

**ST. AUGUSTINE GOLD AND COPPER LIMITED**

**Notice of Meeting and Information Circular**

in respect of the

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

to be held June 28, 2019

Information Circular dated May 21, 2019

## NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held June 28, 2019

### TO THE SHAREHOLDERS OF ST. AUGUSTINE GOLD AND COPPER LIMITED

Notice is hereby given that the annual general meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of St. Augustine Gold and Copper Limited (the "**Company**") will be held at the 7<sup>th</sup> Floor, Mosaic Tower, #100 Trasierra St., Legazpi Village, Makati City, Metro Manila, Philippines on June 28, 2019 at 10:00 a.m. (Philippine time), for the following purposes:

1. to receive the audited financial statements of the Company for the year ended December 31, 2018, and the report of the auditors thereon;
2. to elect directors of the Company as described in the Information Circular accompanying this Notice;
3. to appoint Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company and to authorize the directors to fix the remuneration to be paid to the auditors;
4. to approve the stock option plan renewal resolution, an ordinary resolution set out in Appendix "A" to the Information Circular accompanying this Notice, approving the Company's ability to continue to grant stock options under the 2011 stock option plan for an additional three years and to re-approve the unallocated entitlements under the 2011 stock option plan of the Company; and
5. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

**The specific details of the matters to be considered at the Meeting are set out in the Information Circular dated May 21, 2019, which accompanies this Notice. Only Shareholders of record at the close of business on May 15, 2019, are entitled to receive notice of and to vote at the Meeting or any adjournment thereof.**

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to Computershare Trust Company, the registrar and transfer agent of the Common Shares, at the 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, by no later than 5:00 p.m. (Toronto time) on June 26, 2019, or two business days preceding the date of any adjournment.

**If you are not a registered Shareholder** and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

**DATED** in Makati City, Metro Manila, Philippines, this May 21, 2019.

**BY ORDER OF THE BOARD OF DIRECTORS OF ST. AUGUSTINE GOLD AND COPPER LIMITED**

(signed) "*Manuel Paolo A. Villar*"

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Manuel Paolo A. Villar  
President and CEO

## MANAGEMENT INFORMATION CIRCULAR

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for the Annual General Meeting of Shareholders to be held June 28, 2019

### GENERAL PROXY INFORMATION

#### Purpose of Solicitation

**This Information Circular is furnished in connection with the solicitation of proxies by the management of St. Augustine Gold and Copper Limited for use at the Meeting of the Shareholders of Common Shares.**

The meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of St. Augustine Gold and Copper Limited ("**St. Augustine**" or the "**Company**") will be held at the 7<sup>th</sup> Floor, Mosaic Tower, #100 Trasierra St., Legazpi Village, Makati City, Metro Manila, Philippines on June 28, 2019 at 10:00 a.m. (Philippine time) and at any adjournments thereof for the purposes set forth in the notice of meeting (the "**Notice of Meeting**") accompanying this information circular (the "**Information Circular**"). Information contained herein is given as of May 21, 2019, unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail, but may also be by telephone, facsimile, in person or by other means of communication by directors, officers and employees of St. Augustine who will not be additionally compensated. All costs and expenses incurred in connection with the solicitation of proxies will be borne by St. Augustine.

#### Appointment and Revocation of Proxies

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of St. Augustine. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy to be acted upon must be deposited with Computershare Trust Company, the registrar and transfer agent of the Common Shares, at the 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, by no later than 5:00p.m. (Toronto time) on June 26, 2019, or two business days preceding the date of any adjournment.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by instrument in writing, executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof, and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

#### Advice to Beneficial Holders of Common Shares

**The Information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of St. Augustine as the registered Shareholders 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 Common Shares will not be registered in the Shareholder's name on the records of St. Augustine. Such Common Shares will more likely be registered under the names 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 CDS Depository and Clearing Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

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. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit [www.proxyvote.com](http://www.proxyvote.com) to vote the Common Shares held by the Beneficial Shareholder. 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.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the instrument 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 (or agent), well in advance of the Meeting.

### **Voting of Proxies**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted or withheld from voting in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting, then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

At the time of the printing of this Information Circular, the management of St. Augustine knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

## Notice and Access

The Company is using the notice and access provisions of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 *Continuous Disclosure Obligations* ("**Notice and Access**") to provide meeting materials electronically, for both registered and non-registered shareholders. Instead of mailing meeting materials to Shareholders, the Company has posted this Information Circular and form of proxy on its website at [www.sagcmining.com/investors/financial-sedar-filings/](http://www.sagcmining.com/investors/financial-sedar-filings/), in addition to the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com). The Company has sent the Notice of Meeting and a form of proxy or voting instruction form (collectively, the "**Notice Package**") to all Shareholders informing them that this Information Circular is available online and explaining how this Information Circular may be accessed. The Company will not directly send the Notice Package to non-registered shareholders. Instead, the Company will pay intermediaries to forward the Notice Package to all non-registered shareholders.

The Company has elected to utilize Notice and Access because it allows for a reduction in the use of printed paper materials and has reduced printing and mailing costs associated with the Company's shareholder meetings.

In accordance with Notice and Access, the Company set the record date at least 40 days before the Meeting.

Registered and non-registered Shareholders who have signed up for electronic delivery of this Information Circular and the Company's annual report (which includes management's discussion and analysis and consolidated financial statements for the fiscal year ended December 31, 2018) (the "**Annual Report**") will continue to receive them by email. No Shareholders will receive a paper copy of this Information Circular unless they contact the Company, in which case the Company will mail this Information Circular within three business days of any request, provided the request is made before the date of the Meeting or any adjournment thereof. We must receive your request before 5:00 p.m. (Toronto time) on June 18, 2019, to ensure you will receive paper copies in advance of the deadline to submit your vote. If your request is made after the Meeting and within one year of the Information Circular being filed, the Company will mail the Information Circular within 10 calendar days of any request.

## Voting Shares and Principal Holders Thereof

The board of directors of the Company ("**Board of Directors**" or "**Board**") has fixed May 15, 2019, as the record date. Shareholders at the close of business on May 15, 2019, are entitled to receive notice of the Meeting and to vote thereat or at any adjournments thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to May 15, 2019; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

As of the record date and the date hereof, 726,758,334 Common Shares were issued and outstanding as fully paid and non-assessable.

As of the record date, to the knowledge of the directors and executive officers of St. Augustine, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares, except as set forth below:

Name	Voting Securities Held	Percentage of Voting Securities Held
Queensberry Mining and Development Corp. <sup>(1)</sup>	290,500,000	40.0%
Russell Mining Corp. <sup>(2)</sup>	119,400,000	16.4%

**Notes:**

- 1) Manuel Paolo A. Villar is the President and Chief Executive Officer of Queensberry Mining and Development Corp. ("**Queensberry**").
- 2) Andrew J. Russell is the President of Russell Mining Corp. ("**RMC**").

As of the date hereof, the directors and executive officers of St. Augustine, as a group, beneficially owned, directly or indirectly, 290,718,500 Common Shares, representing 40.0% of the issued and outstanding Common Shares.

As of the date hereof, the directors and executive officers of St. Augustine, as a group, beneficially owned, directly or indirectly, 50,000 options ("**Options**") to purchase Common Shares issuable pursuant to the Company's incentive stock option plan (the "**Option Plan**") of the Company. If all such Options were exercised, the directors and executive officers of St. Augustine, as a group, would hold approximately 40.0% of the issued and outstanding Common Shares (on a fully diluted basis).

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

### **Financial Statements**

The audited financial statements of the Company for the year ended December 31, 2018, and the report of the auditors thereon will be available at the Meeting. The audited financial statements and the report of the auditors thereon were filed on SEDAR on March 28, 2019 and provided on or about May 23, 2019 to each Shareholder entitled to receive them.

### **Election of Directors**

In accordance with the policies of the TSX, the election of the board of directors will be conducted on an individual, not a slate, basis. Each person elected as a director of the Company will hold office until the close of the next annual meeting of Shareholders, or until his or her successor is duly elected or appointed.

**The enclosed form of proxy permits you to vote in favour of the nominees, or to withhold votes for the nominees. It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies "FOR" the election of the nominees specified below.**

Management has been informed that each of the proposed nominees is willing to serve as a director if elected. If, for any reason, any of the nominees is unavailable to serve, the persons designated in the form of proxy will be able to vote in their discretion for any substitute nominee or nominees.

The following table sets forth the name and jurisdiction of residence of each person that management proposes to nominate at the Meeting for election as a director, the date each first became a director of the Company, the current principal occupation, business or employment of each proposed nominee, the principal occupation, business or employment of each during the past five years and the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as at May 15, 2019.

Name and Residence	Office(s) held with St. Augustine	Director Since	Principal Occupation(s) During the Last Five Years	Common Shares Beneficially Owned Directly or Indirectly
Manuel Paolo A. Villar <sup>(4)</sup> Mandaluyong City, Philippines	Director, President and Chief Executive Officer	October, 2012	Mr. Villar has been the Director, President and Chief Executive Officer of Vista Land and Lifescapes, Inc. as well as a Director of Starmall, Inc., two large Philippine corporations. He was previously Head of Corporate Planning for Crown Asia and a consultant for McKinsey & Co.	290,718,500 (40.0%)
Yolanda L. Coronel-Armenta <sup>(1)(2)(3)</sup> San Diego, California, USA	Director	July, 2014	Ms. Coronel-Armenta is presently the Treasurer and Accountant of Cahan Properties, Inc., a commercial real estate development company in San Diego, California. Before that, she was the Vice-President of Pacific Property Management Company, a property management company in the State of California. She is a certified public accountant in the Philippines and in the United States in the State of Texas. She is also a licensed real estate broker in the State of California.	Nil
Johnny C. Felizardo <sup>(1)(2)(3)</sup> San Juan City, Philippines	Director	June, 2017	Mr. Felizardo is a consultant to Philippine mineral companies, with a background in metallurgy and copper concentrate contracts. Mr. Felizardo is currently the Executive Vice-President of Minercon International, Inc., a Philippine management consulting company specializing in mining, minerals and energy technology.	Nil

Name and Residence	Office(s) held with St. Augustine	Director Since	Principal Occupation(s) During the Last Five Years	Common Shares Beneficially Owned Directly or Indirectly
Eugene T. Mateo  Muntinlupa City, Philippines	Director	June, 2017	Mr. Mateo is a lawyer and a certified public accountant in the Philippines with 50 years of experience as a senior finance and management executive in various companies. He is the current President of TVI Resource Development Philippines Inc., a mining company focused on the exploration, development and production of precious and base metals from district-scale, large system, high-margin projects located in the Philippines. He was also elected president of various subsidiaries under the TVI Group of Companies. From 1998 to 2014, Mr. Mateo served as member and later on as Chairman of the Professional Regulatory Board of Accountancy. For many years, he was a professional lecturer at the Ateneo Graduate School of Business.	Nil
Edsel Abrasaldo  San Pedro City, Laguna Philippines	Director	N/A	Mr. Abrasaldo is a Licensed Geologist and the current President of MRL Nickel Philippines, Inc. (MNPI), a Canadian company, one of the JV partners which operates the Agata Nickel Laterite mine in Agusan del Norte, Mindanao Island, Philippines. Mr. Abrasaldo is one of the pioneer employees of MNPI when the company started exploring in the Philippines in 1997. He worked as a project geologist in the MNPI's Pan de Azucar copper-gold, Agata gold, and Tapan-San Francisco copper-gold projects.	Nil

**Notes:**

- 1) Member of the Audit Committee.
- 2) Member of the Compensation Committee.
- 3) Member of the N&CG Committee (as defined herein).
- 4) Manuel Paolo A. Villar is the President, Chief Executive Officer and a shareholder of Queensberry, which holds the beneficial ownership to 290,500,000 Common Shares and owns personally another 218,500 Common Shares.

***Additional Information Related to Voting Practices***

The TSX has adopted amendments to its policies that require listed companies to disclose whether they have adopted a majority voting policy for the election of directors for non-contested meetings and, if not, (i) explain their practices for electing directors, and (ii) why they have not adopted such a policy. As at the date hereof, the Company has adopted a majority voting policy for the election of directors for non-contested meetings, whereby if the number of securities withheld from voting for a particular director nominee exceeds the number of securities voted for the election of that director nominee, then such elected director would be expected to tender his or her resignation.



### *Corporate Cease Trade Orders or Bankruptcies*

To the knowledge of management, no proposed director of the Company is, or has been, within the past 10 years before the date hereof, a director, chief executive officer or chief financial officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days.

To the knowledge of management, no proposed director of the Company is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer 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.

### *Personal Bankruptcies*

To the knowledge of management, no proposed director of the Company has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### *Penalties or Sanctions*

To the knowledge of management, no proposed director of the Company has: (i) 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, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

### **Appointment of Auditors**

At the Meeting, Shareholders will be asked to pass a resolution appointing Davidson & Company LLP, Chartered Professional Accountants, as auditors of the Company for the ensuing year, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. Davidson & Company LLP was first appointed as auditors of the Company on June 24, 2016.

The Board recommends that Shareholders vote **FOR** the resolution appointing auditors of the Company that will be identified prior to or at the meeting. In the absence of contrary directions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the resolution appointing auditors of the Company for the ensuing year.

### **Approval of Stock Option Plan**

At the Meeting, Shareholders will be asked to consider and vote on an ordinary resolution (the "**Stock Option Plan Resolution**") approving, among other things the Company's ability to continue granting options under the Company's Option Plan until June 28, 2022, which is the date that is three years from the date of the Meeting. In order to be approved, the resolution approving the Option Plan needs to be passed by Shareholders holding more than 50% of the shares present in person or represented by proxy.

A copy of the Stock Option Plan Resolution is attached hereto as Appendix "A", and a copy of the Option Plan is set out in Exhibit 1 to Appendix "A". A summary of the Option Plan is set out under "Executive Compensation - Option Plan".

The Company's Option Plan expired on June 26, 2017 and as such the Company has not been able to grant any Options under the Option Plan since such time.

In the event that the Stock Option Plan Resolution is not approved at the Meeting the following will be the result: (i) all outstanding Options will remain unaffected; and (ii) the Company will not have the ability to continue granting Options.

As at December 31, 2018, the Company had outstanding options to purchase 10,071,000 Common Shares (representing about 1.4% of the Company's issued and outstanding Common Shares as of December 31, 2018) out of a total pool of 72,675,833 Common Shares reserved for issuance (representing 8.6% of our issued and outstanding Common Shares) under the Option Plan and all other security-based compensation arrangements of the Company. This means that there are 62,604,833 remaining options to purchase Common Shares available for grant (representing about 8.6% of the Company's issued and outstanding Common Shares as of December 31, 2018), relative to the current option pool size of 72,675,833, being the 10% ceiling of the current outstanding number of Common Shares.

The Board recommends that Shareholders vote **FOR** the resolution approving the Option Plan. In the absence of contrary directions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the Stock Option Plan Resolution.

### **Other Business**

Management is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

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

Management of St. Augustine is not aware of any material interest, direct or indirect, of any director or executive officer of St. Augustine or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

##### *Introduction*

The purpose of this compensation discussion and analysis ("**CD&A**") is to provide information about the Company's philosophy for executive compensation, the elements of compensation and the objectives for such elements. This disclosure is intended to communicate the compensation provided to the Company's senior leaders during the fiscal year ended December 31, 2018, being the three identified named executive officers ("**Named Executive Officers**").

The Named Executive Officers who are the focus of the CD&A are as follows:

- Manuel Paolo Villar, Chief Executive Officer
- Cynthia Marie S. Delfin, Chief Financial Officer
- Jess Anthony Q. Yu, General Counsel

### *Compensation Philosophy and Objectives*

The Compensation Committee is responsible for ensuring the Company's executive compensation program reflects the objectives and long term interests of the Company. The primary objectives of the Company's executive compensation program are: (i) to attract and retain talented and experienced people; (ii) to motivate and reward executive officers; (iii) to align the interests of executive officers and Shareholders; and (iv) to provide flexibility to enable the Company to be responsive to changes in the organization, the marketplace and the economy.

The Company collects data from multiple sources to determine appropriate ranges of pay for executives and other employees. The Company uses data from mining specific surveys as well as surveys of the broad local and national markets. Survey information is combined with data collected from its reference groups to establish pay ranges for its executive positions. The Company is in a unique position of requiring talent commensurate with the mid-tier operating companies (based on the projected size and complexity of Company's principal property, known as the "**Kingking Project**") while currently being in a development company stature.

The Company targets the median of the defined market for all elements of compensation. Executives and employees have the opportunity to earn above median compensation for superior performance over time. Individual compensation is determined based on individual and company performance. Individual compensation is slotted, based on performance, within established ranges.

See "Corporate Governance Disclosure - Board Committees and Their Mandates - Compensation Committee" for details of the Compensation Committee's members, independence, responsibilities and powers.

### *Elements of Compensation*

Standard compensation arrangements for the Named Executive Officers generally include three key elements: (i) base salary; (ii) performance-based cash bonus; and (iii) equity in the form of options. The Named Executive Officers are also eligible to participate in the same benefits as are offered to full-time employees. The Company does not view these benefits as a significant element of its compensation structure. The Compensation Committee does not have a formal policy for allocating compensation between cash and non-cash compensation. Instead, the Compensation Committee currently determines on a case-by-case basis the appropriate level and mix of various compensation components.

#### *a) Base Salaries*

The objective of base salary compensation is to attract, retain and reward executive officers and employees. Base salary is intended to be competitive with companies of similar size and industry while still allowing the Company to shop for talent in the broad market. In setting base compensation levels, consideration is given to such factors as level of responsibility, expected levels of performance, and experience.

Base salaries of executive officers are generally reviewed annually by the Compensation Committee. In addition to the above factors, decisions regarding salary increases are impacted by each executive officer's current salary and the amounts paid to similarly situated executives in our selected reference groups of companies as well as those with comparable responsibilities in the broad market.

#### *b) Performance Based Cash Bonuses*

The Board, based upon recommendations from the Compensation Committee, has authority to award discretionary annual cash bonuses to executives and employees, which are intended to motivate and reward the recipients. The actual amount of any bonus is determined following a review of the performance of the organization against its goals and each officer's individual performance. Bonus decisions may be influenced by other criteria, including the Company's ability to pay such bonuses.

#### *c) Options*

Option grants are an integral component of the compensation package for the Company's executive officers and other key employees. The Option Plan is designed to: (i) recognize and reward the impact of longer-term strategic actions undertaken by management; (ii) align the interests of the Company's executive officers and employees with Shareholders; (iii) focus management on developing and successfully implementing the continuing growth strategy of the Company; (iv) foster the retention of key management personnel; and (v) attract talented individuals to the Company.

Option grants are approved by the Board after considering the recommendations of the Compensation Committee. In granting new Options, consideration is given to: (i) the number and terms of Options already outstanding on an individual basis; (ii) the limits imposed by the Toronto Stock Exchange ("**TSX**") and the Option Plan on the total number of Options that may be outstanding; (iii) option practices and levels among other mining companies; and (iv) the expected impact of the role of the executive officer or employee on the Company's performance and strategic development.

In recommending Option grants to the Board, the Compensation Committee considers the base salary of the individual, the individual's responsibilities within the Company, previous Option grants to the individual, and levels of equity awarded to similarly situated executive officers or employees in the broader mining market and within our reference group of companies. The Compensation Committee then uses its discretion to adjust the number of Options to be granted up or down based upon individual performance and other factors. See "Option Plan" for details of the Option Plan.

#### *d) Benefits and Other Perquisites*

The Named Executive Officers, other than those on consultancy basis, are eligible to participate in the benefits generally offered to all full-time employees. These benefits and other perquisites include such items as life insurance, disability, medical, dental, health and accident plans, up to five weeks of annual paid vacation, and parking. These benefits and other perquisites are designed to be competitive overall with equivalent positions in similar companies.

The Compensation Committee does not believe that its compensation programs encourage excessive or inappropriate risk taking as the Company's employees receive both fixed and variable compensation, and the fixed (salary) portion provides a competitive and steady income regardless of whether an employee receives an annual cash bonus and what the current value of an employee's Options are.

#### *Compensation Process*

The Board, relying on significant input from the Compensation Committee, has the ultimate responsibility for the Company's compensation program and compensation decisions. The Compensation Committee and the Board generally seek advice of executive officers and other advisors when making these decisions.

The chief executive officer ("**CEO**"), with the executive team, develops company and individual performance goals. Executive performance is evaluated periodically by the CEO who makes pay recommendations to the Committee. When determining executive officer compensation, the Board evaluates the Company's performance relative to the corporate objectives and strategic business plans and the executives' achievements during the fiscal year.

Company and individual objectives are focused on the achievement of certain milestones that advance the project's design, permitting, funding and infrastructure.

### *Compensation Consulting and Resources*

The Company did not retain an outside compensation consultant in the fiscal year ended December 31, 2018, choosing instead to rely on internal resources.

### *Analysis of 2018 Compensation and Compensation Decisions*

Compensation decisions and payments made during the fiscal year ended December 31, 2018 were affected by the circumstances of the Company during the year.

Year-end base rate adjustments and bonus determinations for executive officers, other than the CEO, were based on recommendations made to the Compensation Committee by the CEO considering the performance of the organization against goals, the individual performance and contribution of the executive officers, and the executive officer's position in the established range.

In order to conserve cash, and because the Compensation Committee felt that current pay levels were appropriate, no executive officers were awarded pay increases in the fiscal year ended December 31, 2018.

### *Risk Assessment and Oversight*

The Compensation Committee considers the implications of the risks associated with the Company's compensation policies and practices. The Compensation Committee's role of approving the compensation policies and practices includes considering whether the compensation policies and practices could encourage a Named Executive Officer to take inappropriate or excessive risks. Based on the experience of the Compensation Committee in compensation matters, the Compensation Committee did not identify any risks arising from the Company's compensation policies and practices that would reasonably be likely to have a material adverse effect on the Company. This assessment was based on a number of considerations, including the following:

- base salaries provide a steady income regardless of share price performance, allowing executives and employees to focus on both near-term and long-term goals and objectives without undue reliance on short-term share price performance or market fluctuations;
- cash bonuses are based on performance measures designed to contribute to long-term value creation;
- Options typically vest over a number of years, motivating the achievement of long-term sustainable objectives and aligning executives with the interests of Shareholders; and
- the Compensation Committee does not solely focus on achievement of narrowly focused performance goals and retains adequate discretion to apply business judgement to assess the overall execution of the long-term business plan and adherence to the Company's corporate vision and values.

### *Hedging Activities*

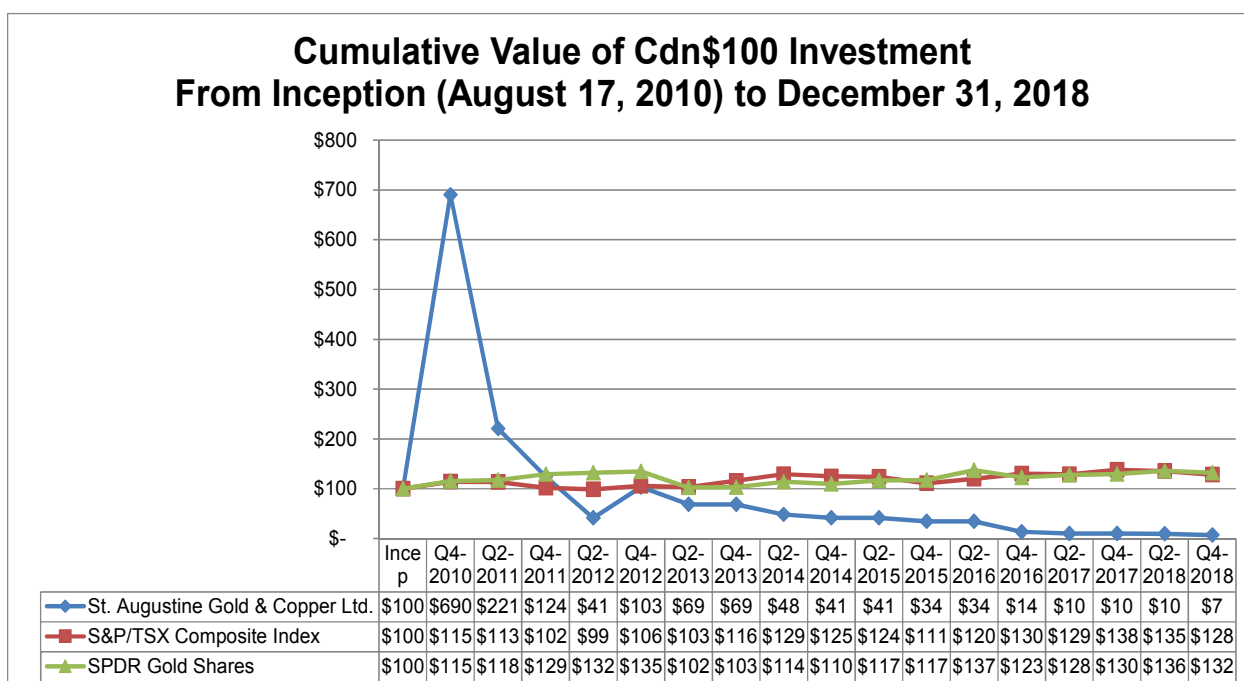
The Company prohibits directors, officers and employees from purchasing and selling certain derivatives in respect of any security of the Company. This includes purchasing "puts" and selling "calls" on the Company's securities, as well as a prohibition on short selling St. Augustine's securities. Aside from these prohibitions, the Company does not have a policy specifically pertaining to other financial instruments including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an executive officer or director. Any transactions of this nature are subject to insider reporting requirements and are reported on the System for Electronic Disclosure by insiders. To the knowledge of the Company, no Named Executive Officer or director has entered into any such agreement.

## Performance Graph

The following graph and table illustrates the Company's inception (August 17, 2010) to December 31, 2018 cumulative shareholder return based on a \$100 investment on August 17, 2010 in the Company's Common Shares compared to the cumulative return on a comparable investment on the SPDR Gold Shares Exchange Traded Fund (formerly the S&P/TSX Capped Gold Index) and the S&P/TSX Composite Index for the same period, ended December 31, 2018. Each index is as published by the TSX. The calculations exclude trading commissions and taxes. Total shareholder returns from each investment can be calculated from the quarter-end investment values shown in the following graph.

### FROM INCEPTION TOTAL COMMON SHAREHOLDER RETURN COMPARISONS

(Based on an initial investment of \$100 on August 17, 2010 to December 31, 2018)



Over the period from inception (August 17, 2010) through December 31, 2018, the Company's share price has underperformed the S&P/TSX Composite and SDPR Gold Shares indices. The Company's share price decreased by 93% since inception, compared to an increase of 28% for the S&P/TSX Composite Index and a decrease of 32% for the SPDR Gold Shares.

## Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 *Statement of Executive Compensation*) provides information concerning compensation of the Named Executive Officers for the fiscal years ended December 31, 2018, 2017 and 2016:

Name & Principal Position	Year	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(1)</sup>	Long-term Incentive Plans			
<b>Manuel Paolo A. Villar</b> <i>President and CEO</i>	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Cynthia Marie S. Delfin</b> <i>Chief Financial Officer</i>	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Jess Anthony Q. Yu</b> <i>General Counsel</i>	2018	59,946	Nil	Nil	Nil	Nil	Nil	Nil	59,946
	2017	17,484	Nil	Nil	Nil	Nil	Nil	Nil	17,484
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes:**

- 1) At December 31, 2018, there were no share-based and option-based awards and accrual for annual cash incentives.

**Incentive Plan Awards**

*Value Vested or Earned During the Year*

The following table sets forth information with respect to the value of Options and discretionary annual cash bonus payments to the Named Executive Officers that vested or were earned during the fiscal year ended December 31, 2018.

Name	Options-Based Awards Value Vested During the Year <sup>(1)</sup> (\$)	Share-Based Awards Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation Value Earned During the Year <sup>(2)</sup> (\$)
Manuel Paolo A. Villar, CEO	Nil	Nil	Nil
Cynthia Marie S. Delfin, CFO	Nil	Nil	Nil
Jess Anthony Q. Yu, General Counsel	Nil	Nil	Nil

**Notes:**

- 1) The value that would have been realized from stock options is determined by multiplying the portion of each stock option grant that vested during 2018 by the difference between the closing share price of St. Augustine's Common Shares on the vesting date and the exercise price of the stock option. During the fiscal year ended December 31, 2018, none of the vesting dates had prices greater than the exercise price.
- 2) At December 31, 2018, there was no accrual for annual incentive awards earned in 2018.

## Outstanding Option-Based Awards

The following table sets forth information with respect to the outstanding Options for each Named Executive Officer as of December 31, 2018.

Name	Option-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price <sup>(1)</sup> (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options <sup>(2)</sup> (\$)
Manuel Paolo A. Villar, CEO	50,000	\$ 0.19	7/1/2019	\$0
	50,000	\$ 0.27	3/11/2019	\$0

### Notes:

- 1) The option exercise price has been converted from the Canadian Dollar to the US Dollar at December 31, 2018.
- 2) The value of unexercised in-the-money Options is based on the number of Options held as of December 31, 2018, and is calculated on the difference between the market value of the Common Shares on the TSX as at December 31, 2018, which was CDN\$0.04, and the exercise price of the Option.

## Option Plan

The Option Plan is intended to provide an incentive, in the form of a proprietary interest in the Company, to officers, directors and employees of the Company or its subsidiaries and any person or company engaged to provide ongoing management or consulting services for the Company or its subsidiaries who are in a position to contribute materially to the successful operation of the business of the Company, to increase their interest in the Company and to provide a means through which the Company can attract and retain persons of experience and ability.

In order to create an immediate stake in the Company, executives, directors, and certain key employees receive equity grants in the form of Options upon their hiring. Subsequent Option grants are made based on performance, either at year-end during the normal performance review cycle, or during the year based on achievement of significant milestones.

Some of the principal terms of the Option Plan are as follows:

- Employees, officers, directors (subject to limitations) and consultants of the Company and its affiliates ("**Eligible Optionees**") are eligible to participate in the Option Plan.
- The maximum term for any Option will be five years pursuant to the Option Plan, subject to being extended by 10 business days if the expiry date falls in a black out period or within five business days following the end of a black out period.
- The maximum number of Common Shares reserved for issuance by the Company pursuant to the Option Plan, and any predecessor stock option plan, shall not exceed 10% of the issued and outstanding Common Shares.
- The Option Plan provides that a grant of Options shall vest over a two-year period with 1/3 of the Options vesting on grant, and 1/3 on each of the first and second anniversaries of the grant date, unless otherwise determined by the Board.
- The Option Plan provides that, in the event an Eligible Optionee is terminated for cause, all Options granted to such Eligible Optionee shall expire immediately. The default treatment of Options in other termination events is:



- if an Eligible Optionee ceases to be a director, officer, employee or consultant of St. Augustine (or an affiliate) other than by reason of termination for cause or death or Disability (as defined in the Option Plan) only those Options vested at the date of such cessation will be exercisable for a maximum period of 90 days (unless they expire at an earlier date); and
  - if an Eligible Optionee ceases to be a director, officer, employee or consultant of St. Augustine (or an affiliate) by reason of death or Disability, the Options then vested will be exercisable for a period of one year (unless they expire at an earlier date).
- The Option Plan contains a definition of "Disability" to assist the Board in determining when a holder of Options ceases to be an Eligible Optionee as a result of Disability.
  - Upon the occurrence of a Change of Control Transaction (as defined in the Option Plan) all unexercised and unvested outstanding Options granted under the Option Plan vest and become immediately exercisable. The Board discretion for outstanding Options contained in the Option Plan has been removed in these circumstances.
  - The Board has the ability to suspend or terminate the Option Plan.
  - The Option Plan contains provisions specifically outlining amendments to the Option Plan that may be made by the Board without the further approval of Shareholders. The rules of the TSX require that in order for amendments to proceed without requiring securityholder approval, the plan must specify if securityholder approval is required for each type of amendment to the security-based compensation plan. If the security-based compensation plan does not have specific amendment procedures in place, then every amendment will require securityholder approval, even simple housekeeping matters. The amendment provisions in the Option Plan contain the limitations on the ability to amend the Option Plan or Options that are required by the TSX and that are recommended best practices.
  - The Board may, without Shareholder approval but subject to the prior consent of the TSX, amend the Option Plan to the extent that such amendment:
    - is for the purpose of curing any ambiguity, error or omission in the Option Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Option Plan;
    - is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;
    - is an amendment to the Option Plan respecting administration and eligibility for participation under the Option Plan;
    - changes the terms and conditions on which Options may be or have been granted pursuant to the Option Plan, including changes to the vesting provisions and Option term;
    - alters, extends or accelerates the terms of vesting applicable to any Option;
    - changes the termination provisions of an Option or the Option Plan which does not entail an extension beyond the original expiry date;
    - amends or modifies the mechanics of exercise of Options;
    - determines the adjustment provisions in the Option Plan; or
    - is an amendment to the Option Plan of a "housekeeping nature",

provided that in the case of any alteration, amendment or variance referred to in the Option Plan amendment provisions, the alteration, amendment or variance does not:

- amend the number of Common Shares issuable under the Option Plan;
- add any form of financial assistance by the Company for the exercise of any Option;
- result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Eligible Optionee;

- change the class of eligible participants to the Option Plan which would have the potential of broadening or increasing participation by insiders of the Company, including any change to the insider participation limits;
- reduce the exercise price of any Option or permit a reduction in the exercise price of an Option by the cancellation and re-issue of Options to an Eligible Optionee;
- extend the term of Options beyond their original expiry date (unless the extension is pursuant to any black out period that may be in effect);
- permit the introduction or re-introduction of non-employee directors on a discretionary basis or amend the limits on grants of Options to non-employee directors above the amount contained therein;
- permit an Eligible Optionee to transfer or assign Options to a new beneficial holder, other than in the event of death or to a wholly owned family corporation; or
- amend the rights of the Company to amend the Option Plan,

without first obtaining Shareholder approval.

- Options are non-transferable and non-assignable, except in the limited circumstances of death or to a corporation controlled by the holder and wholly owned by the holder and his or her spouse or children.
- The Option Plan includes a cashless exercise feature that allows holders of Options to surrender vested Options unexercised to the Company in consideration for a payment in Common Shares or cash (at the option of the holder and with the approval of the Board) equal to the difference between the fair market value of the Common Shares (determined in accordance with the Option Plan) and the aggregate exercise price for the Common Shares pursuant to the surrendered Options. The number of Common Shares issuable shall be this difference divided by the five day volume weighted average price on the settlement date.
- The number of Common Shares, when combined with any other share compensation arrangements, issuable (or reserved for issuance) to "insiders" of St. Augustine and their associates and affiliates may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis).
- The issuance of Common Shares to any one "insider" of St. Augustine and such insider's associates and affiliates, when combined with any other share compensation arrangements, may not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis).
- The number of Common Shares, when combined with any other share compensation arrangements, issuable (or reserved for issuance) to "insiders" of St. Augustine and their associates and affiliates within any one year may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis).
- The exercise price of Options shall not be less than the "market value" of the Common Shares at the date of granting such Option. For purposes of the Option Plan, "market value" means the five-day volume weighted average price of the Common Shares on the TSX prior to the date on which the Option is granted.

As of the date hereof, a total of 10,071,000 Common Shares are issuable upon exercise of currently outstanding Options, representing approximately 1.4% of the issued and outstanding Common Shares.

#### *Burn Rate*

The burn rate is not applicable for the three most recently completed fiscal year.

## **Pension Plan Benefits**

The Company does not provide any form of pension plan compensation or other retirement benefits for its directors, officers and employees.

## **Termination and Change of Control Benefits**

In order to attract and retain highly experienced executives to the company, St. Augustine has elected to provide certain termination and change of control benefits. Any payment made as a result of termination of employment will require a general release of all claims against the Company.

The Company currently provides no payment to Named Executive Officers for termination for cause, or retirement.

A "Change of Control" is deemed to have occurred at such time as the occurrence of a "change in ownership", a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of a corporation. Each definition is intended to be consistent with relevant portions of US Treasury Regulation §1.409A.

A "change in ownership" of the Company occurs on the date on which any one person, or more than one person acting as a group, acquires ownership of Common Shares or ownership of shares of a parent of the Company (together "**Company Shares**") that, together with the Company Shares held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the Company Shares. If a person or group is considered either to own more than 50% of the total fair market value or total voting power of the Company Shares, or to have effective control of the Company, and such person or group acquires additional Company Shares, the acquisition of additional Company Shares by such person or group shall not be considered to cause a "change in the ownership" of the Company or parent.

A "change in effective control" occurs only on either of the following dates:

- a) the date on which any one person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or persons) ownership of Company Shares possessing 50% or more of the total voting power of the Company Shares. If a person or group is considered to possess 50% or more of the total voting power of the Company Shares, and such person or group acquires additional Company Shares, the acquisition of additional Company Shares by such person or group shall not be considered to cause a "change in effective control" of the Company or parent, or
- b) the date on which a majority of the members of the Company's Board or that of the parent is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the applicable board before the date of the appointment or election.

A "change in the ownership of a substantial portion of the assets" of the Company shall occur on the date on which any one person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company or parent that have a total gross fair market value equal to more than 40% of the total gross fair market value of all for the assets of the Company or parent immediately before such acquisition or acquisitions. A transfer of assets shall not be treated as a "change in the ownership of a substantial portion of the assets" when such transfer is made to an entity that is controlled by the shareholders of the transferor corporation.

Notwithstanding these provisions, a Change of Control shall not be deemed to occur upon any increase in ownership by existing shareholders Queensberry or RMC in the Company.

## Non-Executive Director Compensation

### Non-Executive Director Compensation Table

The following table provides information concerning compensation earned by the non-executive directors for the fiscal year ended December 31, 2018.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Yolanda L. Coronel-Armenta	10,000	NIL	NIL	NIL	NIL	NIL	10,000
Dr. Patrick V. Caoile	4,900	NIL	NIL	NIL	NIL	NIL	4,900
Johnny C. Felizardo	6,000	NIL	NIL	NIL	NIL	NIL	6,000
Eugene T. Mateo	4,500	NIL	NIL	NIL	NIL	NIL	4,500

### Outstanding Option-Based Awards

There are no outstanding Options for non-executive directors as of December 31, 2018. The Company does not currently have in place a share-based award plan.

### Incentive Plan Awards

There were no incentive plan awards given during the fiscal year ended December 31, 2018.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options, the weighted average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under the Option Plan as of December 31, 2018.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options (CDN \$)	Number of Common Shares remaining available for future issuance under the Option Plan (excluding securities reflected in the first column) (1)
Equity compensation plans approved by Shareholders	10,071,000	0.15	62,604,833
Equity compensation plans not approved by Shareholders	NIL	NIL	NIL
Total	10,071,000	0.15	62,604,833

#### Note:

- 1) The maximum number of Common Shares reserved from time to time for issuance pursuant to Options granted pursuant to the Option Plan together with Common Shares reserved for issuance pursuant to any predecessor stock option plan to Eligible Optionees shall not exceed 10% of the aggregate number of issued and outstanding Common Shares of the Company on a non-diluted basis at the time of grant.

Please refer to "Outstanding Option-Based Awards", for information concerning Options granted to and held by non-executive directors under the Option Plan as at the fiscal year ended December 31, 2018.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No executive officer, director or employee and no former executive officer, director or employee is indebted to the Company or its subsidiaries other than in respect to 3,000,000 Common Shares which were issued to certain prior officers of the Company for a total value as at December 31, 2018, of \$660,195 in exchange for non-interest bearing notes of CDN\$900,000. The notes fell due on December 23, 2015 and will be settled through the return of 3,000,000 Common Shares to the Company.

Aggregate Indebtedness		
Purpose	To the Company	To Another Entity
Share Purchase	\$900,000	N/A

## CORPORATE GOVERNANCE DISCLOSURE

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of the Shareholders, but that it also promotes effective decision making at the Board level. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201 *Corporate Governance Guidelines*, which are addressed below. In addition, the Board monitors and considers for implementation by St. Augustine the corporate governance standards which are proposed by various Canadian and U.S. regulatory authorities or which are published by various non-regulatory organizations in Canada or the U.S. The Company strives to enhance its disclosure to Shareholders on an annual basis.

### Mandate of the Board

The Board has responsibility for the stewardship of the Company. The Board has adopted a formal written mandate which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com) under the heading "Company - Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com). In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The Board is also responsible for the approval of all major transactions, including equity issuances, acquisitions and dispositions, as well as the Company's debt and borrowing policies and setting the policies and principles for CEO selection and performance. The Board strives to ensure that actions taken by management correspond closely with the objectives of the Board.

### Composition of the Board

#### *Independence*

The Board currently consists of four directors who provide the Company with a wide diversity of business experience. Additional information for each of the directors can be found under the heading "Particulars of Matters to be Acted Upon - Election of Directors". The Board has determined that three of the five proposed directors are independent as such term is defined by National Instrument 58-101 *Disclosure of Corporate Governance Practices* by having no direct or indirect material relationship with the Company, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interests of the Company or which could reasonably be expected to interfere with the exercise of the director's independent judgment. Manuel Paolo Villar and Eugene T. Mateo are not independent directors. Mr. Villar is considered to have a material relationship with the Company (within the meaning of National Instrument 52-110 *Audit Committees*) as a result of his position as Chief Executive Officer of the Company. Mr. Mateo, on the other hand, has material professional involvement in companies affiliated to Queensberry.

*Annual Retainers and Meeting Participation Fees*

The following table provides information concerning the Company's non-executive director fee structure in effect during the fiscal year ended December 31, 2018.

Type of Fee	Amount (\$)
<b>Annual Retainers</b>	
Committee Chair Annual Cash Retainer	\$2,000
<b>Attendance Fees</b>	
Board Meetings (per meeting)	\$500
Committee Meetings (per meeting)	\$300
<b>Equity Compensation</b>	
Option grants and Stock Unit awards	As determined by the Board

Directors are also reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors.

*Board and Committee Meetings Held and Overall Attendance Levels in 2018*

During the fiscal year ended December 31, 2018, five Board and standing committee meetings were held. The attendance record of each director, in their capacity as such, for Board and standing committee meetings held in 2018 was as follows:

Director <sup>(1)</sup>	Board Meetings Attended	Independent Committee Meetings Attended	Audit Committee Meetings Attended	Compensation Committee Meetings Attended	Nominating & Corporate Governance Committee Meetings Attended	Total Number of Meetings Attended	Attendance Record
Manuel Paolo A. Villar, CEO	5 of 5	n/a	n/a	n/a	n/a	5 of 5	100%
Yolanda L. Coronel-Armenta	5 of 5	n/a	5 of 5	n/a	n/a	10 of 10	100%
Dr. Patrick V. Caoile	3 of 3	n/a	3 of 3	n/a	n/a	6 of 6	100%
Johnny C. Felizardo	5 of 5	n/a	5 of 5	n/a	n/a	10 of 10	100%
Eugene T. Mateo	5 of 5	n/a	n/a	n/a	n/a	5 of 5	100%

**Note:**

- 1) Director attendance is shown at the relevant number of meetings during each director's relevant term of service.

Board members, both independent and non-independent, are granted one vote each on matters requiring the approval of the body. All directors are allowed to explain their respective votes and all board resolutions arrived at are based on majority rule with no particular director influencing the position of any of the members of the Board.

### Other Directorships

The following proposed directors currently serve on the board of directors of the reporting issuers (or equivalent) listed below, each of which are reporting issuers in one or more Canadian (or foreign) jurisdictions:

Name	Name of Reporting Issuer
Manuel Paolo A. Villar	Vista Land & Lifescapes, Inc. (PSE), Starmalls, Inc. (PSE)
Yolanda L. Coronel-Armenta	None
Johnny C. Felizardo	None
Eugene T. Mateo	None
Edsel M. Abrasaldo	Mindoro Resources Ltd. (TSXV)

**Note:**

- 1) PSE – Philippine Stock Exchange.

The Board has at least one regularly scheduled meeting per year. During all regularly scheduled meetings (and certain other meetings), the Board and its committees conduct *in camera* sessions, at which no members of management are present. The *in camera* sessions of the Board are held at such times as the Chairman determines advisable. The *in camera* sessions are intended not only to encourage the Board and its committees to fully and independently fulfill their mandates, but also to facilitate the performance of the fiduciary duties and responsibilities of the Board and its committees to the Shareholders.

### Position Descriptions

#### *Chairman*

The Board has developed a written position description for the Chairman, which provides that the Chairman is to act as the leader of the Board, to manage and co-ordinate the activities of the Board and to ensure that the Board is alert to its obligations to the Company. The Chairman of the Board is Manuel Paolo A. Villar who is not an independent director.

#### *Committee Chairs*

The Board has developed written position descriptions for the chairs of each committee. The chairs of each committee are to provide effective leadership at the committee level and ensure that each committee fulfills its mandate.

#### *Chief Executive Officer*

The Board has adopted a position description for its CEO, which is generally reviewed annually by the Board. The CEO's principal duties and responsibilities are for planning the strategic direction of the Company, providing leadership to the Company, reporting to the Board and overseeing the executive management of the Company in particular with respect to the day-to-day affairs of the Company. In addition, the written mandate of the Compensation Committee provides that it will conduct annual performance reviews of the CEO with the results of such reviews to be communicated to the Board, giving the Board a formal opportunity to provide direction and feedback to the CEO concerning the performance of his or her duties.

### Orientation and Continuing Education

The Company has not adopted a formalized process of orientation for new Board members. However, the Corporate Governance Committee is mandated, as may be required from time to time, to oversee an orientation and education program for new directors and ongoing educational opportunities for all directors. Although no formal programs have been implemented to date, all directors are provided with information about the Company, its strategy and operations and have access to the Company's policies, mandates and terms of reference, including the Code of Business Conduct and Ethics.

All directors have been provided with this baseline of knowledge about the Company, which serves as a basis for informed decision making. This baseline of knowledge includes a combination of written material and the ability to attend one-on-one meetings with senior management of the Company.

Directors are kept informed as to matters impacting, or which may impact, the Company's operations through regular communications from management and reports and presentations at Board meetings.

### **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") for all directors, officers, employees and consultants of the Company. The Code is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well as on SEDAR at [www.sedar.com](http://www.sedar.com). The Company expects that all directors, officers, employees and consultants of the Company will adhere to the highest ethical standards in the Company's business activities. All directors, officers, employees and consultants of the Company are expected to deal fairly with other employees, customers, suppliers, competitors, governments and the general public.

The Board and management of the Company monitor compliance with the Code. All directors, officers, employees and consultants of the Company are encouraged to report violations of the Code to an employee's supervisor, any senior officer or director, the chair of the Audit Committee or the Chairman, as may be appropriate in the circumstances. The Board has adopted a whistleblower policy, which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company - Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com).

No material change reports have been filed since the beginning of the Company's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

The Code requires disclosure to the Board of any transactions or agreements in respect of which any director or executive officer of the Company has a material interest and the extent and nature of that interest. Any director with a conflict of interest or who is capable of being perceived as being in a conflict of interest with respect to the Company must abstain from discussion and voting by the Board or any committee on any motion to recommend or approve the relevant agreement or transaction. The Board itself must comply with conflict of interest provisions of the *BVI Business Companies Act, 2004* in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Board has adopted a formal disclosure policy (the "**Disclosure Policy**"), in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation. A copy of the Disclosure Policy is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Board Diversity and Term Limit Policy**

On April 26, 2016, pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Disclosure* which require TSX listed issuers to disclose certain information relating to the representation of women on boards of directors and in executive officer positions and on mechanisms of board renewal, the Company adapted a board diversity and term limit policy (the "**Diversity Policy**"), which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com) under the heading "Company - Corporate Governance," as well on SEDAR at [www.sedar.com](http://www.sedar.com).



### *Term Limits*

Under the Diversity Policy, the Board does not believe that fixed term limits are in the best interest of the Company. The N&CG Committee considers both the term of service of individual directors, the average term of the Board as a whole and turnover of directors over the prior three years when proposing nominees. The N&CG Committee considers the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of the institutional knowledge of the Board members.

### *Policy Regarding the Representation of Women on the Board*

The Board recognizes the beneficial impact of diversity on decision-making and overall board performance and has, as a reflection of that recognition, adopted the Diversity Policy. The Diversity Policy outlines the Board's commitment to an identification and nomination process that will identify qualified female candidates. The Board recognizes that diversity among its directors will enhance decision making by the Board by utilizing the difference in perspective of the members of the Board.

The Diversity Policy provides that the Company will consider candidates on merit using objective criteria with due regard to the benefits of diversity and the needs of the Board when identifying suitable candidates for appointment to the Board. In accordance with the requirements of the Diversity Policy, the N&CG Committee will be required to include diverse candidates in its list of potential candidates for positions on the Board. In reviewing the composition of the Board, the N&CG Committee will consider the benefits of diversity in order to maintain an optimum mix of skills, knowledge and experience on the Board.

The N&CG Committee is responsible for reviewing the Diversity Policy and assessing its effectiveness from time to time as necessary in promoting a diverse Board. The N&CG Committee is also responsible for monitoring compliance with the Diversity Policy.

The Company has not adopted a target regarding women on the Board or in executive officer positions as the Company considers all candidates based on their merit and qualifications relevant to the specific role. As of the date of the Information Circular, one out of four directors (25%) and one out of three (33%) Named Executive officers are women.

### **Nomination of Directors**

The process for identifying and recommending the nomination of new Board candidates is the role of the N&CG Committee. The N&CG Committee will identify potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity, which assessment will include a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board. A copy of the charter of the N&CG Committee is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Assessments**

The Board does not have a formal process or steps established to satisfy itself that the Board, its committees and its individual directors are performing effectively. The Board discusses these issues from time to time among itself and management and implements such changes and makes such modifications as are determined to be necessary or desirable.

### **Board Committees and Their Mandates**

The Board has the following standing committees: the Audit Committee, the Compensation Committee and the N&CG Committee. The following is a description of the standing committees and their current membership as of the date hereof.

### *Audit Committee*

**Chair:** Yolanda L. Coronel-Armenta

**Member:** Johnny C. Felizardo

The Audit Committee is currently constituted with two independent directors. The Board has determined that all of the members of the Audit Committee are "financially literate" as defined in National Instrument 52-110 *Audit Committees*. An individual is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements.

The Audit Committee's primary functions are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the integrity of the Company's financial statements; (ii) the integrity of the financial reporting process; (iii) the system of internal control and management of financial risks; (iv) the external auditors' qualifications and independence; and (v) the external audit process and the Company's process for monitoring compliance with laws and regulations.

The Audit Committee is directly responsible for recommending to the Board the nomination of the external auditor, the compensation and retention of the external auditor, overseeing the work of the external auditor, and the relationship of the external auditor with the Company (including the resolution of disagreements between management and the external auditor regarding financial reporting). The Audit Committee meets at least four times annually.

Further information relating to the Audit Committee can be found in the Audit Committee Charter which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com) and in the Company's annual information form dated March 28, 2019 for the fiscal year ended December 31, 2018 (the "**Annual Information Form**").

### *Compensation Committee*

**Chair:** Yolanda L. Coronel-Armenta

**Member:** Johnny C. Felizardo

The Compensation Committee is currently constituted with two independent directors. All of these directors have extensive business experience, which provides them the understanding of effective compensation principles.

The Compensation Committee's primary functions are to assist the Board in its oversight role with respect to the Company's global human resources strategy, policies and programs and all matters relating to proper utilization of human resources within the Company, with special focus on management succession, development and compensation.

Further information relating to the Compensation Committee can be found in the Compensation Committee Charter which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com).

The Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary or advisable for its purposes.

The Compensation Committee meets as often as required.

*Nominating and Corporate Governance Committee*

**Chair:** Yolanda L. Coronel-Armenta

**Member:** Johnny C. Felizardo

The Nominating and Corporate Governance ("**N&CG**") Committee is currently constituted with two independent directors and all members have a working familiarity with corporate governance practices.

The Committee shall assist the Board in fulfilling its governance and oversight responsibilities. The Committee's primary duties and responsibilities are to identify individuals qualified to become Board and Board committee members and recommend that the Board select director nominees for appointment or election to the Board and develop and recommend to the Board corporate governance guidelines for the Company and make recommendations to the Board with respect to corporate governance practices.

Further information relating to the N&CG Committee can be found in the Nominating and Corporate Governance Committee Charter which is available at the Company's website at [www.sagcmining.com](http://www.sagcmining.com), under the heading "Company – Corporate Governance", as well on SEDAR at [www.sedar.com](http://www.sedar.com).

The N&GC Committee meets as often as required, but not less frequently than annually.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, neither the Company nor any director or officer of the Company, nor any proposed nominee for election as a director of the Company, nor any other insider of the Company, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2018, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Company.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and in the Company's Annual Information Form. Financial information is contained in the Company's annual financial statements and annual management's discussion and analysis in respect of the fiscal year ended December 31, 2018. In addition, a Shareholder may obtain copies of such documents by Cynthia Marie Delfin, by mail at 22F BDO Equitable Bank Tower 8751 Paseo de Roxas, Salcedo Village, Makati City, Philippines 1226, by telephone at +6327288514; or by email at [cydelfin@gmail.com](mailto:cydelfin@gmail.com).

## Appendix "A"

### STOCK OPTION PLAN RESOLUTION

In order to be effective, the following ordinary resolutions require approval by a majority of the votes cast by disinterested shareholders (excluding the votes of any directors and officers and their associates and affiliates entitled to participate in the Option Plan) present in person or by proxy at the Meeting. See "Particulars of Matters to be Acted Upon - Approval of Stock Option Plan".

#### "WHEREAS:

1. The Board of Directors adopted on March 10, 2011 the 2011 stock option plan (as amended and restated from time to time, the "**2011 Plan**") which does not have a fixed maximum number of Common Shares issuable; **and**
2. The rules of Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three years.

#### BE IT RESOLVED THAT:

1. All unallocated options under the 2011 Plan be and are hereby approved;
2. The Company have the ability to continue granting options under the 2011 Plan until June 28, 2022, which is the date that is three years from the date of the shareholder meeting at which shareholder approval is being sought; and
3. Any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director or officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution."

**It is the intention of the persons named in the accompanying instrument of proxy, if not expressly directed to the contrary in such instrument of proxy, to vote such proxies FOR the ordinary resolution authorizing the approval of the Stock Option Plan Resolution.**

**Exhibit 1 to Appendix "A"**  
**2011 STOCK OPTION PLAN**  
**ST. AUGUSTINE GOLD AND COPPER LIMITED**

The Board of Directors of St. Augustine Gold and Copper Limited (the "**Corporation**") wishes to establish this stock option plan (the "**Plan**") governing the issuance of stock options ("**Stock Options**") to directors, officers and employees of the Corporation or Affiliates of the Corporation and persons or corporations who are consultants to the Corporation or its Affiliates on an on-going basis, or have been or are expected to be a consultant to the Corporation or its Affiliates.

The terms and conditions of the Plan for issuance of Stock Options are as follows:

1. Purposes

The principal purposes of the Plan are to:

- (a) strengthen the ability of the Corporation to attract and retain qualified directors, officers, employees, consultants and other service providers to the Corporation who are eligible to receive options pursuant to applicable securities laws which the Corporation and its Affiliates require;
- (b) promote a proprietary interest in the Corporation and its Affiliates;
- (c) provide an incentive element in compensation; and
- (d) promote the profitability of the Corporation and its Affiliates.

2. Definitions

- (a) "**Affiliate**" has the meaning set forth in the *Securities Act* (Alberta), as amended from time to time;
- (b) "**Associate**" has the meaning set forth in the *Securities Act* (Alberta), as amended from time to time;
- (c) "**Black-out Period**" means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;
- (d) "**Board**" means the board of directors of the Corporation as it may be constituted from time to time;
- (e) "**Change of Control Transaction**" means the occurrence of any of the following events:
  - (i) the purchase or acquisition of Common Shares of the Corporation and/or securities convertible into Common Shares of the Corporation or carrying the right to acquire Common Shares of the Corporation ("**Convertible Securities**") as a result of which a person, a group of persons or persons acting jointly or in concert, or any Associates or Affiliates of any such person, group of persons or any of such persons acting jointly or in concert (collectively, the "**Holder**") beneficially own or exercise control or direction over Common Shares and/or Convertible Securities

of the Corporation that, assuming the conversion of the Convertible Securities beneficially owned by the Holders thereof, would have the right to cast more than 50% of the votes attached to all Common Shares of the Corporation; or

- (ii) approval by the shareholders of the Corporation and subsequent completion of:
  - (A) an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another corporation or other entity pursuant to which the shareholders of the Corporation immediately prior to such transaction own securities of the successor or continuing corporation or other entity following completion of such transaction that would entitle them to cast less than 50% of the votes attaching to all of the common shares or other voting shares in the capital of the successor or continuing corporation or other entity;
  - (B) a liquidation, dissolution or winding-up of the Corporation; or
  - (C) the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or
- (iii) the election at a meeting of the Corporation's shareholders of a number of directors of the Corporation, who were not included in the slate for election as directors proposed to the Corporation's shareholders by the Corporation's prior Board, and would represent a majority of the Board; or
- (iv) the appointment of a number of directors which would represent a majority of the Board and which were nominated by any holder of Common Shares of the Corporation or by any group of holders of Common Shares of the Corporation acting jointly or in concert and not approved by the Corporation's prior Board,

but shall not include an acquisition of the Corporation's securities or assets by, or any consolidation, merger or exchange of securities or assets with, any entity that, immediately prior to such acquisition, consolidation, merger or exchange of securities was a Subsidiary;

- (f) "**Common Shares**" means common shares in the capital of the Corporation;
- (g) "**consultant**" means a person or company, other than an employee, senior officer or director of the Corporation or an Affiliate that:
  - (i) is engaged to provide services to the Corporation or an Affiliate, other than services provided in relation to a distribution of securities;
  - (ii) provides services under a written contract with the Corporation or an Affiliate; and
  - (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate;
  - (iv) and includes, for an individual consultant, a company of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or a partner;

- (h) **"Disability"** in respect of an Eligible Optionee means that such Eligible Optionee is receiving benefits under any long term disability plan of the Corporation or an Affiliate or is otherwise unable to perform his or her material and substantial duties with the Corporation for a period of six cumulative months out of any 18 month period where such inability arises as a result of sickness or injury, as determined by the Board;
- (i) **"Eligible Optionee"** has the meaning set forth in Section 4 hereof;
- (j) **"Exchange"** means the Toronto Stock Exchange or, in the event the Corporation is no longer listed on the Toronto Stock Exchange, such other stock exchange on which the Common Shares are then listed and posted for trading from time to time;
- (k) **"insider"** has the meaning set forth in the applicable rules or policies of the Exchange;
- (l) **"Market Price"** means the VWAP prior to the date the Stock Option is granted; provided that in the event the Common Shares are not listed on any exchange, the Market Price shall be such price as is determined by the Board, in good faith;
- (m) **"security based compensation arrangement"** has the meaning set forth in the applicable rules or policies of the Exchange;
- (n) **"Settlement Amount"** has the meaning set forth in Section 11 hereof;
- (o) **"Shareholders"** means the holders of Common Shares of the Corporation;
- (p) **"Stock Option Agreement"** means a written stock option agreement entered into by an Eligible Optionee and the Corporation pursuant to the terms of the Plan;
- (q) **"Subsidiary"** means (i) any corporation of which 95% of the capital stock of such corporation is owned, directly or indirectly, by the Corporation, and (ii) any unincorporated entity in respect of which the Corporation has, directly or indirectly, an equivalent degree of ownership;
- (r) **"Surrender Date"** has the meaning set forth in Section 11 hereof;
- (s) **"Total Common Shares"** has the meaning set forth in Section 3 hereof; and
- (t) **"VWAP"** means the volume weighted average trading price of the Common Shares on the Exchange for the five completed trading days.

### 3. Reservation of Shares

Subject to Section 15 of the Plan, the maximum number of Common Shares reserved from time to time for issuance pursuant to Stock Options granted pursuant to the Plan together with Common Shares reserved for issuance pursuant to any predecessor stock option plan to Eligible Optionees shall not exceed 10% of the aggregate number of issued and outstanding Common Shares of the Corporation on a non-diluted basis ("**Total Common Shares**") at the time of grant. Any amendment to the maximum number of Common Shares reserved for issuance pursuant to the exercise of stock options shall be approved by the Exchange and the Shareholders.

#### 4. Eligibility

Stock Options shall be granted, at the sole discretion of the Board, only to persons, firms or corporations ("**Eligible Optionees**") who are directors, employees (full-time or part-time) or officers of the Corporation or its Affiliates, or consultants to the Corporation or its Affiliates.

Stock Options may also be granted to corporations which are controlled by an Eligible Optionee. Unless the context otherwise requires, the term Eligible Optionee as used herein, shall include any such corporation. No Stock Options shall be granted pursuant to this Section 4 unless such Eligible Optionee is a *bona fide* director, employee, officer or consultant of the Corporation.

For greater certainty, the Board's decision to approve the grant of a Stock Option in any year shall not require the Board to approve the grant of a Stock Option to an Eligible Optionee in any other year; nor shall the Board's decision with respect to the size or terms and conditions of a Stock Option in any year require it to approve the grant of a Stock Option of the same size or with the same terms and conditions to any Eligible Optionee in any other year. The Board shall not be precluded from approving the grant of a Stock Option to any Eligible Optionee solely because the Eligible Optionee may previously have been granted a Stock Option under the Plan or any other security based compensation arrangement. No Eligible Optionee has any claim or right to be granted a Stock Option, except as expressly provided in a Stock Option Agreement. In addition, nothing in the Plan or in any Stock Option Agreement shall confer upon any holder of a Stock Option the right to continue in the employ of the Corporation or an Affiliate of the Corporation, to be entitled to any remuneration or benefits not set forth in the Plan or a Stock Option Agreement or to interfere with or limit in any way the right of the Corporation or an Affiliate of the Corporation to terminate the stock option holder's employment.

#### 5. Granting of Stock Options and Limitations

At the time a Stock Option is granted, the Board shall determine the number of Common Shares of the Corporation purchasable under the Stock Option, the date when the Stock Option is to become effective and, subject to the other provisions of the Plan, all other terms and conditions of the Stock Option. All grants of Stock Options shall be subject to the following terms and conditions:

- (a) no one Eligible Optionee can receive Stock Options that, when combined with any other security based compensation arrangement, will entitle the Eligible Optionee to purchase more than 5% of the outstanding issue;
- (b) the number of Common Shares of the Corporation reserved for issuance at any time to insiders pursuant to Stock Options that, when combined with the number of Common Shares of the Corporation issuable pursuant to any other security based compensation arrangement, may not exceed 10% of the outstanding issue; and
- (c) there may not be issued to insiders, within a one-year period, a number of Common Shares of the Corporation that, when combined with any other security based compensation arrangement, will exceed 10% of the outstanding issue.

The aforementioned limits on the number of Common Shares reserved for issuance may be formulated on a diluted basis with the consent of the Exchange.



The term "outstanding issue" means the number of Common Shares of the Corporation outstanding immediately prior to the share issuance in question. Any Stock Options granted to a corporation referred to in Section 4 hereof shall be included in the calculation of the Stock Options held by an Eligible Optionee or insider.

6. Exercise Price

The exercise price of each Stock Option shall be determined in the discretion of the Board at the time of the granting of the Stock Option, provided that the exercise price shall not be lower than the Market Price.

7. Term and Exercise Periods

Except as provided herein, all Stock Options shall be for a term and exercisable from time to time as determined in the discretion of the Board at the time of the granting of the Stock Options.

The maximum term during which Stock Options may be exercised shall be determined by the Board at the time of grant, but in no event shall the term of any Stock Option exceed 5 years from the date of grant, unless such term is extended during a Black-out Period as permitted herein.

Unless otherwise determined by the Board, a grant of Stock Options shall vest as follows: (i) 1/3 of the number of Common Shares on the date of grant; (ii) 1/3 of the number of Common Shares on the first anniversary of the date of grant; and (iii) 1/3 of the number of Common Shares on the second anniversary of the date of grant.

Notwithstanding anything else contained herein, if the expiration date for a Stock Option occurs during a Black-Out Period, or within five (5) business days immediately after a Black-Out Period ends, then the expiration date for that Stock Option will be the date that is ten (10) business days after the expiry date of the Black-Out Period.

8. Ceasing to be an Eligible Optionee

(a) Termination for cause. If the employment or engagement of an Eligible Optionee to whom a Stock Option was granted is terminated for cause, then all of the rights under any Stock Option granted to such Eligible Optionee, whether or not vested, shall expire immediately upon the giving to the Eligible Optionee of notice of such termination.

(b) Termination and Retirement. If an Eligible Optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or an Affiliate thereof for any reason (including retirement but excluding death, Disability and termination of employment by the Corporation or any Affiliate for cause), then such Eligible Optionee may, but only within the period of 90 days immediately succeeding such cessation (or such shorter period as is set forth in the agreement evidencing the particular Stock Option) and in no event after the expiration date of such Stock Option, exercise such Stock Option to the extent that such Eligible Optionee was entitled to exercise such Stock Option at the date of such cessation.

(c) Death or Disability. If an Eligible Optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or a Affiliate thereof by reason of death or Disability, the Stock Option will continue to be exercisable by the Eligible Optionee or by the legal representative of the Eligible Optionee, as applicable, as to such of the vested shares of which such Stock Option has not previously been exercised pursuant to its terms for a period of one year following such death or Disability, provided that the Stock Option shall not in any case be exercisable on or after the expiration date in respect of such Stock Option or in respect of Stock Options which are not exercisable as at the date of death or Disability.

9. Non-Assignability

Stock Options shall not be assignable or transferable by an Eligible Optionee, except for: (i) a limited right of assignment to allow the exercise of Stock Options by an Eligible Optionee's legal representative in the event of death or Disability, subject to the terms upon which the Stock Option is granted; and (ii) with the approval of the Board and the Exchange, a right to transfer such Stock Options to a corporation controlled by the Eligible Optionee and wholly-owned by the Eligible Optionee and his spouse or children.

10. Payment of Exercise Price

Except as provided in Section 11, all Common Shares issued pursuant to the exercise of a Stock Option shall be paid for in full in Canadian funds at the time of exercise of the Stock Option and prior to the issue of the shares. All Common Shares of the Corporation issued in accordance with the foregoing shall be issued as fully paid and non-assessable Common Shares.

11. Surrender of Stock Options in Lieu of Exercise

Where the Common Shares are listed and posted for trading on the Exchange, the Board may from time to time in its sole and absolute discretion, permit unexercised Stock Options to be surrendered to the Corporation following receipt of a notice of surrender by the Corporation from the holder of the Stock Options in consideration of the receipt by the holder of such surrendered Stock Options of an amount (the "**Settlement Amount**") equal to the excess, if any, of (A) the aggregate fair market value of the Common Shares able to be purchased pursuant to the vested and exercisable portion of the surrendered Stock Options on the date the notice of surrender was received by the Corporation (the "**Surrender Date**"), being the VWAP on the Surrender Date multiplied by the number of Common Shares able to be purchased pursuant to the vested and exercisable portion of such surrendered Stock Options on the Surrender Date over (B) the aggregate exercise price for the Common Shares able to be purchased pursuant to the vested and exercisable portion of the surrendered Stock Options pursuant to the Stock Option Agreement(s) representing such surrendered Stock Options. The Settlement Amount is payable in Common Shares in an amount to be determined by dividing the Settlement Amount by the VWAP on the Surrender Date, or in cash at the option of the holder with the approval of the Board. Entitlements to fractional Common Shares will be rounded down to the next whole number of Common Shares. The Corporation will withhold from the Settlement Amount such amounts as may be required to be withheld according to law.

12. Withholding

In connection with the exercise of an Option, the Eligible Optionee (or his or her heirs or administrators) shall follow the Corporation's procedures and policies relating to the payment or funding of any withholding taxes applicable to the exercise of the Option, including, where required by the Corporation, the remittance to the Corporation by the Eligible Optionee (or his or her heirs or administrators) of an amount of cash sufficient to satisfy any withholding requirements relating to the exercise of the Option.

13. Non-Exercise

The "reloading" of Stock Options is permitted under the Plan. If any Stock Options granted under the Plan shall expire, terminate or be cancelled or surrendered for any reason without having been exercised in full, any unpurchased Common Shares to which such Stock Options relate shall be available for the purposes of the granting of further Stock Options under the Plan, however, at no time shall there be outstanding Stock Options exceeding in the aggregate the number of Common Shares of the Corporation reserved for issuance pursuant to Stock Options under the Plan.

14. Change of Control

Notwithstanding the terms of the Plan, but subject to the terms of any employment agreement, in the event of an occurrence of a Change of Control Transaction all unexercised and unvested outstanding Stock Options granted under the Plan shall vest and become immediately exercisable in respect of any and all Common Shares for which the holder of Stock Options has not exercised the Stock Options (notwithstanding that an agreement relating to the grant of Stock Options states that those Stock Options are exercisable only during a later period or year).

15. Adjustment in Certain Circumstances

In the event:

- (a) of any change in the Common Shares of the Corporation through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or
- (b) of any stock dividend to holders of Common Shares of the Corporation (other than such stock dividends issued at the option of Shareholders in lieu of substantially equivalent cash dividends); or
- (c) that any rights are granted to all or substantially all of the holders of Common Shares to purchase Common Shares of the Corporation at prices substantially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares of the Corporation are converted into or exchangeable for any other shares;

then in any such case the Board may make such adjustment in the Plan and in the Stock Options granted under the Plan as the Board may in its sole discretion (and without shareholder approval but subject to Exchange approval) deem appropriate to prevent substantial dilution or enlargement of the rights granted to, or available for, holders of Stock Options, and such adjustments may be included in the Stock Options.

16. Expenses

All expenses in connection with the Plan shall be borne by the Corporation.

17. Compliance with Laws

The Corporation shall not be obliged to issue any shares upon exercise of Stock Options if the issue would violate any law or regulation or any rule of any governmental authority or Exchange. The Corporation shall not be required to issue, register or qualify for resale any shares issuable upon exercise of Stock Options pursuant to the provisions of a prospectus or similar document, provided that the Corporation shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of the Plan and the issuance and exercise of Stock Options.

18. Form of Stock Option Agreement

A Stock Option granted under the Plan will not be exercisable by an Eligible Optionee until such Stock Option has been evidenced by a Stock Option Agreement duly executed and delivered by the Corporation and such Optionee, with the terms of such Stock Option Agreement to be in the sole discretion of the Board, subject to compliance with the terms of the Plan and the Exchange.

19. Amendments and Termination of Plan

The Corporation retains the right to amend from time to time or to suspend, terminate or discontinue the terms and conditions of the Plan by resolution of the Board. Any amendments shall be subject to the prior consent of any applicable regulatory bodies, including the Exchange. Any amendment to the Plan shall take effect only with respect to Stock Options granted after the effective date of such amendment, provided that it may apply to any outstanding Stock Options with the mutual consent of the Corporation and the Eligible Optionees to whom such Stock Options have been granted. The Board shall have the power and authority to approve amendments relating to the Plan or to Stock Options (including pursuant to any written employment agreement that may be entered into), without further approval of the Shareholders, to the extent that such amendment:

- (a) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;
- (c) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
- (d) changes the terms and conditions on which Stock Options may be or have been granted pursuant to the Plan, including changes to the vesting provisions and Stock Option term;
- (e) alters, extends or accelerates the terms of vesting applicable to any Stock Option;
- (f) changes the termination provisions of a Stock Option or the Plan which does not entail an extension beyond the original expiry date;
- (g) amends or modifies the mechanics of exercise of Stock Options;
- (h) determines the adjustment provisions in the Plan; or
- (i) is an amendment to the Plan of a "housekeeping nature";

provided that in the case of any alteration, amendment or variance referred to in this Section 19 the alteration, amendment or variance does not:

- (i) amend the number of Common Shares issuable under the Plan;
- (ii) add any form of financial assistance by the Corporation for the exercise of any Stock Option;
- (iii) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Eligible Optionee;
- (iv) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by insiders of the Corporation, including any change to the insider participation limits set out in Sections 5(b) and 5(c) hereof;

- (v) reduce the exercise price of any Stock Option or permit a reduction in the exercise price of a Stock Option by the cancellation and re-issue of Stock Options to an Eligible Optionee;
- (vi) extend the term of Stock Options beyond their original expiry date (unless the extension is pursuant to any Black-Out Period that may be in effect);
- (vii) permit the introduction or re-introduction of non-employee directors on a discretionary basis or amend the limits on grants of Stock Options to non-employee directors above the amount contained in Sections 5(d) and 5(e) hereof;
- (viii) permit an Eligible Optionee to transfer or assign Stock Options to a new beneficial holder, other than in accordance with Section 9 hereof; or
- (ix) amend this Section 19.

20. Administration

The Plan shall be administered by the Board. The Board shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange.

21. Delegation of Administration of the Plan

Subject to the *Business Corporations Act* (Alberta) or any other legislation governing the Corporation, the Board may delegate to one or more directors, including a committee of the Board, on such terms as it considers appropriate, all or any part of the powers, duties and functions relating to the granting of Stock Options and the administration of the Plan.

22. Applicable Law

The Plan shall be governed by and construed in accordance with the laws in force in the Province of Alberta.

23. Stock Exchange

To the extent applicable, the issuance of any shares of the Corporation pursuant to Stock Options issued pursuant to the Plan is subject to approval of the Plan by the Exchange, and the Plan shall be subject to the ongoing requirements of such exchange.

24. Prior Plans

On the effective date of the Plan (as set out in Section 25) the Plan shall entirely replace and supersede prior stock option plans enacted by the Corporation and, subject to the consent of the holder, all outstanding options shall be deemed to be granted pursuant to the Plan.

25. Effective Date

The Plan shall become effective as of and from, and the effective date of the Plan shall be upon all necessary shareholder and approvals.