



# **MONARCA MINERALS**

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## **MONARCA MINERALS INC.**

### **Notice of Annual General Meeting of Shareholders & Management Information Circular**

August 22, 2017  
11:00 a.m. (Toronto time)  
Royal York Hotel,  
100 Front Street West  
Toronto, Ontario M5J 1E4

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# MONARCA MINERALS INC.

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “**Meeting**”) of shareholders of Monarca Minerals Inc. (“**Monarca**” or the “**Corporation**”) will be held at the Royal York Hotel, 100 Front Street West, Toronto, Ontario M5J 1E4 on the 22<sup>nd</sup> day of August, 2017 at the hour of 11:00 a.m. (Toronto time), for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the year ended November 30, 2016 (with comparative statements relating to the preceding fiscal period) together with the report of the auditors thereon;
2. to elect directors;
3. to re-appoint UHY McGovern Hurley LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix their remuneration;
4. to consider, and if thought advisable, to approve an ordinary resolution re-approving the Corporation’s Stock Option Plan, as more particularly described in the Management Information Circular; and
5. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Accompanying this notice is a Management Information Circular and a form of proxy including a request form to receive annual and interim financial statements and management discussion and analysis. The accompanying Management Information Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice.

Shareholders are entitled to vote at the Meeting either in person or by proxy in accordance with the procedures described in the Management Information Circular accompanying this Notice. Those who are unable to attend the meeting are requested to read, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Management Information Circular accompanying this Notice.

DATED at Toronto, Ontario, this **18th** day of July, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) “Allan Folk”*

Interim Chief Executive Officer

# MONARCA MINERALS INC.

## MANAGEMENT INFORMATION CIRCULAR

(Containing information as at July 18, 2017 unless indicated otherwise)

### SOLICITATION OF PROXIES

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Monarca Minerals Inc. (“**Monarca**” or the “**Corporation**”) for use at the Annual General Meeting of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Corporation and any adjournment thereof to be held at 11:00 a.m. (Toronto time) on August 22, 2017 (the “**Meeting**”) at the place and for the purposes set forth in the accompanying notice of Meeting. The enclosed proxy is being solicited by the management of the Corporation. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally, by facsimile or by telephone by the regular employees of the Corporation at nominal cost. All costs of solicitation by management will be borne by the Corporation. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from Shareholders.

The contents and the sending of this Circular have been approved by the directors of the Corporation. All dollar amounts referenced are expressed in Canadian dollars. All references to the Corporation shall include its subsidiaries as the context may require.

### APPOINTMENT OF PROXYHOLDER

The individuals named as proxyholders in the accompanying form of proxy are directors and/or officers of the Corporation. **A REGISTERED SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND SIGNING AND DATING THE PROXY, OR BY COMPLETING ANOTHER FORM OF PROXY.** A proxy will not be valid unless the completed form of proxy is received by Computershare Trust Company of Canada Inc. (“**Computershare**”), Proxy Dept., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 not less than forty eight (48) hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or, with respect to any matters to be dealt with at any adjournment of the Meeting, before the time of the re-commencement of the adjourned Meeting. Proxies delivered after such time(s) will not be accepted.

### REVOCAION OF PROXIES

A Shareholder who has given a proxy may revoke it prior to its use by an instrument in writing executed by the Shareholder or by his attorney duly authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer or attorney of such corporation, and delivered to the registered office of the Corporation, at c/o Peterson McVicar LLP, 390 Bay Street, Suite 806 Toronto, ON M5H 2Y2 (Attention: James McVicar) at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, preceding any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

### VOTING OF PROXIES

The Common Shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be called for; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specifications made on such proxy.

SUCH SHARES WILL BE VOTED **FOR** EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED.

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of

matters identified in the notice of Meeting, and with respect to any other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Circular, the management of the Corporation knows of no such amendment, variation or other matter that may be presented to the Meeting.

### INFORMATION FOR NON-REGISTERED SHAREHOLDERS

**Only registered Shareholders or proxyholders duly appointed by registered Shareholders are permitted to vote at the Meeting. Most shareholders of the Corporation are “non-registered” shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their Common Shares in their own name (referred to herein as “Beneficial Shareholders”) should note that only registered Shareholders are entitled to vote 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 such shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depositary Services Inc., which company acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the brokers’ clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by 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 by the Corporation to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate the responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Common Shares must be communicated to Broadridge well in advance of the Meeting) in order to have the Common Shares voted.**

This Circular and accompanying materials are being sent to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own (“**Objecting Beneficial Owners**”, or “**OBO’s**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**Non-Objecting Beneficial Owners**”, or “**NOBO’s**”). Subject to the provision of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of Reporting Issuers*, issuers may request and obtain a list of their NOBO’s from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf.

The Corporation’s OBO’s can expect to be contacted by Broadridge or their broker or their broker’s agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to Shareholders in this Circular and the accompanying form of proxy and notice of Meeting are to registered Shareholders unless specifically stated otherwise.

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

Other than as set forth in this Circular, no person who has been a director or executive officer of the Corporation at any time since December 1, 2015, being the beginning of the Corporation's last completed financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has or has had any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Corporation is authorized to issue an unlimited number of Common Shares without par value. As at July 18, 2017, the Corporation had 46,089,306 issued and outstanding Common Shares. Only Shareholders of record at the close of business (Toronto time) on July 18, 2017 (the "**Record Date**") who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their Common Shares voted at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, there are no persons or companies who beneficially own, or exercise control or direction over, directly or indirectly, Common Shares carrying more than ten percent (10%) of the voting rights attached to all outstanding Common Shares.

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

##### **GENERAL**

Unless otherwise directed, it is the intention of management's proxyholders to vote proxies **FOR** the resolutions set forth herein. **All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the Shareholders.**

##### **1. ELECTION OF DIRECTORS**

There are four (4) directors to be elected at the Meeting.

The term of office of each of the present directors expires immediately prior to the election of directors at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees and management's proxyholders will vote **FOR** the election of these nominees, unless otherwise instructed on the proxy form. Management does not contemplate that any of these nominees will be unable to serve as a director and all proposed directors have confirmed their willingness to serve or continue to serve as directors. Each director elected will hold office until the next annual general meeting of the Corporation or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the Articles of the Corporation or the provisions of the *Canada Business Corporations Act* ("**CBCA**").

The following table and notes thereto sets out the name of each person proposed to be nominated by management for election as a director, the province or state and country in which he or she is ordinarily resident, all offices of the Corporation now held by him or her, his or her principal occupation, the period of time for which he or she has been a director of the Corporation and the number of Common Shares beneficially owned by him or her, directly or indirectly, or over which he or she exercises control or direction, as at July 18, 2017:

Name, Position, and Province/State & Country of Residence <sup>(1)</sup>	Principal Occupation and Occupation during the Past Five Years <sup>(1)</sup>	Director Since	Number of shares beneficially owned or controlled or directed, directly or indirectly controlled <sup>(1)</sup>
<b>ALLAN FOLK</b> <sup>(2)</sup> Interim Chief Executive Officer and Director Ontario, Canada	Vice President and Director of Brant Securities Limited, an independent Canadian brokerage firm, since 1996.	December, 2013	40,000 <sup>(3)</sup>
<b>FRANK HOGEL</b> <sup>(2)</sup> Director Baden Württemberg, Germany.	President of Peter Beck Asset Management GmbH, an investment management firm, since 1999 and Chief Executive officer since 2002.	December, 2013	
<b>CARLOS ESPINOSA</b> <sup>(2)</sup> Director Ontario, Canada	Head, Business Development, Global Mining, TSX and TSXV from August 2014 to December 2015; Head, Business Development, Mining Americas, TSX and TSXV from December 2012 to May 2014; Head, Business Development, MinesOnline.com, (TSX subsidiary) from July 2011 to November 2013; Partner and Managing Director, The SoftLanding Group Mexico, Inc. from May 2008 to July 2011	July 2016	-
<b>JAMES McVICAR</b> Director Ontario, Canada	Partner at law firm Peterson McVicar LLP since September 2017. Prior to that partner at law firm Dentons Canada LLP since March 2014 and prior to that partner at law firm Heenan Blaikie LLP since April 2006.	July 2016	-

**Notes:**

- (1) The information, not being within the knowledge of the Corporation, has been furnished by the respective director or director nominee.
- (2) Member of the Audit Committee.
- (3) Shares beneficially held by Mr. Folk are held through Nalla Investments Ltd.

### Corporate Cease Trade Orders or Bankruptcies

To the best of the Corporation's knowledge, none of the nominees is, as at the date of this Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Corporation, that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for more than 30 consecutive days (an "order") that was issued while the nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, except as follows. Both Messrs. Folk and Hogel were directors of the Corporation when it was subject to cease trade orders issued by the British Columbia Securities Commission and the and Alberta Securities Commission in June, 2014 and September 2014, respectively, for failure to file annual financial information for the financial year ended November 30, 2013 by the required deadline. The cease trade orders were lifted on February 9, 2016.

## **Personal Bankruptcies**

To the best of the Corporation's knowledge, except as noted below, none of the nominees is, as at the date of this Circular, or has been within the 10 years before the date hereof, (i) a director or executive officer of any company, including the Corporation, 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; or (ii) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee.

## **Penalties and Sanctions**

To the best of the Corporation's knowledge, none of the nominees has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## **2. RE-APPOINTMENT OF AUDITORS**

UHY McGovern Hurley LLP, Chartered Accountants, of Toronto, Ontario were appointed auditors to the Corporation in September 2009.

Shareholders will be asked to re-appoint UHY McGovern Hurley LLP as auditors of the Corporation and authorize the directors to fix their remuneration. Unless such authority is withheld, the persons named in the accompanying proxy intend to vote **FOR** the re-appointment of UHY McGovern Hurley LLP, as the auditors of the Corporation to hold office until its successor is appointed and to authorize the directors to fix their remuneration.

## **3. STOCK OPTION PLAN**

The Company maintains an incentive stock option plan for the Corporation (the "**Plan**") in the form attached to the Circular in Schedule "A". The Plan was approved by the Shareholder at the last meeting of the Shareholders held on July 7, 2016. A summary of the Plan is set out below. At the Meeting, in accordance with the requirements of the policies of TSX Venture Exchange, the Shareholders will be asked to re-approve the Plan for the ensuing year (the "**Plan Resolution**"). Capitalized terms not otherwise defined below have the meaning set forth in the Plan.

*Purpose.* The purpose of the Plan is to attract and retain superior directors, officers, consultants, employees and other persons or companies engaged to provide ongoing services to the Corporation or its affiliate entities, to provide an incentive for such persons to put forth maximum effort for the continued success and growth of the Corporation, and in combination with these goals, to encourage their equity participation in the Corporation and to attract new directors, officers, employees and consultants.

*Eligible Participants.* Any director, officer, consultant, or employee of the Corporation or of a related entity of the Corporation is eligible to participate.

*Number of Ordinary Shares Reserved.* The maximum aggregate number of Common Shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding Common Shares from time to time. If any option expires or otherwise terminates for any reason (including exercise of the option), the number of Common Shares in respect of which the option expired or terminated will again be available for purposes under the Plan.

*Maximum Percentage to Insiders.* Including all other security based compensation arrangements, no more than 10% of the issued and outstanding Common Shares will be issuable to insiders of the Corporation at any time pursuant to the Plan, and no more than 10% of the issued and outstanding Common Shares will be issued to insiders within a one-year period.

*Limitations on Individual Grants.* The total number of Common Shares that may be reserved for issuance to any one person pursuant to Options granted under the Plan in any one year shall not exceed 5% of the Common Shares outstanding on the grant date of the Options.

*Determination of Exercise Price.* The Board shall determine, in its sole discretion, the Option Price applicable to each Option, provided that the Option Price shall not be less than \$0.05 or such other amount allowable under the rules of any stock exchange on which the common shares may be listed.

*Vesting.* The Board in its sole discretion may determine and impose terms upon which each Option shall become vested in respect of Common Shares including without limitation the terms under which vesting of the Option may be accelerated.

*Accelerated Vesting Event.* The Plan defines an Accelerated Vesting Event as any of the following events: (i) a take-over bid (as defined under Securities Legislation) is made for Shares or Convertible Securities which, if successful would result (assuming the conversion, exchange or exercise of the Convertible Securities, if any, that are the subject of the take-over bid) in any person or persons acting jointly or in concert (as determined under Securities Legislation) or persons associated or affiliated with such person or persons (as determined under Securities Legislation) beneficially, directly or indirectly, owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors; (ii) the acquisition or continuing ownership by any person or persons acting jointly or in concert (as determined under Securities Legislation), directly or indirectly, of Shares or of Convertible Securities, which, when added to all other securities of the Corporation at the time held by such person or persons, persons associated with such person or persons, or persons affiliated with such person or persons (as determined under Securities Legislation) (collectively, the "Acquirors"), and assuming the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirors, results in the Acquirors beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors; (iii) an amalgamation, merger, arrangement or other business combination (a "Business Combination") involving the Corporation receives the approval of, or is accepted by, the securityholders of the Corporation (or all classes of securityholders whose approval or acceptance is required) or, if their approval or acceptance is not required in the circumstances, is approved or accepted by the Corporation and as a result of that Business Combination, parties to the Business Combination or securityholders of the parties to the Business Combination, other than the securityholders of the Corporation, own, directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast at least 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect Directors.

*Term.* Each option granted will have a term specified by the Board, up to a maximum of ten years from the date of grant.

*Termination of Employment.* Should an option holder cease to be an eligible person during the term of an option for any reason other than death, or cause, the option will be exercisable for a maximum of 90 days thereafter, or until option expiry, whichever comes first. If an option holder dies during the term of an option while in employment, engagement, or while a director of the Corporation or its related entity, such option will be exercisable by the optionee's estate for a maximum of twelve months from the date of the optionee's death, or until option expiry, whichever comes first. If an option holder ceases to be an eligible person under the Plan as a result of being terminated for cause, the term of any options held will be deemed to expire immediately upon termination.

*Non-Transferable.* An option issued under the Plan is non-assignable and non-transferrable.

*Amendments Requiring Shareholder Approval.* If the amendment of an Option requires regulatory or shareholder approval required by the Exchange, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless or until such approvals are given.

As at the date of this Circular, the Corporation has granted the total of 2,075,000 stock options under the Plan to directors and officers of the Corporation. The options vested immediately upon their grant on June 7, 2017 and are exercisable at a price of \$0.14 per share and have a term of 5 years.

The foregoing information is intended to be a brief summary of the key features of the plan and is qualified in its entirety by reference to the full text of the plan appended hereto as Schedule "A".

In order to be adopted, the Plan Resolution must be approved by simple majority of the votes cast by the holders of the Common Shares, either present in person or represented by proxy at the Meeting.

Proxies received in favour of management will be voted **FOR** the Plan Resolution unless a shareholder has specified in its proxy that his, her or its shares are to be voted against the Plan Resolution.

Accordingly the Corporation's shareholders will be asked to approve the following ordinary resolution:

"RESOLVED, as an ordinary resolution, that:

1. the Stock Option Plan of the Corporation, as described in the management information circular of the Corporation dated July 18, 2017, be and is hereby ratified and approved.
2. the number of common shares of the Corporation reserved for issuance under the Stock Option Plan shall be no more than 10% of the Corporation's issued and outstanding common shares at the time of any stock option grant, and
3. the board of directors of the Corporation be authorized to make any changes to the Stock Option Plan as may be required by the TSX Venture Exchange."

#### **OTHER BUSINESS**

Management of the Corporation knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. **However, if any other matters properly come before the Meeting, it is the intention of the management proxyholders to vote on the same in accordance with their best judgment on such matters.**

#### **STATEMENT OF EXECUTIVE COMPENSATION**

##### **COMPENSATION DISCUSSION AND ANALYSIS**

###### **Named Executive Officers**

The following describes the particulars of compensation for a) the CEO, b) the CFO, c) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and the CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and d) each individual who would be a named executive officer but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of that financial year (each a "**Named Executive Officer**" or "**NEO**"). For the financial year ended November 30, 2016, the Named Executive Officers of the Corporation were:

Allan Folk, Interim Chief Executive Officer

Bruce Reilly, Chief Financial Officer

###### **Compensation Policy Objectives**

The Corporation's executive compensation program is designed to reward corporate and individual performance, and motivate executives to achieve overall corporate goals.

The Corporation's executive compensation program has the following objectives:

- to attract, retain and motivate qualified executives;
- to provide incentives to executives to maximize productivity and enhance enterprise value by aligning the interests of the executives with those of the Shareholders;
- to foster teamwork and entrepreneurial spirit;
- to establish a direct link between all elements of compensation and the performance of the Corporation and its subsidiaries, and individual performance;
- to integrate compensation incentives with the development and successful execution of strategic and operating plans; and
- to enhance Shareholder value.

For the fiscal year ended November 30, 2016, the Corporation only paid compensation to the Chief Financial Officer and that compensation was approved by the Board as a whole.

Given the recent history of the Corporation and financial markets for exploration issuers, the Corporation has been taking a very pared-down approach to its compensation practices. While the Board has previously adopted a mandate for a Compensation Committee, there is currently no committee appointed. As the financial markets improve and the Corporation again becomes active, the Board may consider it appropriate to appoint a Compensation Committee. Notwithstanding the limited compensation currently being paid by the Corporation, the following does set out the Corporation's approach to executive compensation.

The executive compensation program is comprised of fixed and variable elements of compensation; base salary, indirect compensation (benefits), discretionary bonus, and long-term incentives in the form of stock options. In determining actual compensation levels, the Compensation Committee considers the total compensation program, rather than any single element in isolation. Total compensation levels are designed to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity). The Compensation Committee believes these elements of compensation, when combined, form an appropriate mix of compensation, and provide competitive salary, link the majority of the executives' compensation to corporate and individual performance (which induces and rewards behaviour that creates long-term value for Shareholders and other stakeholders), and encourage retention with time-based vesting attached to long-term equity-based incentives.

### ***Base Salaries***

Base salaries for the executive officers are designed to be competitive and are adjusted for the realities of the market. Initial base salaries are determined through market comparables, formal job evaluation, commercially available salary survey data, experience level, leadership and management skills, responsibilities and proven or expected performance. The Compensation Committee reviews the recommendations of the President and recommends to the Board the base salaries for executive officers taking into consideration the individual's performance, contributions to the success of the Corporation, and internal equities among positions. No specific weightings are assigned to each factor; instead a subjective determination is made based on a general assessment of the individual relative to such factors.

### ***Discretionary Bonus***

A discretionary bonus is intended to provide incentives to executive officers to enhance the growth and development of the Corporation, to encourage and motivate executive officers to achieve short-term goals, and to reward individual contribution to the achievement of corporate objectives. The bonus can be based as a percentage of annual salary or a fixed dollar amount and is awarded at the discretion of the Board as recommended by the Compensation Committee.

### ***Long-Term Incentives***

The Corporation's long-term equity portion of executive compensation is designed to align the interests of executive officers with that of Shareholders by encouraging equity ownership through awards of stock options to motivate executives and other key employees to contribute to an increase in corporate performance and Shareholder value, and to attract talented individuals and encourage the retention of executive officers and other key employees.

#### *Stock Options*

The Corporation grants stock options to its Named Executive Officers. The timing of the grant, and number of Common Shares made subject to option is generally recommended by the CEO, reviewed and approved (or revised, if thought appropriate) by the Compensation Committee and implemented by a resolution of the Board. Consideration in determining option grants is given to, amongst other things, the total number of stock options outstanding, the current and future expected contribution to the advancement of corporate objectives, the position of the individual, tenure, and previous option grants to selected individuals. No specific weightings are assigned to each factor; instead a subjective determination is made based on an assessment of the individual relative to such factors. Grants of stock option also comprise a portion of the compensation package offered to attract and retain new directors and executive officers to the Corporation.

During the fiscal year ended November 30, 2016, no stock options were awarded to directors, executive officers or other employees.

### **Pension Plan Benefits**

The Corporation does not provide retirement benefits for directors, executive officers or employees.

### **Share Ownership Requirements**

The Corporation has not imposed minimum share ownership requirements on its directors and the Named Executive Officers.

### **Risks Associated with Compensation Practices**

As of the date of this Circular, the Corporation's directors had not, collectively, considered the implications of any risks associated with the Corporation's compensation policies applicable to its executive officers.

### **Financial Instruments**

The Corporation has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, 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 executive officers or directors. As of the date of this Circular, entitlement to grants of incentive stock options under the Corporation's Stock Option Plan are the only equity-based security elements awarded to executive officers and directors.

### **Summary Compensation Table**

The table below is a summary of total compensation paid to the Named Executive Officers for each of the Corporation's three most recently completed financial years ending November 30, 2016:

Summary Compensation Table									
Name and 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>(2)</sup>	Long-Term Incentive Plans			
Allan Folk <sup>(1)</sup> President and Chief Executive Officer	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-	-
Bruce Reilly Chief Financial Officer	2016	\$72,000 <sup>(2)</sup>	-	-	-	-	-	-	-
	2015	\$90,000 <sup>(3)</sup>	-	-	-	-	-	-	-
	2014	\$58,500 <sup>(4)</sup>	-	-	-	-	-	-	-

**Notes:**

- (1) Allan Folk was appointed Interim Chief Executive Officer in January 2014.
- (2) Of this amount, \$36,000 was paid in Common Shares.
- (3) Of this amount, \$25,000 was paid in Common Shares.
- (4) Of this amount, \$16,200 was paid in Common Shares.

## Incentive Plan Awards

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

There were no option-based or share-based awards outstanding for the Named Executive Officers as at November 30, 2016.

### ***Value Vested or Earned During the Year***

There were no option-based or share-based awards outstanding for the Named Executive Officers for which there was a value that vested during the year ended November 30, 2016.

## Employment Agreements

The Corporation does not have any employment agreements with any of its NEOs.

## Termination and Change of Control Benefits

None of the NEOs is contractually entitled to any termination or change of control payment.

## DIRECTORS COMPENSATION

### Summary Compensation Table

The following table sets forth all compensation paid, awarded or earned by the non-executive directors of the Corporation during the year ended November 30, 2016.

Directors Compensation Table <sup>(1)</sup>							
Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Allan Folk	-	-	-	-	-	-	-
Frank Hogel	-	-	-	-	-	-	-
Carlos Espinosa	-	-	-	-	-	-	-
James McVicar	-	-	-	-	-	-	-
Keith Stein	-	-	-	-	-	-	-

Notes:

<sup>(1)</sup> The table does not include any amount paid as reimbursement for travel, meals and accommodation expenses to attend Board and/or Committee meetings.

The Board, upon the recommendation of the Compensation Committee, has the responsibility of determining director compensation. The objective in determining such director compensation is to ensure that the Corporation can attract and retain experienced and qualified individuals to serve as directors. The Corporation is proposing to compensate its non-executive directors through the grant of incentive stock options.

## Incentive Plan Awards

### *Share-Based Awards, Option-Based Awards and Non-Equity Incentive Plan Compensation*

There were no option-based or share-based awards outstanding for the non-executive directors as of November 30, 2016.

### ***Value Vested or Earned During the Year***

There were no option-based or share-based awards for which there was a value that vested, and no non-equity incentive plan compensation was provided to non-executive directors in 2016.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The following table provides information regarding the Corporation's equity compensation plans as of November 30, 2016, under which securities of the Corporation are authorized for issuance to directors, officers, employees and consultants of the Corporation and its affiliates:

### Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column "A")
Equity compensation plans approved by Shareholders	250,000 <sup>(1)</sup>	\$0.27	-
Equity compensation plans not approved by Shareholders	-	-	-
<b>Total</b>	250,000	\$0.27	-

**Notes:**

<sup>(1)</sup> These options were issued under the Corporation's prior stock option plan, which was not re-approved by shareholders at the annual and special meeting of shareholders held on June 29, 2012.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the year ended November 30, 2016 (being the Corporation's last completed financial year), was any director, executive officer, employee, proposed management nominee for election as a director of the Corporation or any associate of any such director, executive officer, or proposed management nominee of the Corporation or any former director, executive officer or employee of the Corporation or any of its subsidiaries, indebted to the Corporation or any of its subsidiaries or indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than for routine indebtedness.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director of the Corporation has, since December 1, 2016 (being the commencement of the Corporation's last completed financial year), had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation or any of its subsidiaries.

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") requires issuers, such as the Corporation, to provide disclosure with respect to their corporate governance practices in accordance with Form 58-101F2. The required disclosure for the Corporation is set out below.

#### Board of Directors

The Board is currently composed of Four (4) directors, the majority being independent directors, as follows:

Name	Position	Independent/Non Independent
Allan Folk	Interim CEO	Non-Independent
Frank Hogel	Director	Independent
Carlos Espinosa	Director	Independent
James McVicar	Director	Independent

Of the proposed directors, all except Allan Folk, who currently serves as the Corporation's Interim CEO, are considered by the Board to be "independent" within the meaning of applicable securities legislation.

#### Other Directorships

As of the current date, certain of the Corporation's directors are presently on the boards of other public companies as follows:

Name	Corporation Boards
Allan Folk	Atlanta Gold Inc. Bonterra Resources Inc.
Frank Hogel	Golden Goliath Resources Ltd. Tembo Gold Corp. Nicola Mining Inc. Ucore Rare Metals Inc.
James McVicar	Kerr Mines Inc.

### **Orientation and Continuing Education**

All new directors are provided with comprehensive information about Monarca and its subsidiaries. Directors have the opportunity to meet with senior management to obtain insight into the operations of Monarca and its subsidiaries. New directors are briefed on the Corporation's current property holdings, ongoing exploration programs and mining operations, overall strategic plans, short, medium and long term corporate objectives, financials status, general business risks and mitigation strategies, and existing company policies. Senior management also makes regular presentations to the Board at its meetings and all directors are encouraged to communicate directly with management and other staff.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies, particularly in the natural resource sector and involving non-Canadian mineral properties. It is the Corporation's view that all current members of the Board are well-versed and educated in the factors critical to the success of Monarca. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management's assistance. Board members have full access to the Corporation's records. Reference is made to the table under the heading "Election of Directors" for a description of the current principal occupations of the members of the Board.

### **Ethical Business Conduct**

The Board expects management to operate the business of the Corporation in a manner that enhances Shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Corporation's business plan and to meet performance goals and objectives. Directors and senior officers are bound by the provisions of the Corporation's articles and the CBCA which sets forth resolutions for any conflicts of interest. In particular, any director who has a material interest in a particular transaction is required to disclose such interest and to refrain from voting with respect to the approval of any such transaction.

### **Nomination of Directors**

The Corporation does not currently have a Nomination and Corporate Governance Committee. The Board may appoint this committee following the Meeting when determined appropriate. Until appointed, the Board will assume the responsibilities of the committee. The Nomination and Corporate Governance Committee is responsible for reviewing the corporate governance policies and practices of the Corporation generally and making recommendations thereon to the directors of the Corporation, including reviewing and making recommendations to the Board of the Corporation on developing the approach of the Corporation to corporate governance issues and practices. The Nomination and Corporate Governance Committee is also responsible for proposals for new nominees to the Board and conducting such background reviews, assessments, interviews and other procedures as it believes necessary to ascertain the suitability of a particular nominee. The Nomination and Corporate Governance Committee previously adopted a written charter.

### **Compensation**

The Corporation does not currently have a Compensation Committee. The Board may appoint this committee following the Meeting when determined appropriate. Until appointed, the Board will assume the responsibilities of

the committee. The Compensation Committee previously adopted a written charter. The overall purpose of the Compensation Committee is to implement and oversee human resources and compensation policies and best practices for recommendation to the Board for approval and implementation. The responsibilities of the Compensation Committee generally include: (1) reviewing and making recommendations to the Board regarding all share incentive awards; (2) developing an executive compensation strategy to attract, retain and motivate senior management to achieve superior results; (3) reviewing and appraising the performance of the executive officers of the Corporation (4) reviewing short-term and long-term talent management and succession planning; and (5) review the committee's charter and the performance of the committee on an annual basis.

### **Assessment**

The Nomination and Corporate Governance Committee has the on-going responsibility to assess (i) the effectiveness and contribution of the individual directors including the Chairman of the Board and committee chairman of the Corporation on an ongoing basis; (ii) the effectiveness of the directors of the Corporation as a whole; and (iii) the effectiveness of the committees of directors of the Corporation and the mandates of each of such committees.

## **AUDIT COMMITTEE**

Pursuant to the provisions of Multilateral Instrument 52-110 – Audit Committees (“**MI 52-110**”), which came into force on March 30, 2004, the Corporation is required to disclose certain information concerning its Audit Committee including the Audit Committee's charter, the composition of the Audit Committee and its relationship with its independent auditors. Such information is set forth below.

### **Audit Committee's Charter**

As a TSXV listed company, the Corporation is required to have an audit committee for the purpose of monitoring and enhancing the quality of the financial information disclosed by the Corporation. The Audit Committee's charter is reproduced in Schedule “B”.

### **Composition of Audit Committee**

The Audit Committee is currently comprised of Messrs. Folk, Hogel and Espinosa. Messrs. Hogel and Espinosa are “independent” and each of Messrs. Folk, Espinosa and Hogel are “financially literate” within the meaning of MI 52-110. In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Corporation's external auditors not been adopted by the board of directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied of exemptions in relation to “De Minimus Non-Audit Services” or any exemption provided by Part 8 of MI 52-110.

### **Pre-Approval Policies and Procedures**

The Corporation has not adopted any specific policies in relation to the engagement of non-audit services.

## External Auditor Service Fees (By Category)

	Financial Years Ended November 30,	
	<u>2016</u>	<u>2015</u>
Audit Fees <sup>(1)</sup>	\$18,000	\$18,000
Audit-Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	\$3,000	\$3,000
All Other Fees <sup>(4)</sup>	-	-
<b>Total Fees</b>	<u>\$21,000</u>	<u>\$21,000</u>

### Notes:

- <sup>(1)</sup> The aggregate audit fees billed.
- <sup>(2)</sup> The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audits or reviewing the Corporation's financial statements and are not included under "Audit Fees".
- <sup>(3)</sup> The aggregate fees billed for services related to tax compliance, tax advice and tax planning. The services performed for the fees paid under this category may briefly be described as tax return preparation fees.
- <sup>(4)</sup> The aggregate fees billed for services other than those reported above. The services performed for the fees paid under this category may briefly be described as flow-through accounting services.

### **ADDITIONAL INFORMATION**

Additional information regarding the Corporation and its business activities is available under the Corporation's profile on the SEDAR website located at [www.sedar.com](http://www.sedar.com). The Corporation's financial information is provided in the Corporation's audited consolidated financial statements and related management discussion and analysis for its most recently completed financial year and may be viewed on the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Copies of the Corporation's consolidated financial statements and related management discussion and analysis are available upon request, free of charge to Shareholders of the Corporation, by contacting the Interim Chief Executive Officer, at the Corporation's principal office located at Peterson McVicar LLP, 390 Bay Street, Suite 806 Toronto, ON M5H 2Y2.

**SCHEDULE "A"**  
**MONARCA MINERALS INC.**  
**STOCK OPTION PLAN**



**MONARCA MINERALS**  
**— I N C . —**

**MONARCA MINERALS INC.**

**INCENTIVE STOCK OPTION PLAN**

**Dated: July 18, 2017**

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**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

**1.1 Defined Terms**

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "**Accelerated Vesting Event**" means the occurrence of any one of the following events:
  - (i) a take-over bid (as defined under Securities Legislation) is made for Common Shares or convertible securities which, if successful would result (assuming the conversion, exchange or exercise of the convertible securities, if any, that are the subject of the take-over bid) in any person or persons acting jointly or in concert (as determined under Securities Legislation) or persons associated or affiliated with such person or persons (as determined under Securities Legislation) beneficially, directly or indirectly, owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
  - (ii) the acquisition or continuing ownership by any person or persons acting jointly or in concert (as determined under Securities Legislation), directly or indirectly, of Common Shares or convertible securities, which, when added to all other securities of the Corporation at the time held by such person or persons, persons associated with such person or persons, or persons affiliated with such person or persons (as determined under Securities Legislation) (collectively, the "**Acquirors**"), and assuming the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirors, results in the Acquirors beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
  - (iii) an amalgamation, merger, arrangement or other business combination (a "**Business Combination**") involving the Corporation receives the approval of, or is accepted by, the securityholders of the Corporation (or all classes of securityholders whose approval or acceptance is required) or, if their approval or acceptance is not required in the circumstances, is approved or accepted by the Corporation and as a result of that Business Combination, parties to the Business Combination or securityholders of the parties to the Business Combination, other than the securityholders of the Corporation, own, directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast at least 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect Directors;
- (b) "**Affiliate**" shall have the meaning ascribed thereto by the Exchange or, if the Shares are not listed on the Exchange, the meaning ascribed thereto pursuant to Securities Legislation;
- (c) "**Associate**" shall have the meaning ascribed thereto by the Exchange or, if the Shares are not listed on the Exchange, the meaning ascribed thereto pursuant to Securities Legislation;

- (d) **"Board"** means the Board of Directors of the Corporation or, as applicable, a committee consisting of not less than 3 directors of the Corporation duly appointed to administer this Plan;
- (e) **"Charitable Organization"** means "charitable organization" as defined in the *Income Tax Act* (Canada) from time to time;
- (f) **"Common Shares"** means the common shares of the Corporation;
- (g) **"Consultant"** means an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:
  - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation other than services provided in relation to a Distribution,
  - (ii) provides the services under a written contract between the Corporation or an Affiliate of the Corporation and the individual or the Consultant Company,
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation, and
  - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the Consultant to be knowledgeable about the business and affairs of the Corporation;
- (h) **"Consultant Company"** means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (i) **"Corporation"** means Monarca Minerals Inc. and its successor entities;
- (j) **"Director"** means directors, senior officers and Management Company Employees of the Corporation or its subsidiaries, if any, to whom stock options can be granted in reliance on a prospectus exemption under applicable securities laws;
- (k) **"Disinterested Shareholder Approval"** means approval by a majority of the votes cast by all shareholders entitled to vote at a meeting of shareholders of the Corporation excluding votes attached to shares beneficially owned by insiders to whom options may be granted under this Plan and their Associates;
- (l) **"Distribution"** has the meaning ascribed thereto by the Exchange or, if the Shares are not listed on the Exchange, the meaning ascribed thereto pursuant to Securities Legislation;
- (m) **"Eligible Person"** means
  - (i) a Director, Officer, Employee or Consultant of the Corporation or its subsidiaries, if any, at the time the option is granted, and includes companies that are wholly owned by Eligible Persons; and
  - (ii) a Charitable Organization at the time the Option is granted;
- (n) **"Employee"** means an individual who:

- (i) is considered an employee of the Corporation or its subsidiaries, if any, under the *Income Tax Act*, (Canada) i.e. for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source,
  - (ii) is actively working full-time for the Corporation or its subsidiaries, if any, providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source, or
  - (iii) is actively working for the Corporation or its subsidiaries, if any, on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and method of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (o) "**Exchange**" means the TSX Venture Exchange and any successor entity or the Toronto Stock Exchange if the Corporation is listed thereon;
  - (p) "**Expiry Date**" means the last day of the term for an Option, as set by the Board at the time of grant in accordance with Section 5.2 and, if applicable, as amended from time to time;
  - (q) "**Insider**" means a director or senior officer of the Corporation, a person that beneficially owns or controls directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Corporation, a director or senior officer of a company that is an insider or a subsidiary of the Corporation, and the Corporation itself if it holds any of its own securities;
  - (r) "**Investor Relations Activities**" means any activities, by or on behalf of the Corporation or shareholder of the Corporation that promote or could reasonably be expected to promote the purchase or sale of securities of the Corporation;
  - (s) "**Management Company Employee**" means an individual who is employed by a person providing management services to the Corporation which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
  - (t) "**Officer**" means an officer of the Corporation or its subsidiaries, if any;
  - (u) "**Option**" means a non-transferable and non-assignable option to purchase Common Shares granted to an Eligible Person pursuant to the terms of this Plan;
  - (v) "**Other Share Compensation Arrangement**" means, other than this Plan and any Options, any stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise;
  - (w) "**Participant**" means an Eligible Person who has been granted an Option;
  - (x) "**Plan**" means this incentive stock option plan;

- (y) **"Termination Date"** means the date on which a Participant ceases to be an active Eligible Person and does not include any period of reasonable notice of termination.

## **1.2 Interpretation**

- (a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.
- (b) If the Corporation is listed on the Toronto Stock Exchange, the provisions of this Plan as they relate to companies listed on Tier 1 of the TSX Venture Exchange shall apply.

## **ARTICLE 2 ESTABLISHMENT OF PLAN**

### **2.1 Purpose**

The purpose of this Plan is to advance the interests of the Corporation, through the grant of Options, by:

- (a) providing an incentive mechanism to foster the interest of Eligible Persons in the success of the Corporation, its Affiliates and its subsidiaries, if any;
- (b) encouraging Eligible Persons to remain with the Corporation, its Affiliates or its subsidiaries, if any; and
- (c) attracting new Directors, Officers, Employees and Consultants.

### **2.2 Shares Reserved**

- (a) The aggregate number of Common Shares that may be reserved for issuance pursuant to Options shall not exceed 10% of the outstanding Common Shares at the time of the granting of an Option, LESS the aggregate number of Common Shares then reserved for issuance pursuant to any Other Share Compensation Arrangement. For greater certainty, if an Option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for new Options granted under this Plan.
- (b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of or corporate change or transaction affecting the Common Shares, the Board shall make, as it shall deem advisable and subject to the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:
  - (i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;
  - (ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and
  - (iii) the vesting of any Options, including the accelerated vesting thereof on conditions the Board deems advisable and, if it relates to Investor Relations vesting provisions, then subject to the approval of the Exchange,

and if the Corporation undertakes an arrangement or is amalgamated, merged or combined with another corporation, the Board shall make such provision for the protection of the rights of Participants as it shall deem advisable.

- (c) No fractional Common Shares shall be reserved for issuance under this Plan and the Board may determine the manner in which an Option, insofar as it relates to the acquisition of a fractional Common Share, shall be treated.
- (d) The Corporation shall, at all times while this Plan is in effect, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Plan.

### **2.3 Non-Exclusivity**

Nothing contained herein shall prevent the Board from adopting such other incentive or compensation arrangements as it shall deem advisable.

### **2.4 Effective Date**

This Plan shall be subject to the approval of any regulatory authority whose approval is required. Any Options granted under this Plan prior to such approvals being given shall be conditional upon such approvals being given, and no such Options may be exercised unless and until such approvals are given.

## **ARTICLE 3 ADMINISTRATION OF PLAN**

### **3.1 Administration**

- (a) This Plan shall be administered by the Board or any committee established by the Board for the purpose of administering this Plan. Subject to the provisions of this Plan, the Board shall have the authority:
  - (i) to determine the Eligible Persons to whom Options are granted, to grant such Options, and to determine any terms and conditions, limitations and restrictions in respect of any particular Option grant, including but not limited to the nature and duration of the restrictions, if any, to be imposed upon the acquisition, sale or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events and the duration of the period, if any, in which any Participant's rights in respect of an Option or Common Shares acquired upon exercise of an Option may be forfeited; and
  - (ii) to interpret the terms of this Plan, to make all such determinations and take all such other actions in connection with the implementation, operation and administration of this Plan, and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to this Plan, as it shall from time to time deem advisable, including without limitation for the purpose of ensuring compliance with Section 3.3 hereof.
- (b) The Board's interpretations, determinations, guidelines, rules and regulations shall be conclusive and binding upon the Corporation, Eligible Persons, Participants and all other persons.

### **3.2 Amendment, Suspension and Termination**

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend or terminate this Plan or any portion thereof. No such amendment, suspension or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such Participant. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.

### **3.3 Compliance with Legislation**

- (a) This Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell, issue and deliver any Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, policies, rules and regulations, to the policies, rules and regulations of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading and to such approvals by any governmental or regulatory agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by the existence of this Plan or any provision of this Plan or the grant or exercise of Options hereunder to sell, issue or deliver Common Shares upon exercise of Options in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.
- (b) No Option shall be granted and no Common Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of this Plan or of the Common Shares under the securities laws of any foreign jurisdiction, and any purported grant of any Option or any sale, issue and delivery of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Common Shares hereunder unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.
- (c) Common Shares sold, issued and delivered to Participants pursuant to the exercise of Options shall be subject to restrictions on resale and transfer under applicable securities laws and the requirements of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading, and any certificates representing such Common Shares shall bear, as required, a restrictive legend in respect thereof.

## **ARTICLE 4** **OPTION GRANTS**

### **4.1 Eligibility and Multiple Grants**

Options shall only be granted to Eligible Persons. An Eligible Person may receive Options on more than one occasion and may receive separate Options, with differing terms, on any one or more occasions.

### **4.2 Representation**

The Corporation represents that an Employee, Consultant or Management Company Employee who is granted an Option or Options is a bona fide Employee, Consultant or Management Company Employee, as the case may be. In the event of any discrepancy between this Plan and an option agreement, the provisions of this Plan shall govern.

#### 4.3 Limitation on Grants and Exercises

- (a) **To any one person.** The number of Common Shares reserved for issuance to any one person in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the grant (unless the Corporation has obtained Disinterested Shareholder Approval to exceed such limit).
- (b) **To Consultants.** The number of Common Shares reserved for issuance to any one Consultant in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant.
- (c) **To persons conducting Investor Relations Activities.** The number of Common Shares reserved for issuance to all persons employed to provide Investor Relations Activities in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed an aggregate of 2% of the outstanding Common Shares at the time of the grant.
- (d) **To Insiders.** Unless the Corporation has received Disinterested Shareholder Approval to do so:
  - (i) the aggregate number of Common Shares reserved for issuance to Insiders under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant; and
  - (ii) the aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant.

### **ARTICLE 5** **OPTION TERMS**

#### 5.1 Exercise Price

- (a) Subject to a minimum exercise price of \$0.05 per Common Share or such other minimum exercise price as may be permitted by a stock exchange on which the securities of the Corporation are then listed, the exercise price per Common Share for an Option shall not be less than the Discounted Market Price for the Corporation's common shares (as defined by the policies of the Exchange) at the date of grant.
- (b) If Options are granted within ninety days of a distribution by the Corporation by prospectus, then the exercise price per Common Share for such Option shall not be less than the greater of the minimum exercise price calculated pursuant to subsection 5.1(a) herein and the price per Common Share paid by the public investors for Common Shares acquired pursuant to such distribution. Such ninety day period shall begin:
  - (i) on the date the final receipt is issued for the final prospectus in respect of such distribution;
  - (ii) in the case of a prospectus that qualifies special warrants, on the closing date of the private placement in respect of such special warrants; or
  - (iii) in the case of an initial public offering, on the date of listing.

## **5.2 Expiry Date**

Every Option granted shall, unless sooner terminated, have a term not exceeding and shall therefore expire no later than 10 years after the date of grant.

## **5.3 Vesting**

- (a) Subject to subsection 5.3(b) herein and otherwise in compliance with the policies of the Exchange, the Board shall determine the manner in which an Option shall vest and become exercisable.
- (b) Options granted to Consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any 3 month period.

## **5.4 Accelerated Vesting Event**

Upon the occurrence of an Accelerated Vesting Event, the Board will have the power, at its sole discretion and without being required to obtain the approval of shareholders or the holder of any Option, except pertaining to options granted to Consultants performing Investor Relations activities which will be subject to prior written Exchange approval, to make such changes to the terms of Options as it considers fair and appropriate in the circumstances, including but not limited to: (a) accelerating the vesting of Options, conditionally or unconditionally; (b) terminating every Option if under the transaction giving rise to the Accelerated Vesting Event, options in replacement of the Options are proposed to be granted to or exchanged with the holders of Options, which replacement options treat the holders of Options in a manner which the Board considers fair and appropriate in the circumstances having regard to the treatment of holders of Shares under such transaction; (c) otherwise modifying the terms of any Option to assist the holder to tender into any take-over bid or other transaction constituting an Accelerated Vesting Event; or (d) following the successful completion of such Accelerated Vesting Event, terminating any Option to the extent it has not been exercised prior to successful completion of the Accelerated Vesting Event. The determination of the Board in respect of any such Accelerated Vesting Event shall for the purposes of this Plan be final, conclusive and binding.

## **5.5 Non-Assignability**

Options may not be assigned or transferred.

## **5.6 Ceasing to be Eligible Person**

- (a) If a Participant who is an Officer, Employee or Consultant is terminated for cause, each Option held by such Participant shall terminate and shall therefore cease to be exercisable upon such termination for cause.
- (b) If a Participant dies prior to otherwise ceasing to be an Eligible Person, each Option held by such Participant shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is twelve months after the date of the Participant's death.
- (c) Unless an option agreement specifies otherwise, if a Participant ceases to be an Eligible Person for any reason other than death, each Option held by the Participant other than a Participant who is involved in Investor Relations Activities will cease to be exercisable 90 days after the Termination Date, unless otherwise determined by the Board in its sole discretion. For Participants involved in Investor Relations Activities, Options shall cease to be exercisable 30 days after the Termination Date, unless otherwise determined by the Board in its sole discretion.

- (d) For greater certainty, if a Participant dies, each Option held by such Participant shall be exercisable by the legal representative of such Participant until such Option terminates and therefore ceases to be exercisable pursuant to the terms of this Section.
- (e) If any portion of an Option is not vested at the time a Participant ceases, for any reason whatsoever, to be an Eligible Person, such unvested portion of the Option may not be thereafter exercised by the Participant or its legal representative, as the case may be, always provided that the Board may, in its discretion and in the case of Options relating to Investor Relations, subject to the approval of the Exchange, thereafter permit the Participant or its legal representative, as the case may be, to exercise all or any part of such unvested portion of the Option that would have vested prior to the time such Option otherwise terminates and therefore ceases to be exercisable pursuant to the terms of this Section. For greater certainty, and without limitation, this provision will apply regardless of whether the Participant ceased to be an Eligible Person voluntarily or involuntarily, was dismissed with or without cause, and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a notice of termination for a period which would otherwise have permitted a greater portion of an Option to vest.

## **ARTICLE 6** **EXERCISE PROCEDURE**

### **6.1 Exercise Procedure**

An Option may be exercised from time to time, and shall be deemed to be validly exercised by the Participant only upon the Participant's delivery to the Corporation at its head office of:

- (a) a written notice of exercise addressed to the Corporate Secretary of the Corporation, specifying the number of Common Shares with respect to which the Option is being exercised;
- (b) a signed option agreement with respect to the Option being exercised;
- (c) a certified cheque or bank draft made payable to the Corporation for the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised; and
- (d) documents containing such representations, warranties, agreements and undertakings, including such as to the Participant's future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to comply with or safeguard against the violation of the laws of any jurisdiction;

and on the business day following, the Participant shall be deemed to be a holder of record of the Common Shares with respect to which the Option is being exercised, and thereafter the Corporation shall, within a reasonable amount of time, cause certificates for such Common Shares to be issued and delivered to the Participant.

## **ARTICLE 7** **AMENDMENT OF OPTIONS**

### **7.1 Consent to Amend**

The Board may amend any Option with the consent of the affected Participant and the Exchange, including any shareholder approval required by the Exchange. For greater certainty, Disinterested Shareholder Approval is required for any reduction in the exercise price of an Option if the Participant is an Insider at the time of the proposed amendment.

## **7.2 Amendment Subject to Approval**

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

## **7.3 Repricing**

Subject to applicable regulatory requirements and approval, the Board may reprice the prevailing exercise price of an Option. Any reduction in the exercise price of an Option held by a Participant who is an Insider at the time of the proposed amendment is, however, subject to Disinterested Shareholder Approval if and as required by the Exchange.

## **ARTICLE 8 MISCELLANEOUS**

### **8.1 No Rights as Shareholder**

Nothing in this Plan or any Option shall confer upon a Participant any rights as a shareholder of the Corporation with respect to any of the Common Shares underlying an Option unless and until such Participant shall have become the holder of such Common Shares upon exercise of such Option in accordance with the terms of the Plan.

### **8.2 No Right to Employment**

Nothing in this Plan or any Option shall confer upon a Participant any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate the Participant's employment, with or without cause, at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of any Participant beyond the time which the Participant would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

### **8.3 Governing Law**

This Plan, all option agreements, the grant and exercise of Options hereunder, and the sale, issue and delivery of Common Shares hereunder upon exercise of Options shall be, as applicable, governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Courts of the Province of Ontario shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.

## **ARTICLE 9 EXTENSION OF EXPIRY TIME DURING BLACKOUT PERIODS**

### **9.1 Blackout Periods**

Notwithstanding the provisions contained herein for the expiry of Options, in the event that the expiry date of an Option falls during or within two business days following the end of a black out period that is self-imposed by the Corporation pursuant to its policies (a "**Black Out Period**"), the expiry date of such Option shall be extended for a period of ten (10) business days following the end of the Black Out Period (the "**Black Out Expiration Term**").

**ARTICLE 10**  
**WITHHOLDINGS**

**10.1 Tax Withholdings**

If the Corporation is required under the *Income Tax Act* (Canada) or any other applicable law to remit to any governmental authority an amount on account of tax on the value of any taxable benefit associated with the redemption of an Option by a Participant, then the Participant shall, concurrently with redemption:

- (a) pay to the Corporation sufficient cash as is determined by the Corporation to be the amount necessary to fund the required tax remittance;
- (b) authorize the Corporation, on behalf of the Participant, to sell in the market on such terms and at such time or times as the Corporation determines such portion of the Common Shares being issued upon redemption of the Option as is required to realize cash proceeds in the amount necessary to fund the required tax remittance; or
- (c) make other arrangements acceptable to the Corporation to fund the required tax remittance.

## **SCHEDULE “B”**

### **MONARCA MINERALS INC.**

#### **AUDIT COMMITTEE CHARTER**

##### **MANDATE**

The primary mandate of the audit committee (the “Audit Committee”) of the Board of Directors of the Company (the “Board”) is to assist the Board in overseeing the Company’s financial reporting and disclosure. This oversight includes:

- (a) reviewing the financial statements and financial disclosure that is provided to shareholders and disseminated to the public;
- (b) reviewing the systems of internal controls to ensure integrity in the financial reporting of the Company; and
- (c) monitoring the independence and performance of the Company’s external auditors and reporting directly to the Board on the work of the external auditors.

##### **COMPOSITION AND ORGANIZATION OF THE COMMITTEE**

1. The Audit Committee must have at least three directors.
2. The majority of the Audit Committee members must be independent. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with an issuer. A material relationship means a relationship which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of a member’s independent judgment.<sup>1</sup>
3. Every Audit Committee member must be financially literate. Financial literacy is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.<sup>2</sup>
4. The Board will appoint from themselves the members of the Audit Committee on an annual basis for one year terms. Members may serve for consecutive terms.
5. The Board will also appoint a chair of the Audit Committee (the Chair of the Audit Committee) for a one year term. The Chair of the Audit Committee may serve as the chair of the committee for any number of consecutive terms.
6. A member of the Audit Committee may be removed or replaced at any time by the Board. The Board will fill any vacancies in the Audit Committee by appointment from among members of the Board.

##### **MEETINGS**

7. The Audit Committee will meet at least four (4) times per year. Special meetings may be called by the Chair of the Audit Committee as required.
8. Quorum for a meeting of the Audit Committee will be two (2) members in attendance.
9. Members may attend meetings of the Audit Committee by teleconference, videoconference, or by similar communication equipment by means of which all persons participating in the meeting can communicate with each other.

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<sup>1</sup> National Instrument 52-110 *Audit Committees* section 1.4

<sup>2</sup> National Instrument 52-110 *Audit Committees* section 1.4

10. The Audit Committee Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to Audit Committee members for members to have a reasonable time to review the materials prior to the meeting.
11. Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee. Minutes of each meeting must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

## **RESPONSIBILITIES OF THE COMMITTEE**

The Audit Committee will perform the following duties:

### **External Auditor**

- (a) select, evaluate and recommend to the Board, for shareholder approval, the external auditor to examine the Company's accounts, controls and financial statements;
- (b) evaluate, prior to the annual audit by external auditors, the scope and general extent of their review, including their engagement letter, and the compensation to be paid to the external auditors and recommend such payment to the Board;
- (c) obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs;
- (d) recommend to the Board, if necessary, the replacement of the external auditor;
- (e) meet at least annually with the external auditors, independent of management, and report to the Board on such meetings;
- (f) pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services;

### **Financial Statements and Financial Information**

- (a) review and discuss with management and the external auditor the annual audited financial statements of the Company and recommend their approval by the Board;
- (b) review and discuss with management, the quarterly financial statements and recommend their approval by the Board;
- (c) review and recommend to the Board for approval the financial content of the annual report;
- (d) review the process for the certification of financial statements by the Chief Executive Officer and Chief Financial Officer;
- (e) review the Company's management discussion and analysis, annual and interim earnings or financial disclosure press releases, and audit committee reports before the Company publicly discloses this information;
- (f) review annually with external auditors, the Company's accounting principles and the reasonableness of managements judgments and estimates as applied in its financial reporting;
- (g) review and consider any significant reports and recommendations issued by the external auditor, together with management's response, and the extent to which recommendations made by the external auditors have been implemented;

## **Risk Management, Internal Controls and Information Systems**

- (a) review with the external auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls;
- (b) review adequacy of security of information, information systems and recovery plans;
- (c) review management plans regarding any changes in accounting practices or policies and the financial impact thereof;
- (d) review with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements;
- (e) discuss with management and the external auditor correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure;
- (f) assisting management to identify the Company's principal business risks;
- (g) review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board;

## **Other**

- (a) review Company loans to employees/consultants; and
- (b) conduct special reviews and/or other assignments from time to time as requested by the Board.

## **PROCESS FOR HANDLING COMPLAINTS REGARDING FINANCIAL MATTERS**

The Audit Committee shall establish a procedure for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, financial reporting, or auditing matters.

The Audit Committee shall ensure that any procedure for receiving complaints regarding accounting, internal controls, financial reporting, or auditing matters will allow the confidential and anonymous submission of concerns by employees.

## **REPORTING**

The Audit Committee will report to the Board on:

- (a) the external auditor's independence;
- (b) the performance of the external auditor and the Audit Committee's recommendations;
- (c) regarding the reappointment or termination of the external auditor;
- (d) the adequacy of the Company's internal controls and disclosure controls;
- (e) the Audit Committee's review of the annual and interim financial statements;
- (f) the Audit Committee's review of the annual and interim management discussion and analysis;
- (g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and
- (h) all other material matters dealt with by the Audit Committee.

### **AUTHORITY OF THE COMMITTEE**

The Audit Committee will have the resources and authority appropriate to discharge its duties and responsibilities. The Audit Committee may at any time retain outside financial, legal or other advisors at the expense of the Company without approval of management.

The external auditor will report directly to the Audit Committee.

### **EFFECTIVE DATE**

This Charter was implemented by the Board on **April 11, 2005.**