	--	--	22,900
Robert Henderson, Director <sup>(5)</sup>	2018	--	--	3,950	--	--	3,950
	2017	--	--	--	--	--	--
Peter Gleeson, Director <sup>(6)</sup>	2018	120,000	--	24,450	--	--	144,450
	2017	60,000	--	19,400	--	--	79,400

Notes:

- (1) Mr. Kratochvil did not receive any additional compensation for his services as a director.
- (2) Mr. Wong was appointed to act as Chief Financial Officer effective September 1, 2018.
- (3) Mr. Hui, through his personal consulting company, Altastra Office Systems Inc., entered into an agreement with the Company to act as Chief Financial Officer. Mr. Hui resigned as Chief Financial Officer on August 31, 2018.
- (4) Mr. Poling resigned as a director of the Company effective August 14, 2018, and entered into a 12-month consulting agreement with the Company to provide ongoing corporate guidance to the Company. The fees in this table do not include fees paid to Mr. Poling in his capacity as a consultant.
- (5) Mr. Henderson joined as a director of the Company effective August 14, 2018.
- (6) Mr. Gleeson, through his personal consulting company, London Consulting LLC, entered into an agreement with the Company for management services outside of his duties as a Board member. Mr. Gleeson receives fees for services as a director (noted under “Committee or meeting fees”) in addition to his management consulting agreement (noted under “Salary, consulting fee, retainer or commission”).
- (7) Includes Company contributions to an eligible RRSP up to 5% of base salary, government health premiums on behalf of each executive officer as required and taxable benefits for extended health coverage. The terms of all such benefit and retirement plans are subject to modification from time to time by the Board or committee thereof, in its sole discretion.

***Stock Options and Other Compensation Securities***

*Compensation Securities*

The following table sets forth information regarding all compensation securities granted to the NEOs and directors of the Company that were outstanding as at December 31, 2018:

<b>Compensation Securities</b>							
<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities, number of underlying securities, and percentage of class</b>	<b>Date of issue or grant</b>	<b>Issue, conversion or exercise price</b>	<b>Closing price of security or underlying security on date of grant</b>	<b>Closing price of security or underlying security at year end</b>	<b>Expiry date</b>
				(\$)	(\$)	(\$)	
<i>NEOs:</i>							
David Kratochvil, CEO & Director	Options	400,000	April 10, 2014	0.07	0.07	0.055	April 10, 2019
	Options	1,000,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
Heman Wong, CFO	Options	50,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
<i>Directors:</i>							
George W. Poling	Options	400,000	April 10, 2014	0.07	0.07	0.055	April 10, 2019
	Options	200,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
	DSU	480,877					
Clement A. Pelletier	Options	400,000	April 10, 2014	0.07	0.07	0.055	April 10, 2019
	Options	200,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
	DSU	420,161					
Christopher A. Fleming	Options	400,000	April 10, 2014	0.07	0.07	0.055	April 10, 2019
	Options	200,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
	DSU	485,392					
Peter Gleeson	Options	400,000	April 10, 2014	0.07	0.07	0.055	April 10, 2019
	Options	200,000	December 7, 2017	0.06	0.06	0.055	December 7, 2022
	DSU	298,438					

*Exercise of Compensation Securities*

None of the NEOs or directors of the Company exercised any compensation securities during the year ended December 31, 2018.

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

*Stock Option Plan*

The Option Plan was approved by the shareholders of the Company on June 21, 2016, re-approved by the shareholders of the Company December 7, 2017 and November 20, 2018. On November 20, 2018, the shareholders of the Company approved the 2018 Amendment. The significant terms of the Option Plan and the 2018 Amendment are disclosed in this Circular under “Business of the Meeting – Re-approval of Stock Option Plan”.

### *Deferred Share Unit Plan*

In July 2010, the Board adopted the Deferred Share Unit Plan. The Deferred Share Unit Plan provides that, on an annual basis, the Board shall specify the dollar amount or the percentage of the annual retainer otherwise payable to a participant for serving on the Board (excluding, without limitation, any chair, committee chair, and director and committee meeting fees) that will be payable in Deferred Share Units (“DSUs”) for that calendar year. The number of DSUs granted will equal the dollar value of the annual DSU retainer divided by the five-day volume weighted average trading price of the Common Shares on the five trading days immediately after the end of the scheduled share-trading blackout period established by the Company after the public announcement of the year-end results of the Company. DSUs granted under the Deferred Share Unit Plan shall be fully vested upon being credited to a participant’s account, and the participant’s entitlement to payment of such DSUs shall not thereafter be subject to satisfaction of any requirements as to any minimum period of membership on the Board. The Deferred Share Unit Plan provides that, on a date to be determined by the Board, in its sole discretion, after a participant ceases to be a participant, for any reason, the DSUs credited to a participant’s DSU account, as may be adjusted, shall be redeemed by the participant and each DSU so redeemed shall entitle the participant to receive a cash payment equal to the market value of the DSU, after deduction of any applicable taxes and other source deductions required to be withheld by the Company.

### *Restricted Share Unit Plan*

In August 2010, the Board adopted the Restricted Share Unit Plan. The Restricted Share Unit Plan provides that, on an annual basis, the Board shall grant, at its sole discretion, Restricted Share Units (“RSUs”) to participants eligible to receive a bonus award under the Executive Incentive Bonus Plan. Earned RSUs will be issued after the public announcement of the year-end results of the Company, and the number of RSUs granted will equal one-half of the bonus payable divided by the five-day volume weighted average trading price of the Common Shares on the trading days immediately preceding the date of grant. Each RSU is entitled to be exchanged for one Common Share of the Company. One-third of the RSUs will be exchanged for Common Shares on the first anniversary date from the date of grant. 50% of the remaining RSUs will be exchanged for Common Shares on the second anniversary date, and the remaining RSUs will be exchanged on the third anniversary of the date of grant. Upon the termination date of a participant, any unvested RSUs will become vested RSUs. The Company will purchase any Common Shares to be exchanged for RSUs on the open market.

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

#### *Chief Executive Officer*

On February 7, 2014, the Company entered into an employment agreement with David Kratochvil to become the Company’s Interim Chief Executive Officer. In December 2014, he was named the Company’s permanent Chief Executive Officer. The employment agreement has an indefinite term, subject to the termination provisions set out in the agreement as described below:

- The term of the agreement commenced on February 7, 2014.
- In the event Mr. Kratochvil resigns from his employment, he must provide the Company with one month’s written notice with no additional amounts owing to him from the Company.
- In the event of a termination without cause, Mr. Kratochvil will be entitled to receive:
  - a) salary, accrued vacation pay and pro-rated bonus to the date of termination; and

- b) payments equal to 6 months for his first year of service, plus 1 month for each additional year of completed service up to a maximum of 12 months' salary, including any benefit plans he is eligible for during that time.

#### *Chief Financial Officer*

On August 30, 2018, the Company appointed Heman Wong to become the Company's Chief Financial Officer. The employment agreement has an indefinite term, subject to the termination provisions set out in the agreement as described below:

- The term of the agreement commenced on September 1, 2018.
- In the event Mr. Wong resigns from his employment, he must provide the Company with one month's written notice with no additional amounts owing to him from the Company.
- In the event of a termination without cause, Mr. Wong will be entitled to receive:
  - a) salary, accrued vacation pay and pro-rated bonus to the date of termination; and
  - b) payments equal to one month for each year of completed service up to a maximum of 12 months' salary, including any benefit plans he is eligible for during that time.

#### *Consulting Agreement with Director*

On February 15, 2014, Mr. Gleeson, through his personal consulting company, London Consulting LLC, entered into an agreement with the Company to provide management services to the Company outside his duties as a Board member. The agreement has a term ending December 31, 2019, subject to the termination provisions set out in the agreement as follows:

- immediately by either party for non-performance, default or breach of this Agreement by the other party;  
or
- upon 45 days' written notice given by either party to the other party.

The agreement includes non-competition and non-solicitation provisions for six months following the termination of the agreement.

#### ***Termination or Change of Control Benefits***

Except as described in the table below, the Company does not have any compensatory plan or arrangement in respect of compensation payable to executive officers or directors in the event of the termination of employment with cause, in the event of a change in control of the Company, or in the event of a change in the responsibilities of any of the executive officers or directors.

The following table shows the estimated compensation where a NEO or director is terminated as if the termination occurred on December 31, 2018.

Separation Event				
Name Executive Officer or Director	Resignation	Termination with Cause	Termination without Cause	Constructive Dismissal within 12 months of a Change of Control
	(\$)	(\$)	(\$)	(\$)
David Kratochvil	Nil	Nil	223,333	223,333
Heman Wong	Nil	Nil	65,000	65,000
Peter Gleeson	Nil	Nil	Nil	Nil

## CORPORATE GOVERNANCE

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* requires all reporting issuers to provide certain annual disclosure with respect to their corporate governance practices. The corporate governance guidelines (the “Guidelines”) set forth in National Policy 58-201 – *Corporate Governance Guidelines* have been used by the Company in adopting its written corporate governance policies (“Corporate Governance Policy”) and practices. The Company’s approach to corporate governance is set out below. The Board is constantly engaged in an ongoing review of the Company’s corporate governance practices. The Board considers good corporate governance to be central to the effective and efficient operations of the Company.

The following is a summary of the Company’s corporate governance categories and description of corporate practices:

1. **Board of Directors:** The Board is responsible for the stewardship of the business and affairs of the Company and it reviews, discusses and approves various matters related to the Company’s operations, strategic direction and organizational structure to ensure that the best interests of the Company and its shareholders are being served. The Board meets at least four times during the year to review ongoing business of the Company. The Board also meets when matters arise that require consideration prior to the next regularly scheduled meeting.
  - a) *Independent Supervision over Management:* The Board monitors management on a regular basis. Management of the Company is aware of the need to obtain Board approval for significant corporate or business transactions outside of the normal course of business. Less significant activities which can be addressed by management are often reported to the Board, with whom management has a good working relationship.
  - b) *Independent Directors:* Management is nominating five individuals to the Board, all of whom are current directors of the Company. The Company’s Corporate Governance Policy requires that the Board must be composed of a majority of individuals who qualify as “independent” within the meaning of NI 52-110. Except for David Kratochvil, the Company’s CEO, and Peter Gleeson, who has acted as the Company’s Executive Chairman since August 14, 2018 and from February 6, 2014 to June 23, 2016, each of the proposed nominees to the Board is considered to be independent within the meaning of NI 52-110. Each of Messrs. Pelletier, Fleming, and Henderson is independent of

management of the Company, is not subject to influence by any particular shareholder of the Company and does not have any business employment or other relationships with the Company.

The Executive Chairman of the Board is Peter Gleeson. The Chairman's duties and responsibilities include:

- i) to chair, when present, all meetings of the Company's shareholders;
- ii) to be the senior spokesman for the Board and to maintain its relations with management;
- iii) to assist the Board in the discharge of its duties;
- iv) to draft the administrative functions necessary for the Board to discharge its duties;
- v) to ensure Board committees are working effectively; and
- vi) to lead the Board on monitoring and evaluating the performance of the CEO.

The independent directors can hold meetings without the non-independent directors and other members of management in attendance at any time they wish.

The independent members of the Board believe that their majority on the Board, their sophistication and their knowledge of the Company's business are sufficient to facilitate the functioning of the Board independently of management and to provide for open and candid discussion among the independent directors.

The shareholdings of each current director is disclosed in this Circular under the heading "Election of Directors".

- c) *Directorships in other Reporting Issuers:* The following directors of the Company are directors of other reporting issuers (or the equivalent) in a jurisdiction in Canada or in a foreign jurisdiction:

Name	Reporting Issuer
Clement Pelletier	Goldcorp Inc. and Seabridge Gold Inc.

- 2. **Orientation and Continuing Education of Directors:** The CEO is responsible for ensuring that new Board members receive adequate orientation and education. The Board, as a whole, considers whether or not continuing education for all, or certain directors, may be warranted. The Company pays the reasonable expenses for a director's participation in continuing education programs approved by the Board.
- 3. **Ethical Business Conduct:** The Board has adopted a Code of Business Conduct and Ethics (the "Code") as part of its Corporate Governance Policy. Every employee, officer and director of the Company is provided with a copy of the Code and is expected to know and follow the policies outlined therein. The Code is a guide intended to inform employees, officers and directors of significant legal and ethical issues that may arise in the course of the Company's operations and the steps to be taken to report illegal and unethical conduct. The Code, although not intended to be exhaustive, covers matters of conflicts of interest, corporate opportunity, compliance with laws, rules and regulations, confidentiality, protection of the Company's assets, fair dealing and outside employment. Any questions about the Code or conduct are required to be reported to either or both of the CEO or CFO. No one at the Company has the authority to make exceptions to the Code, other than the Board. All known or suspected breaches of the Code are required to be reported to the Board.

4. **Nomination of Directors:** The Corporate Governance, Compensation and Human Resources Committee is responsible for recruiting new directors, proposing new director nominees to the Board and, in conjunction with the Board, reviewing the compensation of directors. The Corporate Governance, Compensation and Human Resources Committee is also responsible for reviewing and reporting to the Board on management succession planning, management development training, significant changes in organizational structure and corporate governance practices.

In order to identify new candidates, the Corporate Governance, Compensation and Human Resources Committee will develop and update annually a long-term plan for Board composition that takes into consideration the current strengths, personalities, skills and experience on the Board, retirement dates and the strategic direction of the Company. It will then develop recommendations regarding the essential and desired criteria, experiences and skills for potential new directors, taking into consideration the Board's short-term needs and long-term succession plans. The Corporate Governance, Compensation and Human Resources Committee will then identify potential candidates who meet the criteria and, in consultation with the CEO, recommend to the Board potential candidates for consideration when it is appointing directors.

The Corporate Governance, Compensation and Human Resources Committee is responsible for reviewing, on a periodic basis, the size and composition of the Board and assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors. The Corporate Governance, Compensation and Human Resources Committee meets at least once per year and will engage and compensate any outside advisor to fulfill its duties as necessary.

5. **Compensation:** The Corporate Governance, Compensation and Human Resources Committee reviews and makes recommendations with respect to the adequacy and form of compensation, including salaries, annual retainers, meeting fees, bonuses, option grants and other benefits, received by directors and executive officers to ensure that the compensation received accurately reflects the risks and responsibilities involved in being an effective director and/or executive officer of the Company. The Corporate Governance, Compensation and Human Resources Committee utilizes information obtained from the industry in general as a guide in reviewing compensation for officers and directors.
6. **Board Committees:** In addition to the Audit Committee and the Corporate Governance, Compensation and Human Resources Committee, the Board has a Health, Safety, Environment and Technical Committee. The Health, Safety, Environment and Technical Committee meets at least once a year or more frequently as circumstances require. The Health, Safety, Environment and Technical Committee asks members of management or others to attend meetings or to provide information as necessary. The members of the Health, Safety, Environment and Technical Committee are Messrs. Pelletier, Fleming, and Kratochvil, the first two of whom are independent directors within the meaning of NI 52-110.
7. **Assessments:** The mandate of the Corporate Governance, Compensation and Human Resources Committee includes overseeing the effective functioning of the Board, which includes a periodic review of the effectiveness of the Board as a whole and of the composition of the Board. To date, given the small size of the Board and the frequency with which its meetings are held, the Board has not found it necessary to institute any formal process in order to satisfy itself that the Board, its committees and its individual directors are performing effectively.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans as at the end of the Company's most recently completed financial year ended December 31, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by the security holders <sup>(1)</sup>	62,000	\$6.00	58,843

Notes:

- (1) All figures in this table reflect post-Consolidation amounts.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or former directors, executive officers, employees of the Company or its subsidiaries, the proposed nominees for election to the Board, or their respective associates or affiliates, are or have been indebted to the Company or its subsidiaries since the beginning of the last completed financial year of the Company.

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

No director or executive officer of the Company or any proposed nominee of management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Company's last financial year, in matters to be acted upon at the Meeting, other than the election of directors.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular, none of the persons who were directors or executive officers of the Company or a subsidiary of the Company at any time during the Company's last financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, or controls or directs, directly or indirectly (or a combination of both) more than 10% of the issued and outstanding Common Shares, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

## MANAGEMENT CONTRACTS

No management functions of the Company or its subsidiaries are to any substantial degree performed by a person or company other than the directors or executive officers of the Company or its subsidiaries.

## DIRECTOR AND OFFICER'S LIABILITY INSURANCE

During the financial year ended December 31, 2018, the Company maintained directors' and officers' liability insurance in the amount of \$10,000,000. The yearly premium for the insurance is \$23,550.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in the Company's comparative financial statements, and the accompanying management's discussion and analysis, for the year ended December 31, 2018, each of which can be found on the Company's website at [www.bqewater.com](http://www.bqewater.com), and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information concerning the Company may be obtained by any security holder of the Company free of charge by contacting the Company at 604-685-1243.

### **BOARD APPROVAL**

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

DATED at Vancouver, British Columbia, the 15th day of April, 2019.

### **ON BEHALF OF THE BOARD**

*"Heman Wong"*

Heman Wong  
Chief Financial Officer and Corporate Secretary

## **SCHEDULE “A” AUDIT COMMITTEE CHARTER**

### **I. PURPOSE**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of BioteQ Environmental Technologies Inc.<sup>1</sup> (the “Company”) to assist the Board in fulfilling its oversight responsibilities. The Committee will:

- Review the financial statements, management’s discussion and analysis, annual and interim earnings press releases and other financial information provided by the Company to its shareholders and filed with securities commissions;
- Review the annual financial plan, including all modifications thereto, and details of any proposed financing;
- Monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that management and the Board have established, including the plan and framework for compliance with regulatory requirements for officer certification of annual and interim filings;
- Monitor management of the principal risks that could impact the financial reporting of the Company; and
- Review and approve the audit plan, process, results and performance of the Company’s independent external auditor (the “External Auditor”) while providing an open avenue of communication between the External Auditor, management and the Board.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and shall have direct access to the External Auditor and anyone in the Company to fulfill its responsibilities. The Committee has the authority to retain, at the Company’s expense, special legal, accounting and other consultants or experts it deems necessary in the performance of its duties.

### **II. AUDIT COMMITTEE COMPOSITION AND MEETINGS**

The Committee shall consist of three or more independent directors, as determined by the Board, each of whom are unrelated directors, free from any direct or indirect relationship with the Company that would interfere with the exercise of his or her independent judgment. The Committee shall be appointed by the Board at the first meeting of the Board following the Annual General Meeting and hold office until the next Annual General Meeting. All Committee members shall be financially literate with a working familiarity of basic finance and accounting practices, and at least one Committee member shall be a financial expert having accounting or related financial management expertise.

A chair of the Committee (the “Chair”) shall be elected or appointed annually by the Board from among the members of the Committee. Any Committee member may be removed or replaced at any time by the Board. Committee members shall cease to be a member upon ceasing to be a director of the Company. Each member shall hold office until the earlier of the close of the next annual meeting of shareholders of the Company or until the member resigns or is replaced.

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<sup>1</sup> Now BQE Water Inc.

The Committee shall meet at least quarterly, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall meet privately at least quarterly with management and the External Auditor to discuss any matters that the Committee or either of those groups believes should be discussed.

A quorum of a meeting of the Committee shall consist of a simple majority of the members of the Committee.

The External Auditor shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Committee.

If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a Committee meeting by means of such telephonic, electronic or other communication facilities as will permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by such means is deemed to be present at that meeting.

### **III. PRIMARY DUTIES AND RESPONSIBILITIES**

To fulfill its primary duties and responsibilities, the Committee shall adhere to the following terms:

#### ***(a) Review and Reporting Procedures***

- The Committee is authorized to review and/or investigate any financial, internal control or risk management related issue or activity of the Company. The Committee shall report to the Board at the Board's next regular meeting all such action it has taken since the previous report.
- The Committee is authorized to request the presence, at any meeting, of a representative from the External Auditor, senior management, legal counsel or anyone else who could contribute to the subject of a meeting.
- The Committee will review and reassess this Charter at least annually to determine whether revisions are necessary. The Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- The minutes of all meetings of the Committee will be provided to the Board. The Committee shall appoint a secretary of the Committee who shall record the proceedings of meetings. Supporting schedules and information reviewed by the Committee will be available for examination by any member of the Board upon request to the secretary of the Committee.

#### ***(b) Financial Strategy and Plans***

- The Committee is authorized to review and approve the Company's long-term financing strategy. The financing strategy will be updated at least every three years.
- The Committee is authorized to review and approve for recommendation to the Board from time to time the Company's annual financing plan and any amendments thereto and ensure the plan is in accordance with the strategy.

- The Committee will also review and approve for recommendation to the Board details of specific proposed financings.

***(c) Internal Controls and Risk Management Processes***

To assure itself that the Company has appropriate controls and procedures in place to achieve:

- Effectiveness and efficiency of operations (including safeguarding of assets);
- Reliable external financial reporting, including disclosure of financial information extracted or derived from financial statements; and
- Compliance with applicable laws and regulations and internal policies;

and

To ensure the Company has appropriate processes in place to manage the principal risks of its business, the Committee shall:

- Consider and review internal processes for managing the principal risks of the Company's business, including a review of insurance coverage;
- Obtain assurance from management regarding the adequacy of risk management processes; and
- Review with management and the External Auditor:
  - The adequacy of the Company's internal controls, including computerized information systems, controls and security; and
  - Any related significant internal control findings and recommendations of the External Auditor together with management's responses thereto.

***(d) Corporate Reporting***

**1. Financial Reporting**

In order to satisfy itself that the Company's annual and interim financial statements are fairly presented in accordance with generally accepted accounting principles and in a form sufficient for the Committee's recommendation for approval by the Board, and that the financial information contained in the Company's financial statements, annual report to shareholders and other financial disclosure documents (including management's discussion and analysis and annual information forms) are complete and accurate in all material respects, the Committee shall:

***(i) General***

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;

***(ii) Annual and Interim Financial Statements and Other Financial Information***

- Review the draft financial statements, along with the related press releases and reports prepared by management which set out the results and the major factors affecting performance in the reporting period, and assess the reasonableness of such financial statements;
- Review any material changes in accounting principles or policies or financial reporting practises or requirements that may affect the current period's financial statements;
- Review management's assumptions supporting significant estimates or judgements affecting the financial statements;
- Obtain and review any summaries of significant or unusual transactions and other potentially complex matters whose treatment in the financial statements merits advance consideration;
- Review any summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments annually and material changes quarterly;
- Review the tax status of the Company and monitor the Company's approach to tax strategy and risk management, the status of any related tax reserves and potential reassessments or other matters which could affect the financial statements;
- Review and assess the quality and appropriateness of the Company's accounting and reporting principles and policies;
- Review and discuss the External Auditor's report in detail with management;
- Through discussion with management and the External Auditor, obtain assurance that the risk of material misstatement of the financial statements is acceptably low;
- Through discussion and review with management, obtain assurance that all required securities certifications and attestations have been completed and filed as required;
- Provide to the Board a recommendation as to whether the financial statements and the related press release should be approved; and

***(iii) Prospectuses and Information Circulars***

- Review the financial information included in any prospectus or information circular prior to its release and, as appropriate, recommend to the Board whether such prospectus or information circular should be approved by the Board.

## **2. Management's Discussion and Analysis (MD&A) Reporting**

In order to satisfy itself that the Company's annual and interim MD&A is prepared in accordance with general disclosure principles for MD&A, the Committee shall:

- Review the MD&A and consider whether the information:
  - Compliments as well as supplements the financial statements;
  - Is reliable, complete, fair and balanced, providing material information about the Company;
  - Has a forward-looking orientation;
  - Is focused on management's strategy for generating value over time; and
  - Is written in plain language, with candour and without exaggeration, and embodies the qualities of clarity, relevance, comparability and consistency over reporting periods; and
- Through discussion with management:
  - Obtain assurance that the disclosures comply with regulatory requirements;
  - Determine what information (1) was omitted due to competitive concerns; (2) was presented in the prior period but now omitted; (3) was updated in light of intervening events; or (4) is a significant issue that is not disclosed; and
  - Determine what, if any, external feedback or advice has been received on the adequacy of the MD&A.

### ***(e) External Audit***

The External Auditor is accountable to the Board, as a representative of the shareholders, and reports directly to the Committee. The Committee is responsible for overseeing the work of the External Auditor, including the resolution of disagreements between management and the External Auditor regarding financial reporting.

In order to assure itself that the external audit function has been effectively carried out and that any matters that the External Auditor considers appropriate to bring to the attention of the Board have been addressed, the Committee shall:

- Recommend to the Board the selection (retention or replacement) of the External Auditor, considering independence and effectiveness, and recommend approval of audit fees to be paid to the External Auditor. On an annual basis, the Committee should review and discuss with the External Auditor all significant relationships its accountants have with the Company. The Committee will specifically confirm the External Auditor's independence and will ensure management documents the review and assessment. If there is a recommendation to change the External Auditor, the Committee shall review all issues to changes and steps planned for an orderly transition;

- Review the External Auditor's audit plan and engagement letter with management and the External Auditor, including audit scope and approach;
- Meet with the External Auditor and management in separate private sessions to discuss any matters that the Committee or either of these groups believes should be discussed privately with the Committee;
- Review annually the actual non-audit services and related fees provided by the External Auditor;
- Review and pre-approve the planned non-audit services and the related fees provided by the External Auditor. Any changes in such services and related fees must be reviewed and approved by the Chair, who will present the item at the first scheduled meeting following such change;
- Review and assess the performance of the External Auditor, including consideration of demonstrated external audit judgement and application and adherence to accounting policies and standards; and
- Review and approve the hiring policies of the Company regarding partners, employees and former partners and employees of the present and former External Auditors.

***(f) Whistleblower, Ethics and Internal Controls Complaint Procedures***

In order to assure itself that the Company has in place adequate procedures for complaints received by the Company regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and that these submissions have been investigated effectively, the Committee shall:

- Review reports on any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. Where the CEO, COO and/or CFO are named in a complaint, an independent party designated under the whistleblower policy will speak directly to the Chair;
- Review and consider any reports on the results of the investigation of whistleblower, ethics and internal controls complaints;
- Satisfy itself that management has taken appropriate action to deal with all complaints; and
- Satisfy itself that an effective facility and process exists for the anonymous reporting and investigation of concerns regarding questionable accounting or auditing matters.

***(g) Oversight on Compliance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")***

In order to ensure that the Company is complying with NI 52-109 officer certification requirements for annual or interim filings, the Committee shall:

- Receive and review reports from management on the status of the Company's progress in documenting and assessing disclosure processes and controls, documenting and assessing

internal controls for financial reporting, remedying material or significant weaknesses in the design of internal control, assessing the effectiveness of internal controls and establishing a sustainable framework for ongoing certification; and

- Confirm with management that there are no issues or material weaknesses arising during the reporting period that require specific disclosure in the certification representation letters. To the extent that there are reportable weaknesses, ensure that management has appropriate remediation plans to correct the weakness and further ensure that management has implemented substitute procedures to satisfy themselves that the financial reports present fairly the financial position.

#### **IV. OTHER DUTIES**

##### ***(a) Legal and Regulatory Compliance***

To provide assurance of Company compliance with all legal and regulatory requirements, the Committee shall:

- At least annually, review the procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- In areas in which it has oversight responsibility, monitor the Company's compliance with applicable laws, regulations and internal policies. The Committee will consider the financial statement implications of applicable laws and regulations, including the laws and regulations overseen by other committees of the Board;
- Receive and review copies of legal letters provided to the External Auditor by in-house and outside counsel regarding claims and possible claims against the Company;
- Make inquiries of management, as well as the External Auditor, to ensure that all material legal matters have been brought to the attention of the Committee;
- Obtain assurance from management regarding the Company's compliance with applicable laws and regulations in all jurisdictions where the Company does business; and
- At least annually, review with the Company's legal counsel any legal matters that could have a significant impact on the organization's financial statements or risk profile, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

##### ***(b) Code of Business Conduct and Ethics***

The Company's Code of Business Conduct and Ethics (the "Code") establishes procedures for the confidential, anonymous submission by employees of the Company regarding breaches of the Code. Oversight and approval of the Code are the direct responsibility of the Company's Corporate Governance & Nominating Committee.<sup>2</sup> However, all submissions made regarding questionable accounting, auditing, financial reporting, internal controls or any other matter that may have a material impact on the reported financial results of the Company are reported to the Committee.

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<sup>2</sup> Now the Corporate Governance, Compensation and Human Resources Committee.

To provide assurance that the necessary submissions are received, the Committee shall review regularly with management and the External Auditor the results of their review of the Company's monitoring of compliance with the Code as it relates to employee submissions regarding questionable accounting, auditing, financial reporting, internal controls or any other matter that may have a material impact on the reported financial results of the Company.

***(c) Officer's Expenses***

The Committee shall review the policies and procedures with respect to the chair of the Board and the CEO's expense accounts and perquisites, including their use of corporate assets.

The Committee shall periodically review a summary of major expenses incurred by the chair of the Board and the CEO.

***(d) Pension and Other Post-Employment Benefits***

The Committee ensures that management has a process in place to accurately calculate pension and other post-employment benefit liabilities. In addition, the Committee monitors management's plans to ensure that sufficient assets exist to meet these obligations. In contrast, the Company's Compensation Committee<sup>3</sup> is concerned that pensions and benefits be consistent with an overall compensation plan that is motivational and competitive, and which attracts, holds and inspires performance. Any changes contemplated by the Compensation Committee will potentially impact the total liabilities of the plans. Accordingly, both the Committee and the Compensation Committee are concerned with the impact on the plans. To ensure all concerns are addressed, the Compensation Committee provides a regular report to both committees.

In connection with the foregoing, the Committee shall:

- Review pension and other post-employment benefit plan assumptions on a regular basis and understand the impacts of changes in those assumptions;
- Review the financial health of the plans, including the annual solvency calculations; and
- Review disclosure of pension and other post-employment benefits in the annual financial statements.

***(e) Other Duties***

The Committee will perform such other functions as assigned by law or regulation or as required by the Board.

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<sup>3</sup> Now the Corporate Governance, Compensation and Human Resources Committee.