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Unit 1 – 15782 Marine Drive,  
White Rock, British Columbia, Canada V4B 1E6

**MANAGEMENT INFORMATION CIRCULAR  
FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD  
SEPTEMBER 28, 2018**

Containing information as at August 24, 2018

**PERSONS MAKING THE SOLICITATION**

This Management Information Circular (the "Information Circular") is furnished in connection with the solicitation of proxies by the management of Cipher Resources Inc. (the "Company" or "Cipher Resources") for use at the Annual General and Special Meeting (the "Meeting") of the Company's shareholders (the "Shareholders") to be held on September 28, 2018, at the hour of 9:00 a.m. (PST), in the offices of: Cassels Brock & Blackwell, LLP at 2200 – 885 West Georgia Street, Vancouver, British Columbia.

The enclosed form of proxy (the "Proxy") is solicited by Management. The solicitation will be primarily by mail, however, proxies may be solicited personally or by telephone by the regular officers and employees of the Company. The cost of solicitation will be borne by the Company.

Under the Articles of the Company, a quorum for the transaction of business at the Meeting is one person who is, or who is represented by proxy. Shareholders who hold at least one of the issued common shares are entitled to be vote at the Meeting.

References to dollars (\$) in this Information Circular shall mean Canadian dollars unless otherwise indicated.

**PART 1 - VOTING**

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**APPOINTMENT OF PROXYHOLDER**

The persons named in the Proxy are representatives of the Company.

A Shareholder entitled to vote at the Meeting has the right to appoint a person (who need not be a Shareholder) to attend and act on the Shareholder's behalf at the Meeting other than the persons named in the accompanying form of proxy. To exercise this right, a Shareholder shall strike out the names of the persons named in the accompanying form of proxy and insert the name of the Shareholder's nominee in the blank space provided or complete another suitable form of proxy.

**REVOCAION OF PROXY**

A Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to the Company's Registered Office at Unit 1 – 15782 Marine Drive, White Rock, B.C. V4B 1E6 (facsimile: 604-536-2788) at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it or to the Chair of

the Meeting on the day of the Meeting or any adjournment of it. A Proxy may also be revoked in any other manner permitted by law. **Only registered Shareholders have the right to revoke a Proxy. Non-Registered Holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective intermediaries to revoke the Proxy on their behalf.**

A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

#### **VALIDITY OF PROXY**

A Proxy will not be valid unless it is signed by the Shareholder or intermediary or by the Shareholder's or intermediary's agent duly authorized in writing or, if the Shareholder or intermediary is a corporation, under its corporate seal and signed by an officer of the Shareholder or intermediary. The instrument empowering the agent, or a notarial copy thereof, should accompany the Proxy. The Proxy, if not dated, is deemed to be dated on the date mailed by the person making the solicitation.

#### **JOINT HOLDERS**

A Proxy given on behalf of joint holders must be executed by all of them and may be revoked only by all of them.

If more than one of several joint holders is present at the Meeting and they do not agree as to which of them is to exercise any vote to which they are jointly entitled, they will for the purpose of voting, be deemed not to be present.

#### **DEPOSIT OF PROXY**

**A Proxy will not be valid unless it is completed, dated and signed and delivered by hand or mail to Computershare Investor Services Inc. at Proxy Dept., 100 University Avenue 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, or by fax to: (within North America) 1-866-249-7775 (outside North America) 416-263-9524, not less than 48 hours (excluding Saturdays and holidays) prior to the Meeting or to the Chair of the Meeting prior to the commencement of the Meeting.**

#### **NON-REGISTERED HOLDERS OF SHARES**

**Only registered Shareholders of record as of the Meeting Record Date (as hereinafter defined) or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Company are "non-registered" Shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered Shareholder in respect of shares which are held on behalf of such person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and directors or administrators of self-administered RRSP's, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS") of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 ("NI 54-101") of the Canadian Securities Administrators, the Company has distributed copies of the Notice of Meeting, this Information Circular and the Proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials, or where there is a special meeting involving abridged timing under NI 54-101, will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit a Proxy should otherwise properly complete the Proxy and **deliver it to Computershare Investor Services Inc.** as provided above; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed Proxy accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the Proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the Proxy, properly complete and sign the Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, this procedure permits Non-Registered Holders to direct the voting of the shares, which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

The Meeting Materials are not being sent to registered or beneficial owners using the Notice and Access procedures contained in NI 54-101. The Company is sending the Meeting Materials directly to non-objecting beneficial holders (as defined in NI 54-101). The Company will not pay for Intermediaries to deliver the Meeting Materials to objecting beneficial holders (as defined in NI 54-101) and objecting beneficial holders will not receive the Meeting Materials unless their Intermediary assumes the cost of delivery.

#### **VOTING OF SHARES REPRESENTED BY PROXY AND EXERCISE OF DISCRETION**

Voting at the Meeting will be by a show of hands, each Shareholder having one vote, unless a ballot or poll is requested or required in accordance with the Company’s By-Laws or the *Business Corporations Act* (British Columbia), in which case each Shareholder is entitled to one vote for each share held. **The Shares represented by a Proxy will be voted on any ballot or poll by the persons named in the Proxy, and, where a choice with respect to any matter to be acted upon has been specified in the Proxy, the shares represented thereby will, on a ballot or poll, be voted or withheld from voting in accordance with the specifications so made. Where no choice has been specified by the Shareholder, such shares will be voted in favour of the motions proposed to be made at the Meeting as described in this Information Circular.**

A proxy in the enclosed form, when properly completed and delivered and not revoked, confers discretionary authority on the persons named proxyholders therein to vote on any amendments or variations of matters identified in the Notice of Meeting and on any other matters which may properly come before the Meeting. As of the date of this Information Circular, the management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

In order to approve a motion proposed at the Meeting, a majority of greater than 50% of the votes cast will be required unless the motion requires a special resolution, in which case a majority of not less than two-thirds of the votes cast by shareholders who voted on the resolution will be required.

## **PART 2 - VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The authorized voting share capital of Cipher Resources consists of an unlimited number of common shares (“Common Shares”). Each holder of Common Shares is entitled to one vote for each Common Share registered in his or her name at the close of business on August 24, 2018, the date fixed by our directors as the record date (the “Meeting Record Date”) for determining who is entitled to receive notice of and to vote at the Meeting.

The Company formed a strategic alliance with Cipher Research Ltd. (“Cipher Research”) which, among other things, grants Cipher Research the right to nominate three of six individuals to the board of directors of the Company. Elena Tanzola, Jim Mustard and Duncan Gordon are Cipher Research nominees who were appointed to the board of directors and are standing for election or re-election at the Meeting.

The Company formed a strategic alliance with Endeavour Financial Limited (Cayman) and Endeavour Financial AG, collectively “Endeavour Financial” which, among other things, providing Endeavour Financial has control or direction over greater than 9.9% of the Company’s outstanding shares, provides Endeavour Financial with anti-dilution provisions and grants Endeavour Financial the right to nominate three of six individuals to the board of directors of the Company. Guy-Philippe Bertin, Paul Mainwaring and George Pyper are Endeavour Financial nominees who were appointed to the board of directors and standing for election at the Meeting.

At the close of business on August 24, 2018, there were 60,006,690 Common Shares outstanding. To the best knowledge of the directors and senior officers of the Company, the only persons or Company’s who beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company are:

<b>Beneficial Shareholder</b>	<b>Number of Common Shares Owned <sup>(3)</sup></b>	<b>Percentage of Issued and Outstanding <sup>(2)</sup></b>
Endeavour Financial <sup>(1)</sup>	7,230,000	12.05%
Terra Capita Natural Resource Fund Pty Ltd.	10,000,000	16.66%

<sup>(1)</sup> The 7,230,000 Common Shares are owned as to 4,230,000 by Endeavour Financial AG and 3,000,000 by Endeavour Financial Limited (Cayman), collectively “Endeavour Financial”.

<sup>(2)</sup> Based on Cipher Resources Common Shares issued and outstanding as at Record Date.

<sup>(3)</sup> The number of Common Shares owned are derived solely from public filings on the System for Electronic Disclosure by Insiders (SEDI) or SEDAR. This number does not include any warrants, stock options or convertible securities held by the beneficial shareholder.

## **PART 3 - BUSINESS OF THE MEETING**

### **1. FINANCIAL STATEMENTS**

The financial statements and management discussion and analysis of Cipher Resources for the fiscal year ended March 31, 2018, will be placed before you at the Meeting. These financial statements may be

requested by completing the enclosed Financial Statement Request Form that accompanies this Information Circular, or they may be viewed on [www.sedar.com](http://www.sedar.com).

## 2. INCREASE NUMBER OF DIRECTORS TO SIX

Under Cipher Resources' Articles, the number of directors may be fixed or changed from time to time by ordinary resolution but shall not be fewer than three. The number of directors was last set at five and there are currently six directors and six nominees proposed by management for election as directors at the Meeting.

**Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR setting the number of directors at six.**

## 3. ELECTION OF DIRECTORS

Directors of Cipher Resources are elected for a term of one year. The term of office of each of the nominees proposed for election as a director will expire at the Meeting, and each of them, if elected, will serve until the close of the next annual general meeting, unless he/she resigns or otherwise vacates office before that time.

Management does not anticipate that any of these nominees will be unable to serve as a director.

At the Meeting, the Shareholders will be asked to vote on a resolution to elect as directors the nominees set out in the table below. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR election as directors of the nominees set out in the table below.**

The following table sets out the names of the nominees for election as directors, the province or state and country in which each is ordinarily resident, all offices of the Company now held by each of them, their principal occupations, the period of time for which each has been a director of the Company, and the number of common shares of the Company or any of its subsidiaries beneficially owned by each, directly or indirectly, or over which control or direction is exercised, as at the date of this Information Circular.

As of the date hereof, no additional director nominations for the Meeting have been received by the Company in compliance with the Company's Advance Notice Policy adopted by the shareholders on December 20, 2013.

Name, Present Position(s) with the Company and Place of Residence <sup>(1)</sup>	Principal Occupation <sup>(1)</sup>	Date(s) Served as a Director Since	Ownership or Control Over Voting Shares Held <sup>(1)</sup>
<b>Elena Tanzola</b> <sup>(2) (3)</sup> <b>President &amp; Interim CEO and Director</b> Vancouver, Canada	Interim President & CEO of Cipher Resources Inc.	May 8, 2017	1,334,490
<b>Jim Mustard</b> <sup>(2) (3)</sup> <b>Director</b> North Vancouver, Canada	Consulting geologist	July 18, 2017	958,800
<b>Guy-Philippe Bertin</b> <sup>(4)</sup> <b>Director</b> London, UK	Independent businessman and investor since June 2009. From May 2004 until May 2009 a fund manager at Société Privée de Gestion de Patrimoine.	April 5, 2018	172,500

<b>Name, Present Position(s) with the Company and Place of Residence <sup>(1)</sup></b>	<b>Principal Occupation <sup>(1)</sup></b>	<b>Date(s) Served as a Director Since</b>	<b>Ownership or Control Over Voting Shares Held <sup>(1)</sup></b>
<b>Paul Mainwaring</b> <sup>(2) (4)</sup> <i>Director</i> Surrey, UK	Vice President at Endeavour Financial since 2006	May 11, 2018	-
<b>George Pyper</b> <sup>(4)</sup> <i>Director</i> London, UK	Director at Endeavour Financial since 2008	July 24, 2018	7,230,000
<b>Duncan Gordon</b> <sup>(3)</sup> <i>Director</i> West Vancouver, Canada	President of Ivy Capital Corp., a private company providing financing services for companies seeking guidance through the capital raising process. Prior to that Vice President and Senior Investment Advisor at Canaccord Genuity Wealth Management for 17 years.	July 24, 2018	280,000

(1) The information as to country of residence, principal occupation and number of shares beneficially owned by the nominees (directly or indirectly or over which control or direction is exercised) is not within the knowledge of the management of the Company and has been furnished by the respective nominees.

(2) Member of the Company's Audit Committee, of which Mr. Mainwaring is the Chairman.

(3) The Company has agreed with Cipher Research to nominate Ms. Tanzola, Mr. Mustard and Mr. Gordon as Cipher Research's nominees for election as directors at the Meeting.

(4) The Company has agreed with Endeavour Financial nominate Mr. Bertin, Mr. Mainwaring and Mr. Pyper as Endeavour Financials' nominees for election as directors at the Meeting. Mr. Pyper is one of the control persons of the 7,230,000 Shares held by Endeavour Financial.

### ***Cease Trade Orders and Bankruptcy***

No director or proposed director of Cipher Resources is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including Cipher Resources), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer 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.

No director or proposed director of Cipher Resources, and no shareholder holding a sufficient number of securities of Cipher Resources to affect materially the control of Cipher Resources:

- (a) is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including Cipher Resources) 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

- (b) has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or proposed director of Cipher Resources, and no shareholder holding a sufficient number of securities of Cipher Resources to affect materially the control of Cipher Resources has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### 4. APPOINTMENT AND REMUNERATION OF AUDITOR

Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants (“DMCL”) has been the Auditor of the Company since April 1, 2015.

The Company’s management recommends that shareholders vote FOR the appointment of DMCL, as the Company’s auditor for the ensuing year and grant the Board of Directors the authority to determine the remuneration to be paid to the auditor. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of DMCL, to act as our auditor until the close of our next annual general meeting and to authorize the Board of Directors to fix the remuneration to be paid to the auditor.**

#### 5. APPROVAL OF RENEWAL OF STOCK OPTION PLAN

The Company has adopted a stock option plan (the “Option Plan”) pursuant to which the Board of Directors (the “Board”) may grant options (the “Options”) to purchase Common Shares of the Company to NEOs, Directors and employees of the Company or affiliated corporations and to consultants retained by the Company.

The purpose of the Option Plan is to attract, retain, and motivate NEOs, Directors, employees and other service providers by providing them with the opportunity, through options, to acquire an interest in the Company and benefit from the Company’s growth.

The following summarized description of the Option Plan is qualified in its entirety by the full text of the Option Plan attached hereto as Schedule “B”. Under the Option Plan, the maximum number of Common Shares reserved for issuance, including Options currently outstanding, is equal to ten (10%) percent of the Common Shares outstanding from time to time (the “10% Maximum”). The 10% Maximum is an “evergreen” provision, meaning that, following the exercise, termination, cancellation or expiration of any Options, a number of Common Shares equivalent to the number of options so exercised, terminated, cancelled or expired would automatically become reserved and available for issuance in respect of future Option grants.

The number of Common Shares which may be the subject of Options on a yearly basis to any one person cannot exceed five (5%) percent of the number of issued and outstanding Shares at the time of the grant. Options may be granted to any employee, Officer, Director, consultant, affiliate or subsidiary of the

Company exercisable at a price which is not less than the market price of common shares of the Company on the date of the grant. The Directors of the Company may, by resolution, determine the time period during which any option may be exercised (the "Exercise Period"), provided that the Exercise Period does not contravene any rule or regulation of such exchange on which the Common Shares may be listed. All Options will terminate on the earliest to occur of (a) the expiry of their term; (b) the date of termination of an optionee's employment, office or position as Director, if terminated for just cause; (c) ninety (90) days (or such other period of time as permitted by any rule or regulation of such exchange on which the Common Shares may be listed) following the date of termination of an optionee's position as a Director or NEO, if terminated for any reason other than the optionee's disability or death; (d) thirty (30) days following the date of termination of an optionee's position as a consultant engaged in investor relations activities, if terminated for any reason other than the optionee's disability, death, or just cause; and (e) the date of any sale, transfer or assignment of the Option.

Options are non-assignable and are subject to early termination in the event of the death of a participant or in the event a participant ceases to be a NEO, Director, employee, consultant, affiliate, or subsidiary of the Company, as the case may be. Subject to the foregoing restrictions, and certain other restrictions set out in the Option Plan, the Board is authorized to provide for the granting of Options and the exercise and method of exercise of options granted under the Option Plan.

The Company is asking its Shareholders to vote FOR the following ordinary resolution to renew and approve the Option Plan (the "Option Plan Resolution"):

**"RESOLVED THAT**, subject to regulatory approval, the Option Plan authorizing the directors to grant options on shares totalling up to a maximum of 10% of the Company's common shares issued and outstanding from time to time, as at the date of the relevant grant, be and it is hereby renewed and approved, together with all options granted thereunder as at the date hereof, and that the Board of Directors be and they are hereby authorized, without further shareholder approval, to carry out the intent of this resolution."

If this resolution is approved by Shareholders, it is expected that the Board of Directors will in due course grant further options under the Option Plan as the Board deems fit in light of the overall compensation program and the relative efforts and contributions of the eligible participants under the Option Plan.

**The Board of Directors recommend that Shareholders vote FOR the Option Plan Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Option Plan Resolution. The discretionary authority granted by the enclosed proxy will be used by management to approve any amendments to the above resolution acceptable to it.**

## **6. EXERCISE OF SHARE PURCHASE WARRANTS AND POTENTIAL CHANGE OF CONTROL**

### **Exercise of share purchase warrants and potential change of control**

On June 14, 2018, the Company closed a non-brokered private placement offering of 41,779,000 units of the Company (each, a "Unit") at a price of \$0.10 per Unit for gross proceeds of \$4,177,900. Each Unit of the Offering consisted of one common share of the Company (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one Common Share (each, a "Warrant Share") at a price of \$0.15 per Warrant Share, for a period of 36 months following the closing date of the applicable tranche of the Offering

Terra Capital Natural Resources Fund Pty Ltd. ("Terra Capital") subscribed for 10,000,000 Units and holds 5,000,000 Warrants with an expiry date of May 11, 2021 and 5,000,000 Warrants with an expiry date of June 14, 2021 (collectively the "Terra Warrants"). The Terra Warrants provides for adjustment in the event of a reclassification of the Common Shares or other change of the Common Shares into other Common Shares or other capital reorganization of the Company.



On June 13, 2018, Terra Capital entered into a warrant exercise agreement pursuant to which Terra Capital agreed that without the prior written consent of the Company or the TSX Venture Exchange (the "TSX-V"), Terra Capital will only be permitted to exercise that number of Terra Warrants which will result, when such Common Shares are issued, in Terra Capital's total shareholdings not exceeding 19.9% of the Company's issued and outstanding shares as of the date of the Terra Warrant exercise.

As of the Record Date, Terra Capital owns 10,000,000 Common Shares (16.66%). If Terra Capital exercised all of the Terra Warrants, and there were no other changes to the Common Shares outstanding, then the result would be that Terra Capital would become a new control person of the Company as it will own control of 20,000,000 Common Shares or 28.57% of the Company post-exercise.

Provided, the shareholders approve the exercise privileges of the Terra Warrants at this Meeting, the Company shall have the right to allow the exercise of the Terra Warrants, at any time until the expiry date, the whole or from time to time any part of the Terra Warrants outstanding.

The TSX-V requires shareholder approval, other than from Terra Capital or its associates and any officers, directors and insiders thereof, to approve the exercise privileges of the Terra Warrants because of the potential dilution and potential effective change of control of the Company.

The Company is asking its disinterested shareholders to vote FOR the following ordinary resolution to approve the creation of a new control person (the "Terra Capital Change of Control Resolution"):

**"RESOLVED THAT**, subject to TSX-V approval, the Terra Capital Change of Control Resolution is hereby approved (exclusive of the votes held directly or indirectly by Terra Capital Natural Resources Fund Pty Ltd. and its associates and any officers, directors and insiders thereof), and that the holder of the Terra Warrants will have the right, at the holder's option, at any time prior to their expiry to exercise any portion of the Terra Warrants pursuant to the terms of the Terra Warrants.

**The Board of Directors recommend that disinterested Shareholders vote FOR the Terra Capital Change of Control Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Terra Capital Change of Control Resolution. The discretionary authority granted by the enclosed proxy will be used by management to approve any amendments to the above resolution acceptable to it. In order to be effected this resolution must be approved by a majority of disinterested votes cast in respect thereof.**

In addition to the June 14, 2018 private placement, on August 7, 2018, the Company closed a non-brokered private placement offering of 6,010,000 Units of the Company.

Endeavour Financial subscribed for a total of 7,230,000 Units in the two private placements and holds 3,500,000 Warrants with an expiry date of May 11, 2021, 3,000,000 Warrants with an expiry date of June 14, 2021 and 730,000 Warrants with an expiry date of August 7, 2021 (collectively the "Endeavour Warrants"). The Endeavour Warrants provides for adjustment in the event of a reclassification of the Common Shares or other change of the Common Shares into other Common Shares or other capital reorganization of the Company.

On May 11, 2018 and June 6, 2018, Endeavour Financial entered into warrant exercise agreements pursuant to which Endeavour Financial agreed that without the prior written consent of the Company or the TSX-V, Endeavour Financial will only be permitted to exercise that number of Endeavour Warrants which will result, when such Common Shares are issued, in Endeavour Financials' total shareholdings not exceeding 19.9% of the Company's issued and outstanding shares as of the date of the Endeavour Warrant exercise.

As of the Record Date, Endeavour Financial owns 7,230,000 Common Shares (12.05%). If Endeavour Financial exercised all of the Endeavour Warrants, and there were no other changes to the Common Shares outstanding, then the results would be that Endeavour Financial would become a new control person of the Company as it will own control of 14,460,000 Common Shares or 21.51% of the Company post-exercise.

Provided, the shareholders approve the exercise privileges of the Endeavour Warrants at this Meeting, the Company shall have the right to allow the exercise of the Endeavour Warrants, at any time until the expiry date, the whole or from time to time any part of the Endeavour Warrants outstanding.

The TSX-V requires shareholder approval, other than from Endeavour Financial or its associates and any officers, directors and insiders thereof, to approve the exercise privileges of the Endeavour Warrants because of the potential dilution and potential effective change of control of the Company.

The Company is asking its disinterested shareholders to vote FOR the following ordinary resolution to approve the creation of a new control person (the "Endeavour Financial Change of Control Resolution"):

**"RESOLVED THAT**, subject to TSX-V approval, the Endeavour Change of Control Resolution is hereby approved (exclusive of the votes held directly or indirectly by Endeavour Financial, and its associates and any officers, directors and insiders thereof), and that the holder of the Endeavour Warrants will have the right, at the holder's option, at any time prior to their expiry to exercise any portion of the Endeavour Warrants pursuant to the terms of the Terra Warrants.

**The Board of Directors recommend that disinterested Shareholders vote FOR the Endeavour Financial Change of Control Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Endeavour Financial Change of Control Resolution. The discretionary authority granted by the enclosed proxy will be used by management to approve any amendments to the above resolution acceptable to it. In order to be effected this resolution must be approved by a majority of disinterested votes cast in respect thereof.**

## **PART 4 - EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Oversight and Description of Director and NEO Compensation**

##### ***Compensation of Directors***

Compensation of Directors of the Company is reviewed annually and determined by the Board. The level of compensation for Directors is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and nature, and the availability of financial resources.

In the Board's view, there is, and has been, no need for the Company to design or implement a formal compensation program for Directors. While the Board considers Option grants to Directors under the Option Plan from time to time, the Board does not employ a prescribed methodology when determining the grant or allocation of Options. Other than the Option Plan, the Company does not offer any long-term incentive plans, share compensation plans or any other such benefit programs for Directors.

##### ***Compensation of NEOs***

Compensation of NEOs is reviewed annually and determined by the Board. The level of compensation for NEOs is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other

issuers of comparable size and nature, and the availability of financial resources. In the Board's view, there is, and has been, no need for the Company to design or implement a formal compensation program for NEOs.

### **Elements of NEO Compensation**

As discussed above, the Company provides an Option Plan to motivate NEOs by providing them with the opportunity, through Options, to acquire an interest in the Company and benefit from the Company's growth. The Board does not employ a prescribed methodology when determining the grant or allocation of Options to NEOs. Other than the Option Plan, the Company does not offer any long term incentive plans, share compensation plans, retirement plans, pension plans, or any other such benefit programs for NEOs.

Due to the relatively small size of the Company, limited cash resources, and the early stage and scope of the Company's operations, the NEOs do not currently receive annual salaries. The Board will review the Company's financial performance on an annual basis to determine whether salaries can be paid to the NEOs at a later date.

### **Pension Plan Benefits**

No pension, retirement or deferred compensation plans, including defined contribution plans, have been instituted by the Company other than as otherwise described herein.

### **DIRECTOR AND NEO SUMMARY COMPENSATION TABLE**

The following table sets forth all compensation for the periods indicated in respect of the individuals who served as directors or the Chief Executive Officer and Chief Financial Officer of the Company at any time during the financial year of the Company, and all other executive officers of the Company who received, during the financial year of the Company salary in excess of \$150,000 (collectively the "NEOs"). The value of perquisites and benefits, if any, for each NEO was in all years less than the lesser of \$50,000 and 10% of the total annual salary or fee.

Name and Principal Position Named Executive Officers	Fiscal Year Ended	Salary (\$)	Share based awards (\$)	Option based awards (\$) <sup>(6)</sup>	Non-equity incentive plan compensation (\$)		Pension Value	All Other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Elena Tanzola <i>Director, President and Interim CEO</i>	2018	-	-	-	-	-	-	45,000	45,000
	2017	-	-	-	-	-	-	-	-
Anthony Jackson <sup>(1)</sup> <i>Corporate Secretary and Interim CFO</i>	2018	-	-	-	-	-	-	39,000	39,000
	2017	-	-	-	-	-	-	44,000	44,000
Jim Mustard <sup>(2)</sup> Director	2018	-	-	-	-	-	-	88,400	88,400
Jeremy South <sup>(3)</sup> Former director	2018	-	-	-	-	-	-	30,000	30,000
Ron Hughes <sup>(4)</sup> Former director	2018	-	-	-	-	-	-	10,000	10,000
Kenneth de Graaf	2018	-	-	-	-	-	-	58,800	58,800

- (1) Consulting fees paid to Jackson & Company., a company owned by Anthony Jackson, which provides Anthony Jackson's services as Corporate Secretary and Chief Financial Officer to the Company. Jackson & Company was engaged from June 30, 2017 to June 14, 2018.
- (2) Consulting fees paid to Jim Mustard from July 18, 2017 to March 31, 2018
- (3) Consulting fees paid to Helston Capital Corp., a company controlled by Jeremy South, a director of the Company from July 18, 2017 to March 29, 2018.
- (4) Consulting fees paid to Ron Hughes for the period April 1, 2017 to his resignation on May 8, 2017.
- (5) Consulting fees paid to Kenneth de Graaf for the period May 8, 2017 to his resignation on November 27, 2017.
- (6) This amount represents the theoretical fair value, on the date of grant, of stock options granted under the Plan during each fiscal year. There was no cash compensation paid to any of the NEOs disclosed in the above table in connection with "option-based awards". The grant date fair value has been calculated using the Black Scholes Merton model according to IFRS 2 – Share-Bases Payments and will be recognized over the vesting term of the option. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free, expected stock price volatility, expected life and expected dividend yield.

### OPTION-BASED AWARDS

No NEO or Director received or exercised any incentive stock options or compensation securities during the financial year ended March 31, 2018 and no NEO or Director has any stock options outstanding.

### EMPLOYMENT, CONSULTING AND MANAGEMENT AGREEMENTS

Management functions of the Company are not, to any substantial degree, performed other than by Directors or NEOs of the Company. There are no agreements or arrangements that provide for compensation to NEOs or Directors of the Company, or that provide for payments to a NEO or Director at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, severance, a change of control in the Company or a change in the NEO or Director's responsibilities.

### PART 5 – SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information in respect of securities authorized for issuance under the Company's equity compensation plans as at March 31, 2018.

Plan Category	Number of securities to be issued on exercise	Weighted-average exercise price of outstanding securities	Number of securities available for future issuance
Equity compensation plans approved by shareholders (1)	310,000	\$0.38	911,769
Equity compensation plans not approved by shareholders	-	-	-
Total	310,000	\$0.38	911,769

- (1) The Stock Option Plan is detailed under the heading Part 3: Business of the Meeting – "Renewal of Stock Option Plan"

## **PART 6 – AUDIT COMMITTEE DISCLOSURE**

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### **CHARTER OF THE AUDIT COMMITTEE**

The Audit Committee has a charter that sets out its mandate and responsibilities. A copy of the charter is attached to this Information Circular as Schedule "A".

### **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee is chaired by Paul Mainwaring, with Jim Mustard and Elena Tanzola comprising the remainder of the Committee who reviewed audited financial statements for the fiscal year ended March 31, 2018. Paul Mainwaring and Jim Mustard are independent, and Elena Tanzola is not independent as she is the Company's Interim President and Chief Executive Officer. All committee members are financially literate and have the ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. "Independent" and "financially literate" have the meaning used in NI 52-110.

### **RELEVANT EDUCATION AND EXPERIENCE**

The relevant education and experience of such members is as follows:

**Paul Mainwaring** – Mr. Mainwaring has over fifteen years' experience in corporate finance and in the last eleven years, whilst at Endeavour Financial, has focussed on financings in the natural resources sector. Mr. Mainwaring has extensive experience in cash flow modelling, financial analysis, valuation, debt advisory, deal structuring and the negotiation, documentation and execution of mining finance transactions and re-financings. Prior to joining Endeavour Financial in 2006, he worked for PricewaterhouseCoopers in their Valuation & Strategy department and was involved in valuation assignments and corporate transactions across a range of sectors and also previously worked as a chemical engineer in the petrochemical and pharmaceutical industries. CFA qualified.

**Jim Mustard** – Mr. Mustard has over 15 years as both a VP and a Senior Mining Analyst with Haywood Securities and as a VP Investment Banking, Mining, with PI Financial Inc. He is currently a director and VP Exploration of Explorex Resources Inc., a director and CEO of Four Nines Gold Inc., a director and Chair of the Audit Committee of Kilo Goldmines Inc. and Director and President of Goldblock Capital Inc. a private company.

**Elena Tanzola** - Prior to being appointed as Interim President and CEO, Ms. Tanzola, had over seven years of experience in the metals and mining industry, with a primary focus on equity research and financial modelling for mining projects and provided corporate finance and corporate development services to public resource companies, including 2 years' experience as an M&A analyst for a gold producer.

### **RELIANCE ON CERTAIN EXEMPTIONS**

During the most recently completed financial year, the Company relied on the exemption set out in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

During the most recently completed financial year, the Company has not relied on certain exemptions set out in NI 52-110, namely section 2.4 (De Minimis Non-audit Services), subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), subsection 6.1.1(5) (Events Outside Control of Member), subsection 6.1.1(6) (Death, Incapacity or Resignation), and any exemption, in whole or in part, in Part 8 (Exemptions).

## AUDIT COMMITTEE OVERSIGHT

At no time was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted formal policies and procedures for the engagement of non-audit services. Subject to the requirements of the NI 52-110, the engagement of non-audit services is considered by, as applicable, the Board and the Audit Committee, on a case by case basis.

## EXTERNAL AUDITOR SERVICE FEES

Except as noted, all dollar amounts herein are in Canadian dollars. Fees, for professional services rendered by Dale Matheson Carr-Hilton Labonte LLP to the Company were:

	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2017
<b>Audit Fees</b> <sup>[1]</sup>	\$17,500	\$13,260
<b>Audit Related Fees</b> <sup>[2]</sup>	-	-
<b>Tax Fees</b> <sup>[3]</sup>	-	-
<b>Total fees</b>	\$17,500	\$13,260

(1) "Audit Fees" represent the fees for the audit of the Company's consolidated financial statements for the financial year ended March 31, 2018, and March 31, 2017.

(2) "Audit Related Fees" represent the fees for the review of the Company's interim consolidated financial statements and services normally provided by the accountant in connection with the Company's interim statutory and regulatory filings.

(3) "Tax Fees" represent the fees for tax services consisting of tax compliance and tax planning and advice.

## PART 7 – CORPORATE GOVERNANCE DISCLOSURE

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The following is a summary of Cipher Resources Inc's approach to Corporate Governance.

### Board of Directors

The board of directors of the Company (the "Board") supervises the CEO and the CFO. Both the CEO and CFO are required to act in accordance with the scope of authority provided to them by the Board

### Directorships

Certain of the directors of the Company are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director	Directorships (other reporting issuer or equivalent in a foreign jurisdiction)
Jim Mustard	Explorex Resources Inc. Four Nines Gold Inc. Kilo Goldmines Inc.

## **Orientation and Continuing Education**

The Board does not have a formal process for the orientation of new Board members. Orientation is done on an informal basis. New Board members are provided with such information as is considered necessary to ensure that they are familiar with the Company's business and understand the responsibilities of the Board.

The Board does not have a formal program for the continuing education of its directors. The Company expects its directors to pursue such continuing education opportunities as may be required to ensure that they maintain the skill and knowledge necessary to fulfill their duties as members of the Board. Directors can consult with the Company's professional advisors regarding their duties and responsibilities, as well as recent developments relevant to the Company and the Board.

## **Ethical Business Conduct**

The Board has not adopted a formal code of ethics. In the Board's view, the fiduciary duties placed on individual directors by corporate legislation and the common law, and the restrictions placed by corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Although the Company has not adopted a formal code of ethics, the Company promotes an ethical business culture. Directors and officers of the Company are encouraged to conduct themselves and the business of the Company with the utmost honesty and integrity. Directors are also encouraged to consult with the Company's professional advisors with respect to any issues related to ethical business conduct.

## **Nomination of Directors**

The identification of potential candidates for nomination as directors of the Company is primarily done by the CEO, but all directors are encouraged to participate in the identification and recruitment of new directors. Potential candidates are primarily identified through referrals by business contacts.

## **Compensation**

The compensation of directors and the CEO is determined by the Board as a whole. Such compensation is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and nature, and the availability of financial resources.

## **Other Committees**

The Board does not have any standing committees other than the Audit Committee.

## **Assessments**

The Board does not have any formal process for assessing the effectiveness of the Board, its committees, or individual directors. Such assessments are done on an informal basis by the CEO and the Board as a whole.

## **PART 8 – OTHER INFORMATION**

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

No individual who is, or at any time during the fiscal year ended March 31, 2018, was, a director or proposed nominee for election as a director of the Company, an executive officer or senior officer and no associate or affiliate of any such person, is indebted to the Company or to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, except for routine indebtedness.

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

Other than as disclosed in this Information Circular no informed person of the Company, nominee for director, or any associate or affiliate of an insider or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

On May 5, 2018, the Company entered into agreements with Endeavour Financial and with Cipher Research pursuant to which Endeavour Financial and Cipher Research will identify, evaluate, structure and assist in the execution of opportunities primarily in lower-mid market precious and base metal mining projects, specifically those in production or development stage. Each agreement is for an initial term of four years, renewable for one-year terms annually thereafter unless terminated pursuant to their terms. Each of Endeavour Financial and Cipher Research will be paid a fee for its services equal to one-half of one percent (0.5%) per annum of the total amount of capital invested by the Company in projects during that annual period; and three and three quarters percent (3.75%) of the gross profits received by the Company (the "Fee") during that annual period, provided that the Fee shall be no less than \$12,500 per month to each of Endeavour Financial and Cipher Research.

### **MANAGEMENT CONTRACTS**

The management functions of the Company and its subsidiaries are not performed to any substantial degree by any person or company other than the directors and officers of the Company or its subsidiaries.

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

Other than as disclosed in this Information Circular, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, "Person" shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company's last fiscal year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

### **RESTRICTED SECURITIES**

There are no actions to be taken by the Company that would involve a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities.

### **OTHER BUSINESS**

It is not known that any other matters will come before the Meeting other than as set forth above and in the Notice of Meeting, but if such should occur the persons named in the accompanying form of proxy intend to vote on them in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters identified in the Notice of Meeting and other matters which may properly come before the meeting or any adjournment thereof.



## **ADDITIONAL INFORMATION**

You may obtain additional financial information about Cipher Resources in our Financial Statements and Management's Discussion and Analysis for the fiscal year ended March 31, 2018, by completing the enclosed Financial Statement Request Form, which is being mailed with this Information Circular. Copies may be obtained without charge upon request to us at: Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6 - telephone (604) 536-2711; fax (604) 536-2788. You may also access our disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.cipherresources.com](http://www.cipherresources.com).

## **BOARD APPROVAL**

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

Dated at Vancouver, British Columbia, this 24<sup>th</sup> day of August 2018.

**ON BEHALF OF THE BOARD,**

*"Elena Tanzola"*

**Interim President & CEO, and Director**

## **SCHEDULE “A” – AUDIT COMMITTEE TERMS OF REFERENCE**

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### **CIPHER RESOURCES INC.** (the “Company”)

#### **CHARTER OF THE AUDIT COMMITTEE**

##### **1. MANDATE**

The primary mandate of the audit committee (the “Audit Committee”) of the Board of Directors (the “Board”) of the Company 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.

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

- 2.1 The Audit Committee must have at least three directors.
- 2.2 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 the Company. A material relationship means a relationship which could, in the view of the Company’s board of directors, reasonably interfere with the exercise of a member’s independent judgment.
- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 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.

##### **3. MEETINGS**

- 3.1 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.
- 3.2 Quorum for a meeting of the Audit Committee will be two (2) members in attendance.

- 3.3 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.
- 3.4 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.
- 3.5 Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the Audit 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.
- 3.6 A resolution consented to in writing, whether by document, telegram, telex, facsimile or any method of transmitting legibly recorded messages, by all of the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the members of the Audit Committee duly called and held. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Members of the Audit Committee and shall be effective on the date stated thereon. Copies of such consent resolutions must be distributed to members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

#### **4. RESPONSIBILITIES OF THE COMMITTEE**

- 4.1 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**

- (g) review and discuss with management and the external auditor the annual audited financial statements of the Company and recommend their approval by the Board;

- (h) review and discuss with management, the quarterly financial statements and recommend their approval by the Board;
- (i) review and recommend to the Board for approval the financial content of the annual report;
- (j) review the process for the certification of financial statements by the Chief Executive Officer and Chief Financial Officer;
- (k) 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;
- (l) review annually with external auditors, the Company's accounting principles and the reasonableness of managements' judgments and estimates as applied in its financial reporting;
- (m) 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**

- (n) 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;
- (o) review adequacy of security of information, information systems and recovery plans;
- (p) review management plans regarding any changes in accounting practices or policies and the financial impact thereof;
- (q) 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;
- (r) 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;
- (s) assist management in identifying the Company's principal business risks;
- (t) review the Company's insurance, including directors' and officers' coverage, and provide recommendations to the Board;

#### **Other**

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

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

- 5.1 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.
- 5.2 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.

## **6. REPORTING**

- 6.1 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) 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.

## **7. AUTHORITY OF THE COMMITTEE**

- 7.1 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.
- 7.2 The external auditor will report directly to the Audit Committee.

## **SCHEDULE "B" – INCENTIVE STOCK OPTION PLAN**

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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) "Affiliate" has the meaning ascribed thereto by the Exchange;
- (b) "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;
- (c) "Charitable Option" means a stock option or equivalent security granted by the Corporation to an Eligible Charitable Organization;
- (d) "Common Shares" means the common shares of the Corporation;
- (e) "Consultant" means an individual who:
  - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Issuer or to an Affiliate of the Issuer, other than services provided in relation to a Distribution;
  - (ii) provides the services under a written contract between the Issuer or an Affiliate of the Issuer and the individual or the Company, as the case may be;
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention of the affairs and business of the Corporation or an Affiliate of the Corporation; and
  - (iv) has a relationship with the Issuer or an Affiliate of the Issuer that enables the Consultant to be knowledgeable about the business and affairs of the Issuer or an Affiliate of the Issuer.and includes a company of which a Consultant is an employee or shareholder and a partnership of which a Consultant is an employee or partner;
- (f) "Consultant Company" means a Consultant that is a company;
- (g) "Corporation" means Cipher Resources Inc. and its successor entities;
- (h) "Director" means a director, senior officer or Management Company Employee of an Issuer, or of an unlisted company seeking a listing on the Exchange, or a director, senior officer or Management Company Employee of an Issuer or an unlisted company subsidiary or an Affiliate;
- (i) "Disinterested Shareholder Approval" has the meaning ascribed thereto by the Exchange in "Policy 4.4 – Incentive Stock Options" of the Exchange's Corporate Finance Manual;
- (j) "Eligible Charitable Organization" has the same meaning as set forth in Policy 4.7 – *Charitable Options in Connection with an IPO*;
- (k) "Eligible Person" means a Director, Officer, Employee or Consultant;
- (l) "Employee" means an individual who:

- (i) is considered an employee of the Corporation or an Affiliate under the *Income Tax Act*, i.e. for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source,
- (ii) works full-time for the Corporation or an Affiliate providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or the Affiliate over the details and method of work as an employee of the Corporation or the Affiliate, but for whom income tax deductions are not made at source, or
- (iii) works for the Corporation or an Affiliate 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 or the Affiliate over the details and method of work as an employee of the Corporation or the Affiliate, but for whom income tax deductions are not made at source;

(m) "Exchange" means the TSX Venture Exchange and any successor entity;

(n) "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;

(o) "Insider" has the meaning ascribed thereto by the Exchange;

(p) "Investor Relations Activities" has the meaning ascribed thereto by the Exchange;

(q) "Management Company Employee" means an individual who is employed by a person providing management services to the Corporation or an Affiliate which are required for the ongoing successful operation of the business enterprise of the Corporation or the Affiliate, but excluding a person providing Investor Relations Activities;

(r) "Option" means an option to purchase Common Shares pursuant to this Plan;

(s) "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;

(t) "Participant" means an Eligible Person who has been granted an Option; and

(u) "Plan" means this Stock Option Plan.

## **1.2 Interpretation**

(a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.

## **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 and its Affiliates;
- (b) encouraging Eligible Persons to remain with the Corporation or its Affiliates; 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 or issued in any 12 month period is limited to 10% of the issued and outstanding securities of the Corporation. 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 (subject to the approval of the Exchange if such vesting is mandatory under the policies of the Exchange), including the accelerated vesting thereof on conditions the Board deems advisable, 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. 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;
- (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, subject to the terms of this Plan.

#### **4.2 Option Agreement**

Every Option shall be evidenced by an option agreement executed by the Corporation and the Participant, which shall, if the Participant is an Employee, Consultant or Management Company Employee, contain a representation and warranty by the Corporation and such Participant that such Participant is a bona fide Employee, Consultant or Management Company Employee, as the case may be, of the Corporation or an Affiliate. 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 Eligible Persons. The aggregate number of Common Shares reserved for issuance to any one Eligible 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 aggregate 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 Participants conducting Investor Relations Activities. The aggregate number of Common Shares reserved for issuance to all Eligible Persons conducting Investor Relations Activities 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 Insiders. Unless the Corporation has received Disinterested Shareholder Approval to do so, 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 grant.

## **ARTICLE 5**

### **OPTION TERMS**

#### **5.1 Exercise Price**

(a) Subject to a minimum exercise price of \$0.05 per Common Share, the exercise price per Common Share for an Option shall not be less than the "Discounted Market Price", as calculated pursuant to the policies of the Exchange, or such other minimum price as may be required or permitted by the Exchange.

(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 (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; and
- (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.

#### **5.2 Expiry Date**

Every Option shall 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 (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 12 months with no more than  $\frac{1}{4}$  of such Options vesting in any 3 month period.

#### **5.4 Non-Assignability**

Options may not be assigned or transferred.

#### **5.5 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 six months after the date of the Participant's death, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is twelve months after the date of the Participant's death.

(c) If a Participant ceases to be an Eligible Person other than in the circumstances set out in subsection (a) or (b) herein, 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 90 days after such event, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is twelve months after such event, and further provided that the Board may, in its discretion, on a case-by-case basis and only with the approval of the Exchange, further extend the date of such termination and the resulting period in which such Option remains exercisable to a date exceeding the date which is after twelve months of such event.

(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 Section 5.5(b).

(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 further and subject to the approval of the Exchange where the vesting of the said Participant's options was a requirement of the Exchange's policies, 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 registered office:

(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) the originally 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.

## **6.2 Withholding**

The Corporation may withhold from any amount payable to an optionee, either under this Plan or otherwise, such amount as it reasonably believes is necessary to enable the Corporation to comply with the applicable requirements of any federal, provincial, local, or foreign law, or any administrative policy of any applicable tax authority, relating to the withholding of tax or any other required deductions with respect to options ("**Withholding Obligations**"). The Corporation may also satisfy any liability for any such Withholding Obligations, on such terms and conditions as the Corporation may determine in its discretion, by (a) requiring an optionee, as a condition to the exercise of any Options, to make such arrangements as the Corporation may require so that the Corporation can satisfy such Withholding Obligations including, without limitation, requiring the optionee to remit to the Corporation in advance, or reimburse the Corporation for, any such Withholding Obligations or (b) selling on the optionee's behalf, or requiring the optionee to sell, any Shares acquired by the optionee under the Plan, or retaining any amount which would otherwise be payable to the optionee in connection with any such sale.

## **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.

## **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 British Columbia and the federal laws of Canada applicable therein. The Courts of the Province of British Columbia shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.